



Bi-Annual Market Newsletter

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P03

**TTSEC Strategic Stakeholder
Engagement Forum - A Step
Towards a Vibrant Capital
Market**

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Credits

The TTSEC Market Newsletter is a bi-annual publication of the Trinidad and Tobago Securities and Exchange Commission.

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MESSAGE FROM CHIEF EXECUTIVE OFFICER



In this issue of our bi-annual Market Newsletter, we highlight several key strategic engagement initiatives. These include a courtesy call on the Chief Secretary, a meeting with the Tobago Division of the Trinidad and Tobago Chamber of Industry and Commerce, and a successful forum focused on invigorating the country's capital market.

Strategic stakeholder engagement remains a high priority for the TTSEC, as we continue to emphasise collaboration and consultation among all primary players in the securities industry. Our goal is to facilitate the sustained growth and development of the sector.

Additionally, this issue features the Risk-Based Capital and Liquidity Requirements Bye-Laws (RBCAL By-Laws), which are intended to produce a scalable framework to assist the TTSEC in discharging its functions under Section 6 of the legislation.

Key enhancements in our beneficial ownership regime will be discussed to ensure all stakeholders are aware of our transparency thrust as well as their responsibilities for effective reporting. Act No. 1 of 2024, enacted in February 2024, amends several pieces of legislation, including the Securities Act. This adjustment requires all entities, including publicly listed entities, play an active and deliberate role in ensuring that the ultimate owners can be appropriately recognised.

Moreover, the TTSEC and other supervisory authorities are preparing for Trinidad and Tobago's 5th Round FATF Mutual Evaluation, scheduled for 2026. The Financial Action Task Force (FATF) is the global standard-setting body established to combat money laundering, terrorist financing, and other threats to the integrity of the international financial system. As a member of the Caribbean Financial Action Task Force (CFATF), Trinidad and Tobago will be assessed for technical compliance with FATF Recommendations and the effectiveness of its AML/CFT systems.

In addition to these highlights, there are other articles of interest in this issue including on the National Brand Awareness, Perception and Knowledge-based Survey, Securities (Collective Investment Scheme) Bye-Laws, 2023; TTSE Contingency Fund & TTCD Settlement Assurance Fund and IE Month.

Kester Guy
Kester Guy

Chief Executive Officer

TTSEC Strategic Stakeholder Engagement Forum:

A Step Towards a Vibrant Capital Market

Trinidad and Tobago Securities and Exchange Commission ("TTSEC") held its highly anticipated Strategic Stakeholder Engagement Forum, on the theme 'Invigorating the Trinidad and Tobago Capital Market', on June 14, 2024, at the Hyatt Regency Trinidad. This event gathered 97 market participants, including representatives from regulatory authorities, financial associations, and key market stakeholders, to discuss the future of the capital market in Trinidad and Tobago.

The Honourable Brian Manning, Minister in the Ministry of Finance, delivered the keynote address on the topic 'Importance of the Securities Industry to the National Economy'.

Minister Manning emphasised the securities industry's vital role in driving economic growth, fostering resilience, and shaping the nation's future. He outlined a strategic vision for leveraging the market's potential, addressing challenges, and seizing opportunities for sustained economic prosperity.

The Minister stated that the equity market remains the largest segment of our local securities market, measured by the variable Market Capitalisation, which serves as an indicator of the securities market's contribution to the economy. And that despite experiencing an average annual decrease of 4 percent over the last five years, as of December 2023, the market capitalisation of the Trinidad and Tobago Dollar (TTD) equity and mutual fund markets amounted to **TT\$122.53 billion**.

He pointed out that the market continues to exhibit signs of growth, with the number of trades and traded volume in the Secondary Market **increasing by 81.65 percent and 47.11 percent**, respectively.

In his opening remarks, Mr. Imtiaz Hosein, Chairman of the TTSEC, emphasised the Commission's commitment to fostering a vibrant and resilient capital market, stating: *"Our primary responsibility is to create and promote conditions necessary for the orderly growth, regulation, and development of the securities industry"*. The Chairman also underscored the importance of collaboration with stakeholders to identify strengths, weaknesses, opportunities, and threats in the market, aiming to enhance its performance and sustainability.

Both the Minister and Chairman stressed the need for a forward-looking and collaborative regulatory approach.

A key aspect of the forum was a panel discussion, with audience interaction, centered on the theme. The industry panel comprised: Ms. Karen Darbasie, Group Chief Executive Officer - First Citizens Bank; Mr. Ian Narine, Chairman - Trinidad and Tobago Stock Exchange; Ms. Crystal Rodriguez-Greaves, Chief Investments Officer - Unit Trust Corporation of Trinidad and Tobago; Mr. Dereck Rajack, Chief Executive Officer - Caribbean Information & Credit Rating Services Limited and Mr. Wade George, Executive Chairman - Ernst & Young Caribbean.

“ I think there should be a part 2 to this where we hear from the SEC on how the feedback received from this forum has been implemented or will be implemented into the regulations and the operations of the TTSEC to improve efficiencies and help with the invigoration of the capital markets. ”

Ms. Maria Pardais, First Citizens Bank

“ This particular forum raised the issues prevalent in the capital market, which it seems most participants agreed with, however, almost all present, were sceptical about seeing real change and developments to improve on the issues raised. I would suggest in an effort to gain stakeholder confidence that at the end of the forum, a tentative date be given when an update on changes and developments will be provided. Following through with this will show that there is value in attending these forums. ”

Ms. Sharla Maharaj, JMMB

“ More audience participation ”

Ms. Jennifer Lutchman, PS Ministry of Finance

In his summary, Mr. Kester Guy, Chief Executive Officer, informed the market that the next step would involve collaboration on identifying the key issues and establishing working groups from amongst the participants, at the forum, on strategies for implementation and resolution of key market friction.

“ Further engagement on the interconnectivity between regulators may be a useful topic to explore ”

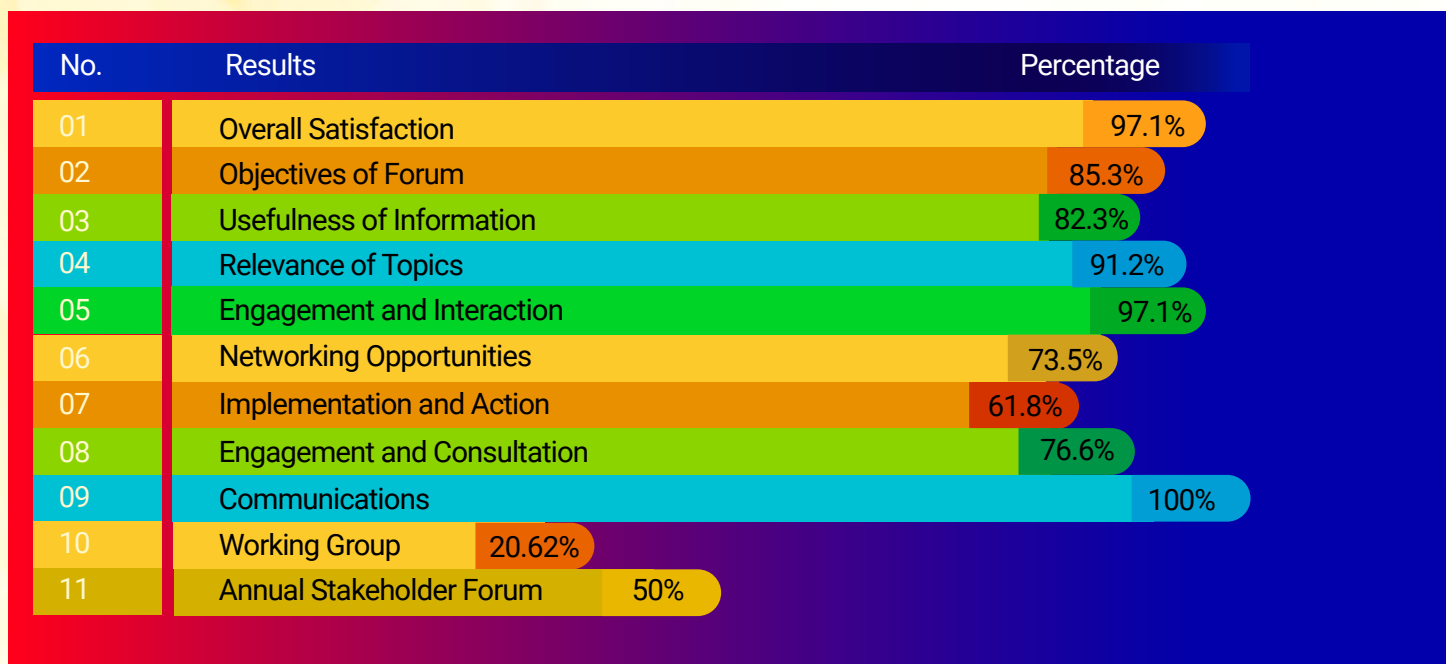
Ms. Nicole-Anna de Silva, RBC Financial (Caribbean) Limited

The TTSEC Strategic Stakeholder Engagement Forum marked a significant step towards invigorating Trinidad and Tobago's capital market. With the collective effort of all stakeholders, the market is poised for growth, enhanced transparency, and increased investor confidence, driving economic prosperity for the nation.

Stakeholder Forum Participant Survey

A survey was conducted among the participants at the Strategic Stakeholder Engagement Forum which attracted a 35.5% response rate or 34 of the 97 people in attendance completed the survey. Among other things, the survey sought to assess overall satisfaction; evaluate achievement of objectives; gauge usefulness of information; measure engagement and interaction; identify actionable insights; collect suggestions for improvement and determine interest among participants to serve on the Capital Market Working Group/s, to be formed by the TTSEC.

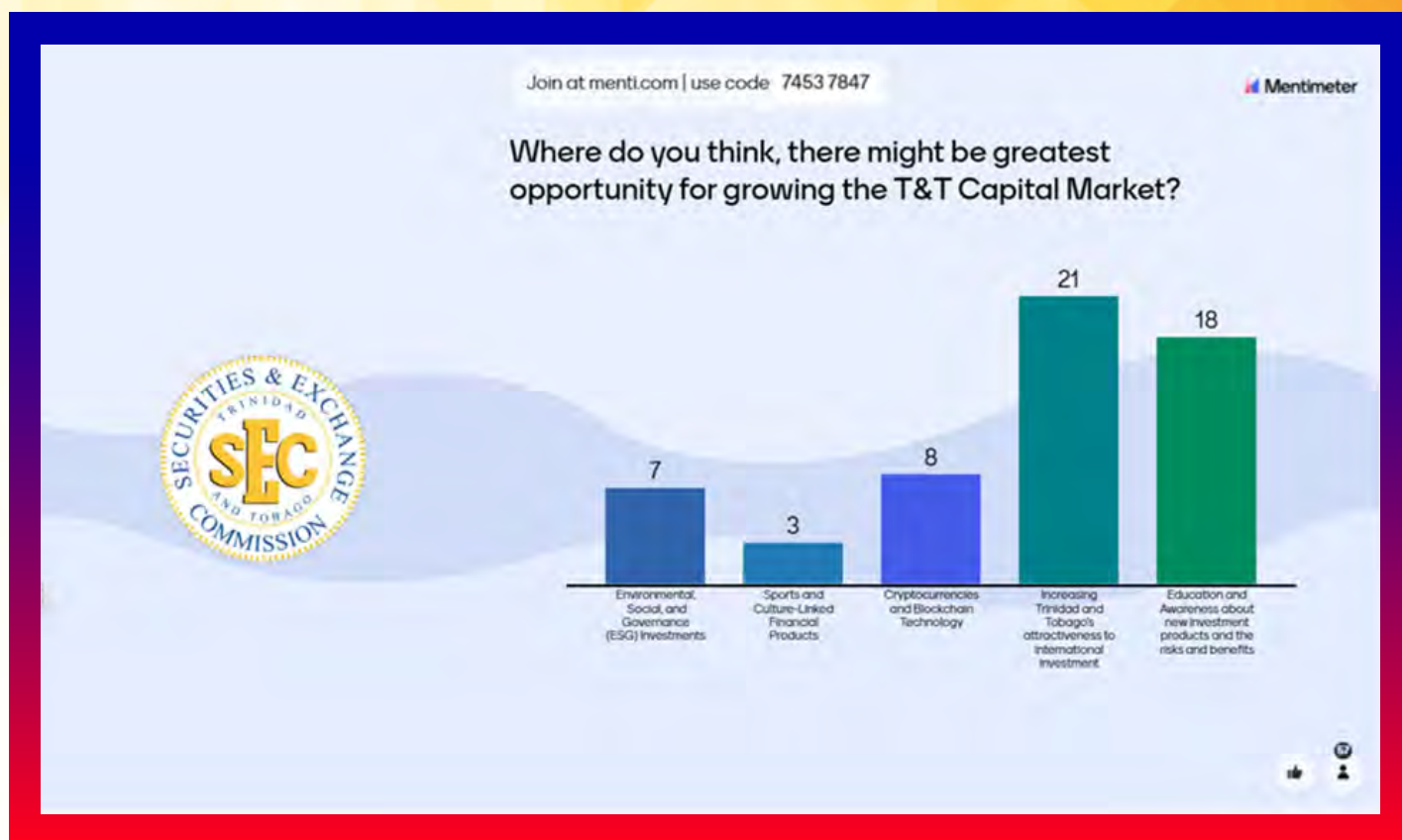
Snapshot of the Cumulative Results:



Twenty (20) market participants have registered their interests to serve on the working groups that are to be established by the TTSEC while 50% of respondents to the survey want the forum to be held annually, as opposed to 29% who felt it should be held bi-annually.

Results of the Live Poll Question

Of the 57 market participants who answered the live online poll question, 37% feel that increasing Trinidad and Tobago's attractiveness to investment presents the greatest opportunity for growing our capital market. Meanwhile, 31.58% believe there should be a focus on education and awareness about new investment products and their associated risks and benefits.



Tobago Strategic Engagements



The Honourable Farley Chavez Augustine, Chief Secretary of the Tobago House of Assembly and Secretary of the Division of Finance, Trade and The Economy, photographed along with TTSEC Chairman, Mr. Imtiaz Hosein, Chief Executive Officer, Mr. Kester Guy and Ms. Ellen Lewis, Manager - Corporate Communication and Education.

The TTSEC continued its strategic engagement initiative with key stakeholders through a visit to Tobago, May 14th - 15th 2024.

Chairman of the Board of Commissioners, Mr. Imtiaz Hosein, led a delegation on a courtesy call to the Honourable Farley Chavez Augustine, Chief Secretary of the Tobago House of Assembly (THA) and Secretary of the Division of Finance, Trade, and The Economy. During this meeting, they discussed areas for collaboration, including opportunities for growing the island's investment climate and enhancing investor protection.

The THA team included Dr. Selvon Hazel, Chief Economist; Mr. Anselm Richards, Chief Technical Advisor; and Keshon Morton, Deputy Programme Coordinator of the Financial Literacy Secretariat.



Accompanying the Chairman from the TTSEC were Mr. Kester Guy, Chief Executive Officer and Ms. Ellen Lewis, Manager - Corporate Communication and Education.

Additionally, a meeting was held with the Tobago Division of the Trinidad and Tobago Chamber of Industry and Commerce (TTCIC) led by President of the Tobago Division, Mr. Curtis Williams. The TTSEC was represented by the CEO.

The discussion centred around the role of the regulator, access to capital, and the need for targeted financial literacy and investor education programmes aimed at specific groups, including the elderly, fisherfolk, and banking and credit union customers.

Tobago Division, TTCIC President Mr. Curtis Williams, at centre, in this photo with TTSEC CEO, Mr. Kester Guy and Ms. Ellen Lewis, Manager - Corporate Communication and Education.







New Appointment of Commissioners

Two new appointments to the Board of Commissioners of the Trinidad and Tobago Securities and Exchange Commission have been announced.

The appointments of **Mr. Christopher L. Sandy** and **Ms. Marlene Murray** were made by the President, in accordance with the provisions of Sections 10 (2) and 12 (1) of the Securities Act Chapter 83:02, of the Laws of the Republic of Trinidad and Tobago, effective June 10th 2024.

They will serve for a term of three years and bring to nine (9) the full composition of the Board.

The membership of the Board now consists of the following:

Name	Designation
Mr. Imtiaz Hosein	Commissioner and Chairman
Mr. Anthony Bullock	Commissioner and Deputy Chairman
Ms. Marie-Suzanne Borely	Commissioner
Ms. Angela D. Hordatt	Commissioner
Ms. Amerelle T.S. Francis	Commissioner
Ms. Zahrah Mohammed	Commissioner
Mr. Dillon Teelucksingh	Commissioner
Mr. Christopher L. Sandy	Commissioner
Ms. Marlene Murray	Commissioner

SECURITIES (COLLECTIVE INVESTMENT SCHEME) BYE-LAWS, 2023

What is a Collective Investment Scheme ("CIS")?

A collective investment scheme (CIS), also referred to as an "investment fund" or a "mutual fund", can be defined as an investment product where investors contribute payments toward a pool of investments which is then managed by a professional fund manager on behalf of these investors. An individual, who contributes payments in this pool of funds, in essence purchases units within the CIS and can be referred to as a unitholder.

CISs can either be open-ended or closed-ended. Open-ended CISs continually create new units and allow unitholders the ability to redeem their units at the prevailing Net Asset Value (NAV) per unit. On the other hand, closed-ended CISs are usually listed on a securities exchange (such as the Trinidad and Tobago Stock Exchange) and have a finite number of units outstanding so that investors must purchase units from other investors within a secondary market after the initial offer of the units on the primary market has ended.

The TTSEC is responsible for the regulation of the mutual fund sector. The Securities (Collective Investment Schemes) Bye-Laws, 2023 ("the CIS Bye-Laws") formally became legislation on May 8th, 2023, after an extensive consultation process that commenced in 2016. This marked a significant milestone for the CIS industry. The CIS Bye-Laws replaced the Guidelines for Collective Investment Schemes established under Section 6(b) of the Securities eligible for Industry Act 1995,

which had previously outlined the regulatory framework for this sector of the securities market. The new Bye-Laws are aimed at reinforcing the TTSEC's supervision and enforcement powers, in relation to the regulation of mutual funds. Market participants and interested individuals are encouraged to read the CIS Bye-Laws which can be accessed via the following link:

https://www.ttsec.org.tt/legal-framework/?_sft_category=cis-bye-laws.

Among other things, the CIS Bye-Laws seek to enhance the requirements for the Authorisation of mutual funds. Pursuant to Bye-Law 9 of the CIS Bye-Laws, all mutual funds are required to be authorised by the TTSEC in accordance with the Bye-Laws, in order to be distributed in Trinidad and Tobago. Furthermore, in accordance with Bye-Law 10(1)(e) of the CIS Bye-Laws, with every application for Authorisation of a CIS, the sponsor will be required to submit documentary evidence of the appointment of the persons listed below to provide services to the CIS:

- **A CIS Manager** – A CIS Manager will be responsible for ensuring that the assets of the CIS are invested in accordance with the investment objectives and restrictions outlined in the constituent documents of



the CIS. The CIS Manager will be required to be registered with the Commission as a Broker-Dealer or a Restricted Broker-Dealer in accordance with Bye-Law 22.

- **A Responsible Person** – A Responsible Person will be responsible for supervising the CIS and ensuring that it is being managed in accordance with the offering documents, the relevant governing legislations, and the acceptable business practices that exist within the mutual fund industry. The Responsible Person of the CIS will be required to be authorised by the Commission in accordance with Bye-Law 34.
- **A Custodian** – A Custodian will be responsible for ensuring a clear separation of CIS assets, both physically and legally, to safeguard the entitlement of investors in the CIS and for maintaining internal controls and records in respect of the CIS assets in its care. The Custodian of the CIS will be required to be authorised by the Commission in accordance with Bye-Law 44.

These individuals are required to comply with the Bye-Laws and must also be either registered or authorised by the TTSEC.

Moreover, as a result of these new Bye-Laws coming into force, persons should take note of the **Transitional Provisions** in the CIS Bye-Laws as it relates to the following:

- *Collective Investment Schemes that existed prior to the CIS Bye-Laws coming into effect*

According to Bye-Law 168, any CIS deemed registered under Section 62(8) of the Securities Act, Chapter 83:02 of the Laws of Trinidad and Tobago (the "Act"), or in respect of which a receipt for prospectus was issued under Section 73 of the Act are deemed to be authorised under Bye-Law 12. Consequently, these CISs may still be issued in Trinidad and Tobago for a period of two years after the CIS Bye-Laws come into force. In this timeframe, the CIS' Responsible Person must submit the necessary documents to fulfil the authorisation requirements outlined in **Bye-Law 10**.

When the transitional period ends, the Responsible Person is required to stop distributing the CIS if the Commission has not authorised the CIS by that point.

- **CIS Managers**

If a CIS is deemed to be authorised under Bye-Law 168, the company carrying out the duties of CIS Manager for that CIS is deemed registered under Bye-Law 24.

This company is authorised to carry out the duties of a CIS Manager for that CIS for two (2) years from when the Bye-Laws came into effect. The CIS Manager must adhere to the registration requirements specified in Bye-Law 23 by the end of the two-year transitional period. If the CIS Manager fails to meet the registration requirements within the two-year transition period, they will have to stop carrying out the duties of a CIS Manager at the end of the transitional period.

- **Responsible Persons**

If a CIS is deemed to be authorised under Bye-Law 168, the person acting as the Responsible Person for that CIS is also deemed authorised under Bye-Law 36. This person can still carry out the duties of a Responsible Person for that CIS for a duration of two (2) years from when the Bye-Laws came into effect. The Responsible Person must fulfil the authorisation requirements specified in Bye-Law 35 during this period. If the Responsible Person fails to meet the authorisation requirements during the two-year transitional period, they must stop carrying out the duties of a Responsible Person at the end of the transitional period.

- **Custodians**

If a CIS is deemed to be authorised under Bye-Law 168, the person carrying out the duties of Custodian for that CIS is deemed authorised under Bye-Law 46. This individual is authorised to keep carrying out the duties of a Custodian for that CIS for a period of two (2) years from the time the Bye-Laws came into effect. The Custodian must adhere to the authorisation requirements specified in Bye-Law 45. If the Custodian fails to meet the authorisation requirements within the two-year transition period, they must stop carrying out Custodian activities at the end of the transitional period.

As part of the registration and authorisation processes referred to above, the TTSEC has developed checklists that identify the necessary documents to be submitted. These checklists can be found on the Commission's website via the following URL: <https://www.ttsec.org.tt/easi/checklists-for-registration-and-renewal-of-registration/>.

Should persons have any questions or concerns in relation to the CIS Bye-Laws, these may be sent via email to cisbye-laws@ttsec.org.tt

Staff of the TTSEC are committed to helping and supporting our Registrants throughout this process.



TTSEC National Survey

Completion of Data Collection Phase

The Trinidad and Tobago Securities and Exchange Commission ("TTSEC") recently completed the data collection phase of its National Brand Awareness, Perception, and Knowledge-based Survey, regarding financial investments. This survey, conducted by Market Facts & Opinions (2000) Limited over the period May 1st to June 14th 2024, is a critical step in understanding the public's familiarity and attitudes towards various financial products and the TTSEC itself. The findings will inform our efforts to enhance public education and investor protection.

Aims & Objectives

The primary aims of the survey are:

- **Assess Awareness:** Measure the public's awareness of different financial investment products.
- **Understand Usage:** Identify which financial products are currently being used by individuals.
- **Gauge Attitudes:** Explore the public's attitudes towards investing and their willingness to engage in financial markets.
- **Evaluate Knowledge:** Assess the level of knowledge about investment products, including the risks and rewards associated with them.
- **Identify Sources of Information:** Determine where individuals get their information and advice about investment products.
- **Investigate Fraud Awareness:** Examine the public's experience with and perception of investment fraud and scams.
- **Assess TTSEC's Reach:** Evaluate the public's awareness of TTSEC and its effectiveness in promoting investment safety and education.

Survey Methodology

The survey was designed to be comprehensive and representative of the national population. Key sections included:

- **Investment Product Awareness and Usage:** Questions on awareness and personal usage of financial products such as treasury bills, mutual funds, stocks, and crypto assets.
- **Attitudes Towards Investing:** Classification of respondents based on their investment outlook (aggressive, passive, conservative, or non-investor).
- **Knowledge of Investment Products:** Self-assessment of respondents' knowledge on investment products and their mechanics.
- **Sources of Information:** Identification of primary sources from which respondents learn about or get advice on investment products.
- **Experience with Investment Fraud:** Exploration of respondents' experiences with fraudulent schemes and their responses to such incidents.
- **Awareness of TTSEC:** Measurement of the public's recognition of TTSEC and their perceptions of its effectiveness.

Data Collection

The data collection process was carried out via an online survey and through structured interviews. Participants were selected across various demographics to ensure a comprehensive representation of the population.

The completion of the data collection phase marks a significant milestone in the TTSEC's ongoing efforts to promote financial literacy and investor protection. The insights gained from this survey will be instrumental in shaping future strategies and interventions aimed at enhancing the financial well-being of the citizens of Trinidad and Tobago.



Risk Based Capital and Liquidity Requirements

The globalisation of financial institutions and the resultant change in their risk profiles, necessitated regulatory requirements for firms to maintain, at all times, adequate capital commensurate with the level of risk inherent in their business activities.

The Basel Committee on Banking Supervision (BCBS), which operates through the Bank for International Settlements, has led regulatory efforts at establishing risk-based capital adequacy standards with the introduction of Basel I in 1988. The BCBS has enhanced its standards over the years taking into consideration the growing complexity of banking activities and gaps in regulations that was most evident given the financial crisis of 2007/ 2008. Basel II was introduced in 2004 and Basel III in 2010.

The BCBS's approach, however, is specific to banking activities and may not be relevant to securities activities. In 2015, the European Banking Authority ("EBA"), having recognised that the BCBS model did not fit many investment firms' risk profiles, recommended an approach that captures the proportionality and risk-sensitivity of various types of investment companies (including asset managers and advisory firms).

Principle 30 of the International Organization of Securities Commission ("IOSCO"), the global standard setter for securities bodies, also requires securities regulators to implement *"initial and ongoing capital and other prudential requirements for market intermediaries that reflect the risks that the intermediaries undertake."* This would assist securities regulators in achieving their mandate of investor protection, mitigating systemic risk, and fostering confidence in the securities market.

Current Capital Requirements in the Securities Market of Trinidad and Tobago

Trinidad and Tobago Securities and Exchange Commission ("TTSEC") currently stipulates fixed minimum capital requirements for entities registered under Section 51(1) of the Securities Act, Chapter 83:02 of the Laws of the Republic of Trinidad and Tobago ("the Act"). The current prudential regime does not consider liquidity requirements, nor the scale or nature of the risks undertaken by Registrants as defined under Section 51 of the Act (Broker-Dealers, Investment Advisers and Underwriters). These requirements are detailed in Section 27(1) of the Securities (General) By-Laws, 2015 and can be

seen in **Figure 1** below.

Figure 1- TTSEC Current Capital Requirements

Registrant Category	Description of activities conducted	Capital Requirement TTD	Minimum Liquid Assets TTD
Investment Adviser	Investment Advisory Services	50,000	50,000
Underwriter	Underwriting	5,000,000	2,000,000
Broker-Dealer	Executing transactions for clients only (not for own account)	2,000,000	1,000,000
	Executing transactions for clients and for own account	5,000,000	2,000,000
	Executing transactions for clients and for own account, and offering underwriting services	6,000,000	3,000,000
<i>To be implemented in CIS Byelaws later in 2021 (not in Securities Act 2012)</i>			
CIS Manager	Administering CISs for clients	2,000,000	1,000,000
Portfolio Manager	Administering non-discretionary accounts for clients	75,000	75,000
	Administering discretionary and non-discretionary accounts for clients	125,000	125,000

standards. It usually incorporates Tier 1 and Tier 2 capital. Tier 1 capital or core capital includes shareholders' equity, retained earnings and reserves. Tier 1 capital is more loss absorbent and liquid than Tier 2 capital, which includes hybrid securities and subordinated debt.

Risk Categories

Risk-based capital requirements generally consider the following categories of risk:

What is Regulatory Capital?

Risk-based capital adequacy requirements are designed to mitigate against the insolvency of a firm, to protect depositors or creditors and investors, to promote financial stability and to ensure efficiency and confidence in the financial sector.

Risk-based capital adequacy standards are comprised of three fundamental elements.

1. A definition of regulatory capital;
2. The determination of the risk-weights for assets; and
3. A specification of the minimum capital requirements which is generally in the form of a capital adequacy ratio, that is, the ratio of regulatory capital to risk-weighted assets. Total risk-weighted assets are the sum of the individual risk-weighted assets. Once regulatory capital is at least equal to total risk-weighted assets, a firm is considered to have sufficient capital to absorb potential losses and thus be less likely to become insolvent and lose creditors' and clients' monies. Under Basel III, banks must maintain a minimum capital adequacy ratio of 8%.

Regulatory Capital

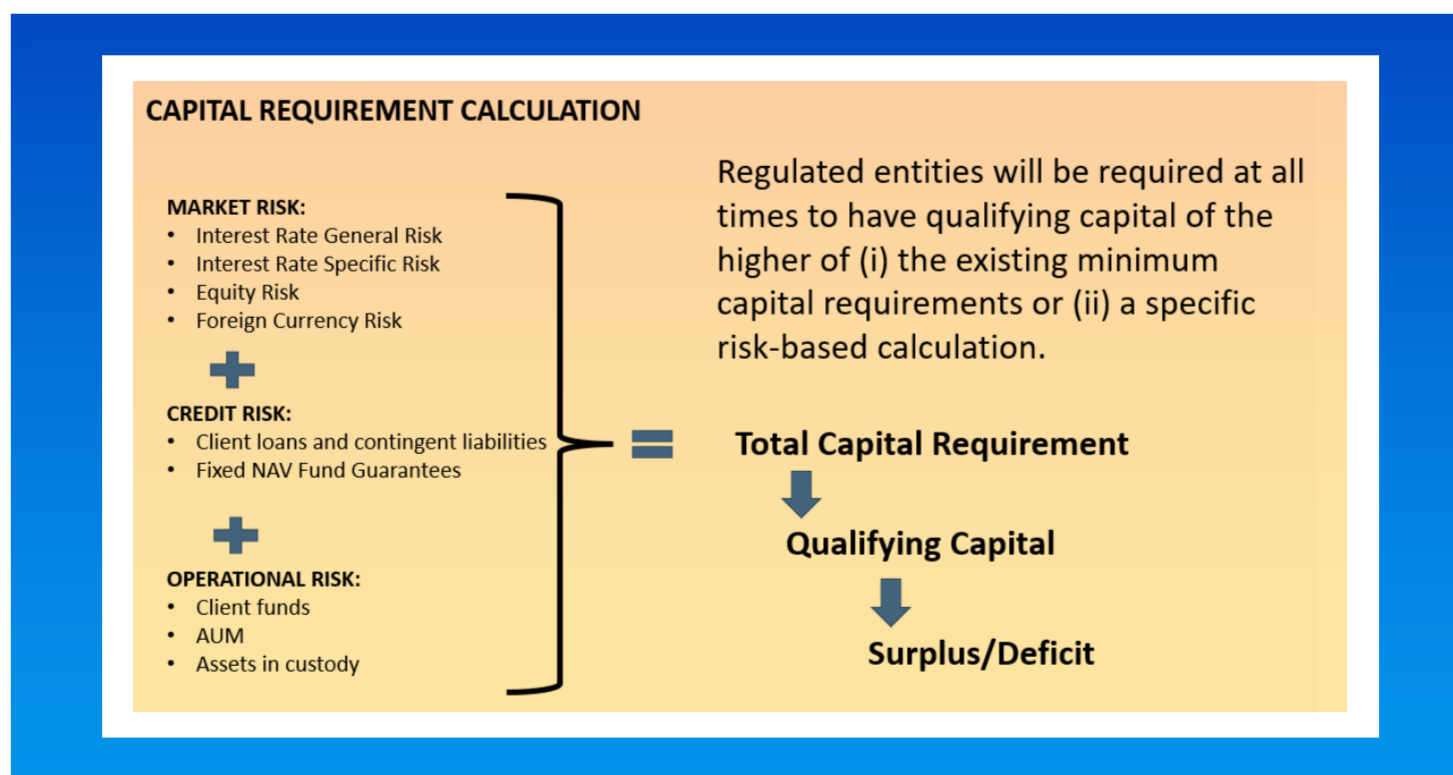
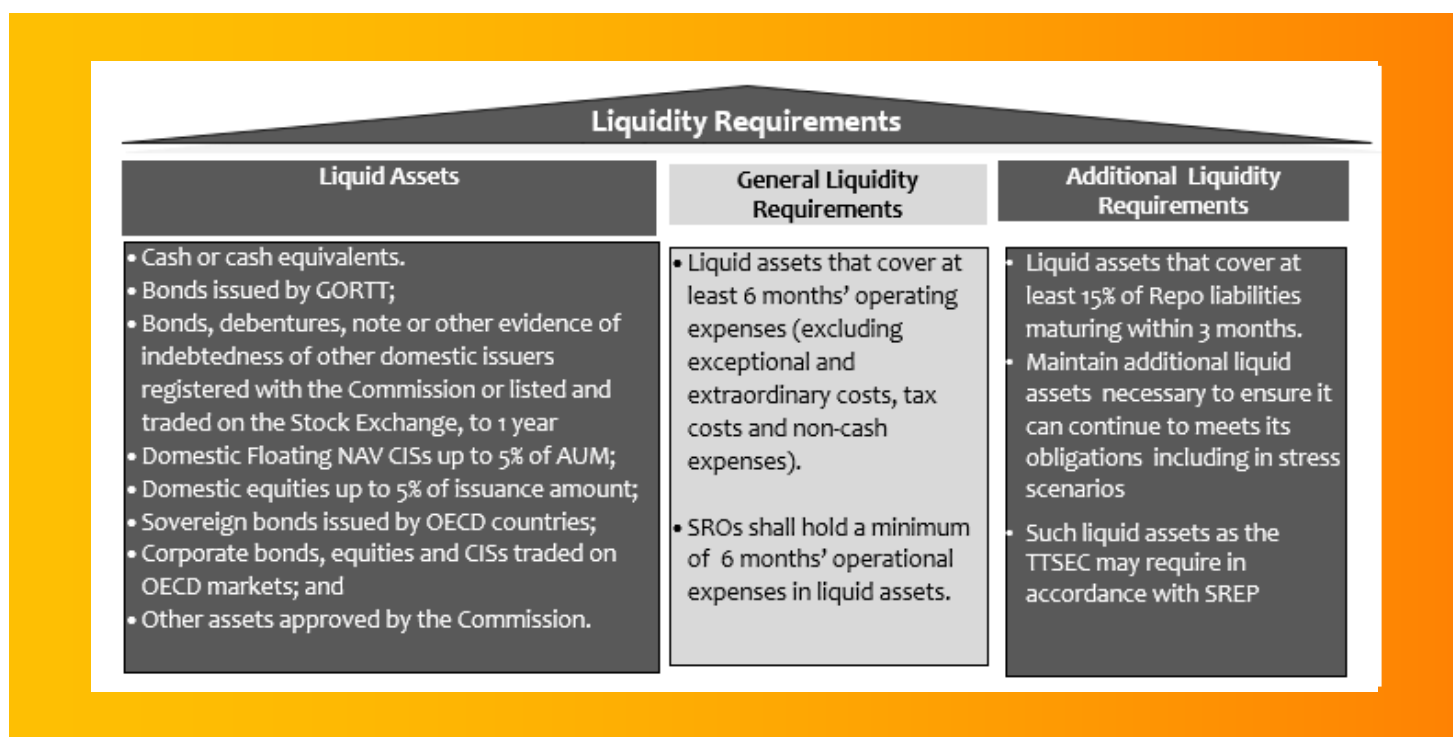
Regulatory capital is the amount of capital that is eligible for consideration under a regulator's risk-based capital adequacy

1. Credit risk – The potential for a borrower or counterparty to fail to satisfy its obligations in accordance with the agreed contractual terms. Under risk-based capital adequacy requirements, the capital charge applied to credit exposures are usually based on the credit ratings assigned to counterparties. Most regulators stipulate that their regulated entities should use the ratings assigned by the top internationally recognised rating agencies, namely S&P Global Ratings and Moody's Investors Service. The higher the credit risk associated with the exposure, the greater the capital required.
2. Market risk – The possibility of a decline in the value of on-and off-balance sheet assets due to adverse movements in market prices, such as interest rates and foreign exchange rates. Under risk-based capital adequacy requirements, a capital charge is applied to assets, such as equities and bonds, as well as the liabilities on a firm's balance sheet that are exposed to market risk.
3. Operational risk – The potential for losses due to inadequate or failed internal processes, systems, people or external events. Under risk-based capital adequacy requirements, a capital charge is also applied for the operational risk inherent in a firm's activities.
4. Liquidity risk – The risk that a firm may be unable to dispose of an asset at a fair value or within a reasonable time period so as to satisfy its financial commitments. Under Basel III, assets are not risk-weighted for liquidity

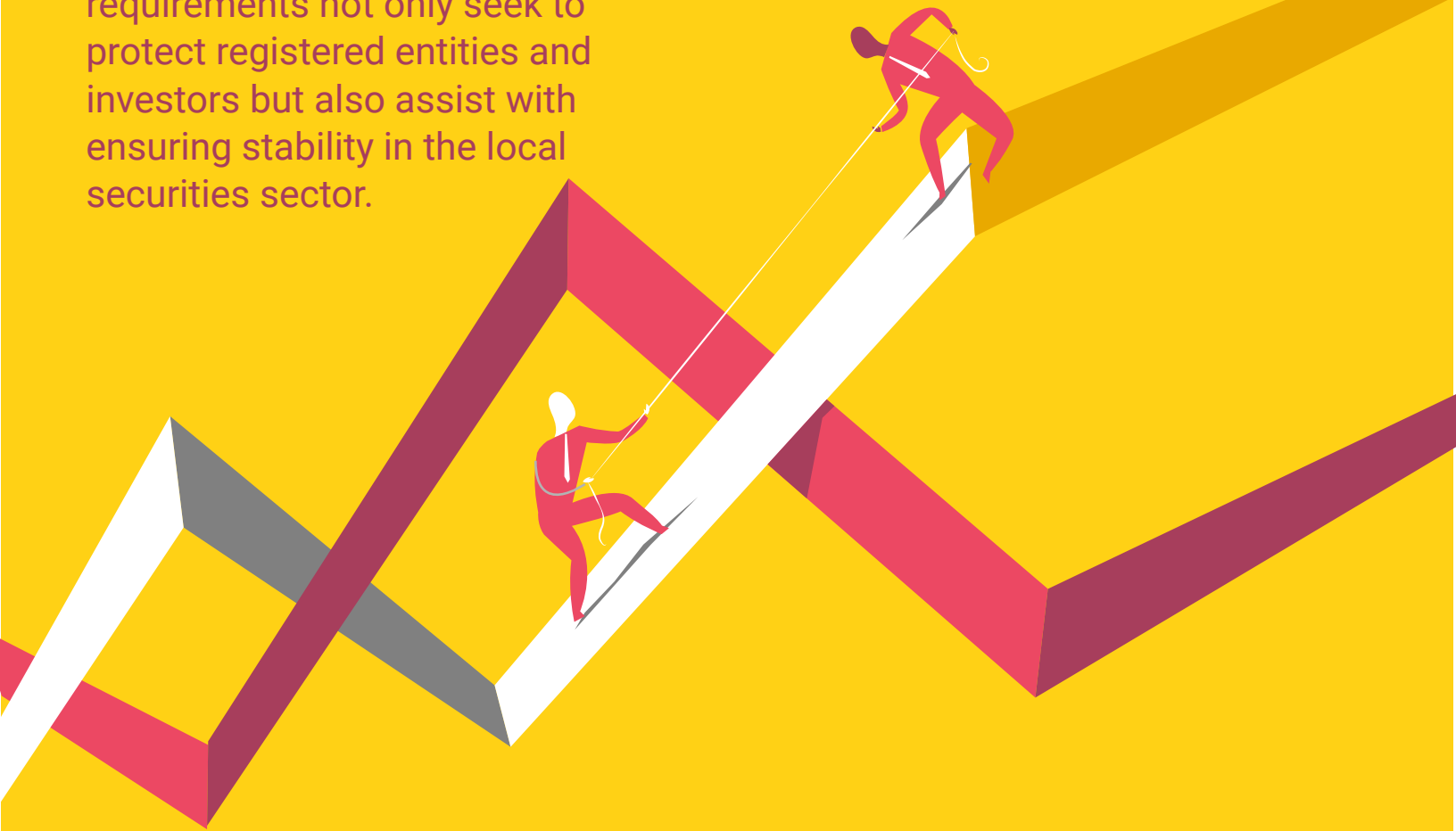
risk like they are for credit, market and operational risks. Rather, firms are required to maintain a liquidity coverage and net stable funding ratios of 100%, respectively. The objective of these standards is to ensure that banks have sufficient liquid assets to meet both their short-term and long-term obligations.

With the assistance of the Caribbean Regional Technical Assistance Centre, the TTSEC has developed its Risk Based Capital and Liquidity Requirements that align with the BCBS and EBA approaches, albeit tailored specifically for the local securities market. The TTSEC's approach to Risk Based Capital and Liquidity determination can be seen in **Figure 2** below.

Figure 2- TTSEC's Approach to Risk Based Capital and Liquidity Requirements



Risk-based capital adequacy requirements not only seek to protect registered entities and investors but also assist with ensuring stability in the local securities sector.



Draft Risk Based Capital and Liquidity Requirements Bye-Laws 2023

In 2022, the TTSEC set out a plan to enhance its current capital requirements to take into consideration the risks inherent in the activities of its registered entities and by so doing, align its framework with international standards. Risk-based capital adequacy requirements not only seek to protect registered entities and investors but also assist with ensuring stability in the local securities sector.

An initial quantitative impact study was conducted, and discussions were held with the Securities Dealers Association of Trinidad and Tobago as well as the Mutual

Association of Trinidad and Tobago as well as the Mutual Fund Association of Trinidad and Tobago. In 2023, the TTSEC drafted the Risk Based Capital and Liquidity Requirements Bye-laws 2023 (“the Draft RBCAL By-Laws”) and had its first-round public consultation later that year. Following this, the TTSEC engaged in further market consultations and additional impact studies.

This year, the TTSEC released the amended Draft RBCAL Bye-laws 2023 for a second round of public consultation. Stakeholders are invited to visit the TTSEC’s corporate website (<https://www.ttsec.org.tt/draft-risk-based-capital-and-liquidity-requirements-bye-laws-2023-second-round/>) for more information.



YOUR FINANCIAL SHIELD

Understanding TTSE Contingency Fund & TTCD Settlement Assurance Fund

Picture this: You've diligently invested your hard-earned money in the stock market, aiming to secure your financial future. But what if the unexpected happens? What if a member firm of the Trinidad and Tobago Stock Exchange Limited ("TTSE") fails to fulfil its obligations, leaving investors like you in the lurch? Similarly, imagine a safety net for your investments, much like how deposit insurance shields your savings in commercial banks from the institution's failures. While you are likely familiar with the concept of safeguarding your deposits, did you know that as an investor, there is a parallel protection mechanism awaiting you on the Stock Exchange?

As a beacon of protection, the TTSE's Contingency Fund was established under the Securities Act, 1995 (and continues to exist under the Securities Act, 2012 ("the Act")) to provide, by way of ex gratia payments, either full or partial compensation to members of the public who incurred a loss as a result of default by any member firm of the TTSE (TTSE, 2023). Simply put, a contingency is a plan for a possible event or situation. According to the Act, a Contingency Fund is a fund established by a self-regulatory organization under Section 47. Its sole purpose is to compensate investors for losses resulting from the insolvency, bankruptcy or default of a member of the TTSE.

While the TTSE oversees the Contingency Fund, the clearing agency, the Trinidad and Tobago Central Depository Limited ("TTCD"), establishes and maintains

the Settlement Assurance Fund. This additional layer of protection, enshrined under the Securities Act of 1995 and continued under the Securities Act of 2012, ensures uninterrupted securities clearing and settlement. In essence, if a transaction fails to settle by a participant of the TTCD, you, the investor, is covered.

For both the Contingency Fund and the Settlement Assurance Fund, the most compensation you can receive is seventy-five thousand dollars (\$75,000) per year. These Funds provide a safety net of support, subject to the availability of funds and oversight by the respective boards. It is crucial to understand that while these Funds stand ready to support investors in times of need, claims cannot be made simultaneously on both Funds. Furthermore, eligibility hinges on the loss being tied to stock exchange transactions conducted through member companies. This includes cash or securities held by a nominee company established by the member company.

Who makes contributions to the Funds? The Contingency Fund and the Settlement Assurance Fund is financed by contributions from member companies amounting to one (1) percent of the member companies' monthly commissions from business conducted on the Stock Exchange during a calendar year. No less than one hundred dollars (\$100) for the Contingency Fund and eighty-five dollars (\$85) for the Settlement Assurance Fund, per month, is paid by each member. These payments are made on or before the 15th day of the following month.

As of 31 December 2022, the Contingency Fund had Total Assets of \$16,532,802, while the Trinidad and Tobago Central Depository Settlement Assurance Fund had Total Assets of \$11,609,893 (TTSE, 2023).

The Contingency Fund and Settlement Assurance Fund are important for the following reasons:

1. Market stability

Both the Contingency and Settlement Assurance Funds contribute to overall market stability by mitigating the impact of sudden financial crises or disruptions. In times of market stress, these Funds can be utilised to address liquidity issues, ensuring that trading can continue smoothly and investors are protected.

2. Investor protection

The Act places a strong emphasis on investor protection. The Contingency and Settlement Assurance Funds play a crucial role in safeguarding investors' interests and instilling confidence by providing a financial buffer that can be utilised to compensate investors in the case of defaults, bankruptcy or insolvency.

3. Regulatory compliance

Establishing and maintaining the Contingency Fund and the Settlement Assurance Fund are regulatory requirements, thus ensuring that market participants have the financial capacity to fulfil their obligations and responsibilities in a dynamic market environment.

While the Contingency Fund and Settlement Assurance Fund provide important protection, there are some potential downsides:

1. Moral hazard

Member firms may become overly reliant on the Contingency Fund as a source of financial support in times of financial turbulence or difficulty. This could encourage risky behaviour or inadequate risk management practices.

2. Limited coverage

While the Contingency and Settlement Assurance Funds contribute to market stability, in times of

market volatility or financial crises, it might not have enough money to help every company that needs it. This means some companies could still face financial problems.

3. Regulatory compliance

Failure to comply with regulatory requirements related to the Contingency and Settlement Assurance Funds can lead to legal consequences and reputational damage for both the member firms and the respective self-regulatory organization.

The role of the Trinidad and Tobago Securities and Exchange Commission ("the Commission")

The establishment and management of the Contingency and Settlement Assurance Funds are subject to regulatory oversight. The Commission, as the regulatory authority, oversees the establishment and management of these Funds. It ensures that these Funds meet the necessary rules and standards to keep the market stable and protect investors.

Moreover, based on Section 49 of the Act, the Commission handles complaints regarding the self-regulatory organisations. Therefore, if any member of the public is aggrieved by any of the two (2) self-regulatory organisations, i.e. the TTSE or the TTCD, with respect to the Contingency Fund and the Settlement Assurance Fund, that individual can file a complaint with the Commission.

In conclusion, the Trinidad and Tobago Stock Exchange's Contingency Fund and the Trinidad and Tobago Central Depository's Settlement Assurance Fund stand as bastions of resilience in the ever-evolving landscape of the stock market. Beyond their monetary value, these Funds represent a commitment to market stability, investor protection, and regulatory compliance.

As we navigate the complexities of the financial world, let us not forget the invaluable role played by these Funds in safeguarding our investments and upholding the integrity of the market. If you, as a member of the investing public, have incurred a loss as a result of the insolvency, bankruptcy or default of a member firm of the TTSE/TTCD, please contact the TTSE for further information on getting compensation.

Beneficial Ownership Reporting Framework

**PROMOTING
TRANSPARENCY
AMONG REPORTING
ENTITIES**



In an increasingly interconnected world, the need for transparency in financial institutions and corporate ownership are critical to ensuring ethical practices and maintaining trust. One of the essential aspects of this transparency is the concept of beneficial ownership. Understanding beneficial ownership is not only crucial for regulatory compliance but also for fostering a fair and equitable economic environment.

This article touches on some issues in relation to beneficial ownership, its standards, implications and recent measures by the Trinidad and Tobago Securities and Exchange Commission ("TTSEC") to enhance beneficial ownership transparency in the securities sector.

As defined by the Financial Action Task Force ("FATF") beneficial ownership refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted.

It also includes persons who exercise ultimate control over a legal person or arrangement.

Understanding beneficial ownership is critical in combatting financial crimes, including money laundering ("ML"), tax evasion and terrorist financing ("TF"). It is important for financial institutions, as part of routine due diligence processes, to collect and monitor beneficial ownership information, to ensure the integrity of the financial system is maintained and to enhance corporate transparency.

Country reviews (mutual evaluations) by FATF have indicated insufficient levels of countries' effectiveness in combatting the misuse of legal persons for ML and TF purposes, as criminals often exploit corporate structures to hide illicit activities and obscure their identities.

The standards on beneficial ownership require:

- Countries to ensure that companies obtain and

hold adequate, accurate and up to date information on their own beneficial ownership and make such information available to competent authorities in a timely manner.

- Countries should apply any additional supplementary measures that are necessary to ensure the determination of beneficial ownership of a company. These additional measures include holding beneficial ownership information obtained by regulated financial institutions and professionals or held by regulators or in stock exchanges.
- Countries to facilitate international cooperation and information sharing in a timely manner.

Maintenance of beneficial ownership information underpins not only Trinidad and Tobago's international obligations under FATF, but also international standards on tax transparency and exchange of information under the Global Forum ("GF").

Global Forum's primary goal is to combat cross-border tax evasion and avoidance by ensuring that tax authorities can access accurate and timely information about entities operating within their jurisdictions. Within the securities sector, the impact is a requirement to implement these standards that are designed to ensure that information about beneficial owners of entities is available, accurate and can be shared with relevant authorities upon request.

Key aspects of the GF standards include:

- **Availability of Information** – jurisdictions must ensure that information about the beneficial owners of legal entities and arrangements are readily available (including maintaining accurate and up-to-date records).
- **Access to Information** – competent authorities should have the power to obtain and access beneficial ownership information without restrictions. This access must be timely and efficient to aid in investigations and compliance checks.
- **Exchange of Information** – jurisdictions should have mechanisms in place to facilitate the exchange of beneficial ownership information with other jurisdictions. This international cooperation is critical for tackling tax evasion and other financial crimes that often cross borders.
- **Verification and Monitoring** – regular monitoring of beneficial ownership information is necessary to ensure its accuracy and reliability. Jurisdictions should also monitor compliance with these standards through audits and inspections.

Regulators play a crucial role in overseeing and ensuring transparency in beneficial ownership to foster a secure and fair financial system. As a regulator responsible for implementing intergovernmental/global standards, the TTSEC is enhancing its framework for reporting of beneficial ownership information.

Act No. 1 of 2024 which was assented to in February 2024, amended (among others) the Securities Act, Chapter 83:02, and paved the way for TTSEC to establish a **Beneficial Ownership Reporting Framework for reporting entities** details of which are accessible via the following link:

<https://www.ttsec.org.tt/wp-content/uploads/Act-No.-1-of-2024-The-Miscellaneous-Provisions-Trustees-Mutual-Administrative-Act-2024.pdf>.

This new legislative provision is a crucial step towards increased transparency and accountability for reporting entities and will entail measures to establish a robust legal and regulatory framework to govern beneficial ownership. The Beneficial Ownership Reporting Framework will:

- set clear definitions of beneficial ownership
- impose obligations on reporting entities to maintain a record/register of its beneficial owners
- impose obligations on reporting entities to take steps to ascertain and obtain all relevant information pertaining to its beneficial owners
- outline reporting requirements
- implement provisions for the TTSEC to maintain and update a register of beneficial owners to capture the information disclosed by reporting entities
- allow the TTSEC to verify beneficial ownership information via onsite inspections
- specify penalties for non-compliance with beneficial ownership requirements.

The TTSEC has commenced engagement with its stakeholders regarding the implementation of this Framework.

Through a robust legal framework for the securities sector, stringent enforcement, and effective collaboration with other regulators within the financial system, the TTSEC's role in the maintenance of the integrity of the financial system and prevention of financial crimes is further strengthened.

The Financial Action Task Force is an intergovernmental body established to combat money laundering, terrorist financing, and other threats to the integrity of the international financial system.

The Global Forum is a platform for intergovernmental cooperation on matters of tax transparency and Exchange of Information on Request ("EOIR").

Miscellaneous Provisions (Trustees, Exchequer and Audit Act, the Minister of Finance (Incorporation) Act, Proceeds of Crime, Income Tax, Companies, Partnerships, Securities, Tax Information Exchange Agreements, the Non-Profit Organisations and Mutual Administrative Assistance in Tax Matters) Act, 2024

A "reporting entity" means an entity whose securities are listed on any securities exchange registered or required to be registered under Part III of the Securities Act

TTSEC CELEBRATES NATIONAL INVESTOR EDUCATION MONTH

In celebration of our 8th anniversary of National Investor Education (IE) Month, observed annually in May, a host of activities were planned and executed, including a public education and awareness radio and social media (SM) series on the securities market. This particular month also commemorates the anniversary of the TTSEC, as on May 2, 1997, the Board of Commissioners held its first meeting.

During IE Month, the TTSEC amplifies its public education thrust with a more expansive programme of activities. Under the theme focused on the 'Importance of Financial Inclusion,' there were month-long activities, which began on May 1, 2024, with the start of the radio and SM campaign on the 'ABCs of Investing' and live television interviews.

Outreach Sessions and Engagements:

- IE Exhibition at Long Circular Mall: May 2, 2024.
- TTSEC Staff IE session on financial inclusion facilitated by the Trinidad and Tobago International Financial Centre: May 6, 2024.
- Outreach involving pupils of Cowen Hamilton Secondary School: May 7, 2024.
- TTSEC and THA collaboration to host an 'Investor Starter Forum': May 16, 2024, at Lowlands Multipurpose Community Facility, Tobago. This initiative was organised by the Financial Literacy Secretariat (FLS), Division of Finance, Trade, and The Economy.
- Outreach exercise at the Trinidad and Tobago Prison Service: May 23, 2024.
- Facilitation of a visit by a group of teachers and pupils from the Turks and Caicos Islands Community College: May 24, 2024.

Public Education Radio and SM Series:

The "ABCs of Investing" campaign involved daily posts and announcer-read messages on both social media and radio during May. This campaign reached 211,185 accounts and garnered 4,512 interactions across Instagram (IG) and Facebook.



TTSEC staff engage members of the public at our IE Exhibition, at Long Circular Mall on May 2, 2024.



Pupils of Cowen Hamilton Secondary School, in rapt attention, as they view the IG reel on investment scams featuring content creator, "Kyleboss."

The radio component of the campaign ran on nine radio stations, namely: 96.1 FM, 95.5 FM, Boom 94.1/Power 102/Lit 102.3 FM, Slam 100.5 FM, Radio Tambrin, Isaac 98.1 FM, and Sweet 100 FM.

There was also a successful collaboration with Social Media Influencer and Content Creator, Kyleboss (Kyle Mark). Kyle was engaged to develop an SM reel aimed at raising awareness about investment scams. This reel was posted to the influencer's IG page, which has 159,000 followers. Based on the TTSEC's insights, the reel reached 109,726 accounts with 17,555 interactions and was played a total of 215,791 times on IG. It also had a reach of 90,342 accounts on Facebook.

Live Interviews:

As part of our heightened programme of awareness, live interviews were conducted on TTT, CNC3, and Tobago Channel 5, where the TTSEC was represented by the Manager of Corporate Communication and Education. The Tobago interview benefited from the involvement of the Chief Executive Officer. For the interview on Radio Tambrin, Keshon Morton, the Deputy Programme Coordinator of the FLS, Tobago, participated.

The TTSEC is grateful for the support from institutions, organisations, and members of the public who contributed to the successful observance of National IE Month.

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The TTSEC is grateful for the support from the institutions and organisations as well as members of the public who contributed to the successful observance of National IE Month.



THA Investor Forum from L-R: Mr. Keshon Morton, Deputy Programme Coordinator- FLS, Ms. Dixie-Ann Dickson, Communications Professional - BATT, The Honourable Farley Chavez Augustine, Chief Secretary THA, Mr. Kester Guy, TTSEC CEO, Ms. Ellen Lewis, Manager, Corporate Communication and Education- TTSEC and Mr. Brian Peters, Lead Counsel Enforcement - TTSEC.

Photo courtesy: The Division of Finance, Trade and The Economy of the THA.



Ms. Lystra Lucillio, Deputy CEO, with staff and students of Turks and Caicos Islands Community College.



Trinidad and Tobago Securities and Exchange Commission will be conducting a Brand Awareness, Perception and Knowledge-Based Survey.

This study is being conducted by Market Facts & Opinions (2000) Ltd over the period May – June 2024.

MFO may reach out via the telephone or via email.

We appreciate the participation of the general public.

**For more information contact
MFO directly at
627 8524 or via
WhatsApp at 394 3045**



