Bi-Annual Market Newsletter

July -December 2023, Issue #32

p11 Cyber Security and the Securities Market

Contents

Credits

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

Supervising Editor	Ellen Lewis, Manager Corporate Communication and Education
Editor	Nicole Bachan, Senior Communications Officer
Design	Kenneth Henry

Contact Us

Trinidad and Tobago Securities and Exchange Commission
Levels 22 – 23, Tower D,
International Waterfront Centre,
1 Wrightson Road, Port of Spain,
Trinidad and Tobago
Phone: (868) 624 2991; 223-2991
Post code: 101605
E-mail: ccei@ttsec.org.tt
Websites: www.ttsec.org.tt; www.investucatett.com

Connect With Us:

COMMENTS OR SUGGESTIONS CAN BE FORWARDED TO:
Ellen Lewis - ellenl@ttsec.org.tt
Nicole Bachan - nicoleb@ttsec.org.tt

If you would like to receive this newsletter via email, please send your email address to:
ccei@ttsec.org.tt or call 624-2991 Ext. #1307

Download the TTSEC Investor Protection App

Available on the App Store

GET IT ON Google Play

MESSAGE FROM

Kester Guy

Chief Executive Officer

Fostering Confidence, Stability, and Collaborative Growth in Our Securities Market

Dear Valued Stakeholder,

As we navigate the ever-evolving landscape of the financial world, I am delighted to address you as the Chief Executive Officer of the TTSEC. It is an honour to lead an organisation that is committed to ensuring the vibrancy and integrity of our securities market.

I want to emphasise our collective commitment to four core principles that underpin the strength and resilience of any thriving securities ecosystem: promoting investor confidence, regulatory vigilance, ensuring market stability, and enhancing stakeholder relations.

Promoting Investor Confidence:
Investors are the lifeblood of our market, and their confidence is our most valuable asset. We will prioritise initiatives that build and maintain trust in the integrity of our market and focus on enhancing transparency, enforcing stringent disclosure standards, and championing investor protection. By doing so, we at the TTSEC aim to create an environment where investor rights are highlighted which allows for a diverse range of investors to make informed decisions thereby fostering sustained growth in our capital market and prosperity for all.

Regulatory Vigilance:
To uphold the integrity of our market, we will maintain a vigilant regulatory framework. Our regulatory measures are designed to detect and deter market abuses, ensuring fair and ethical practices. By consistently enforcing regulatory standards, the TTSEC seeks to create a level playing field that fosters trust and confidence in the fairness and reliability of our securities market. In addition, monitoring financial linkages to detect the emergence of systemic risk and proactively applying measures to minimise them.

Ensuring Market Stability:
Market stability is the bedrock of a flourishing financial landscape and a strong economy. By fostering an environment of stability, market participants will be empowered to operate with confidence, knowing that our market is resilient, transparent and supported by the appropriate legislative and regulatory framework. While I am aware some further fine tuning is required in these areas, with your collaboration and support we will achieve a greater level of market efficiency.

Enhancing Stakeholder Relations:
Collaboration and open communication are essential for our collective success. At the TTSEC we remain committed to actively engaging with all our stakeholders, including market participants, fellow regulators, and other key partners. Through dialogue and collaboration, we will navigate the challenges that may arise, identify opportunities, and strengthen the relationships that are crucial for our market's continued growth.

At this time, I wish to thank you for your ongoing commitment to the development of our securities market; and in the coming months - I look forward to an early opportunity to meet with our market players. Your inputs are vital components of our market's success, and together, we can create a future marked by confidence, stability, and collaborative growth.

Featured in this issue of our bi-annual Market Newsletter, are the following articles on topical issues:

1) Cyber Security and the Securities Market
2) Mutual Funds and the Christmas Season
3) Registered Representatives
4) Building a Culture of Compliance
5) What you need to know about Artificial Intelligence
6) Update on TTSEC's Investor Education initiatives

We hope that you find our Market Newsletter informative, and we continue to welcome your valuable feedback via ccei@ttsec.org.tt

In the spirit of the season, I further take this opportunity to extend to you and your family a safe and blessed Christmas and a bright and prosperous New Year, 2024.

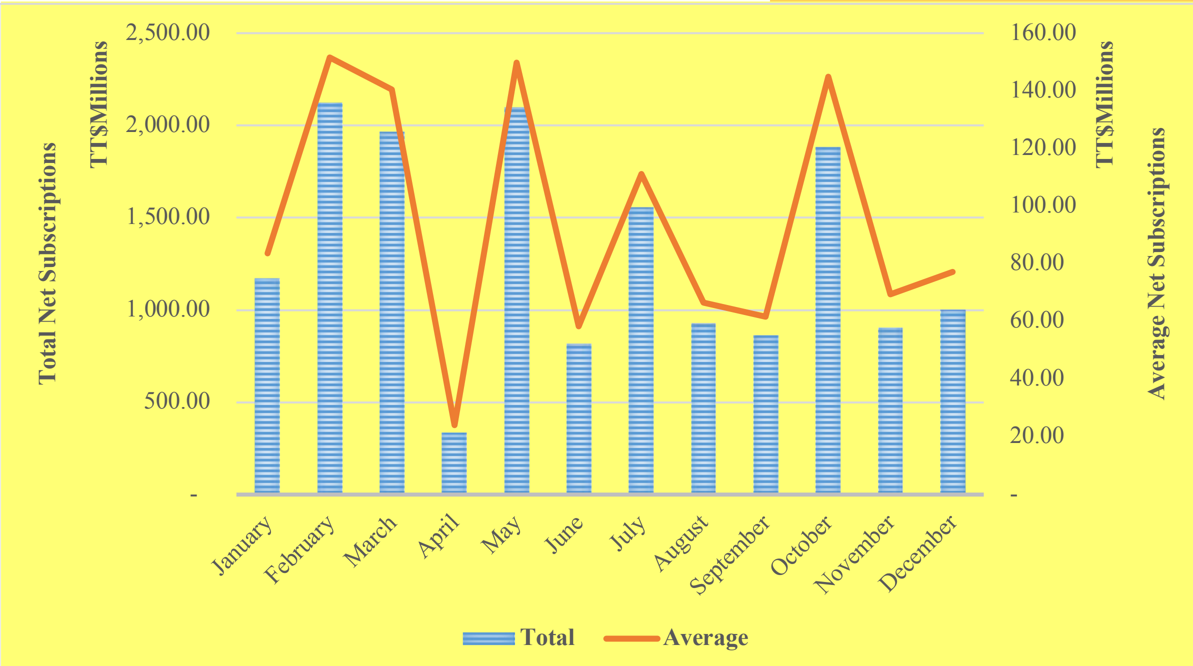
Kester Guy
Chief Executive Officer

Mutual Funds and the Christmas Season

As 2023 draws to a close and Christmas is almost upon us, many persons become engrossed with the traditional preparations for the season. But also at this time, individuals are considering their options for financing activities related to the season. Funds can possibly be derived from savings, investments and loans. The Trinidad and Tobago Securities and Exchange Commission ("TTSEC") assessed investors' withdrawals from Mutual Funds

based on data from 2010 to present and the analysis suggests that the months of August and December have the lowest net subscription rates as seen in ***Figure 1***. This suggests that while local mutual fund investors are saving more than they are withdrawing during these months, August and December continue to have the highest incidence of redemptions. This is in line with observed seasonal spending patterns here in Trinidad and Tobago.

Figure 1
Trends in Net Subscriptions/Redemptions 2010 to Present



What is a Mutual Fund? A mutual fund is a type of investment that is made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by investment professionals registered with the TTSEC. These investment professionals manage the pool of funds/assets and attempt to produce capital gains or income for the fund's investors.

What is a Subscription and Redemption? Subscriptions occur when investors deposit money into their Mutual Fund account. Redemptions occur when investors withdraw money from their Mutual Fund accounts. Net subscriptions occur when total monies deposited into the mutual fund exceed those withdrawn.

The revelation from our analysis in ***Figure 1*** is not surprising, since redemptions during the month of August can possibly be attributed to withdrawals for family vacations or for the upcoming school term, while redemptions in December may relate to increased spending for celebrating Christmas activities.

As at September 30, 2023, total Mutual Fund Assets under Management ("AUM") was approximately **TT$62 Billion**, which represents approximately **33%** of Gross Domestic Product ("GDP").

Figure 2
Mutual Fund AUM growth 2013 to September 2023

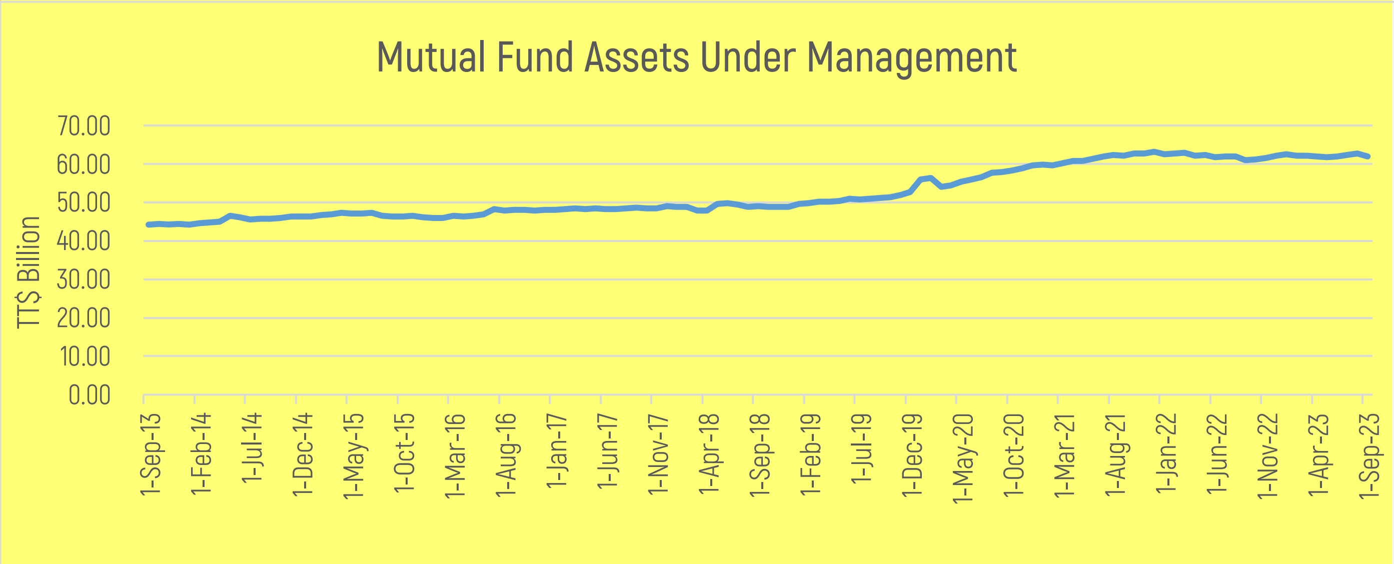


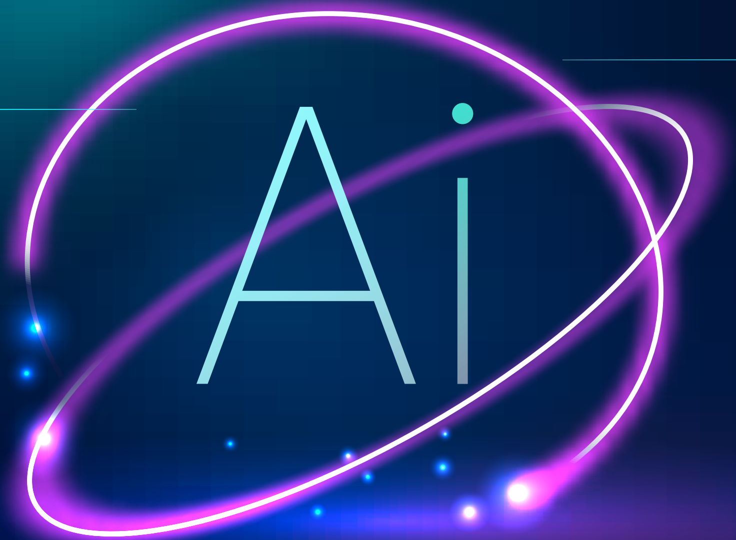
Figure 2 displays the growth of Mutual Fund AUM over the past 10 years in the Trinidad and Tobago Securities Market. Over the period, the Mutual Fund sector has grown by approximately **40%**, which is suggestive of investors having a significant appetite for mutual fund investment products.

There are **79** Mutual Funds registered by the TTSEC to operate in Trinidad and Tobago. These Mutual Funds can be categorised as either Fixed Net Asset Value ("NAV") or Floating NAV. The NAV represents the value of the mutual fund and takes into consideration the subscriptions and redemptions. A Fixed NAV means the value of a mutual fund unit is managed in such a way to ensure that the value of a unit is the same for both subscriptions and redemptions, whereas a Floating NAV means the value of a mutual fund unit changes based on the performance of the pool of assets. This means the value of subscriptions and redemptions can be different. The NAV is normally calculated every business day and must be computed in accordance with the methodology communicated to investors.

Currently, Fixed and Floating NAV Funds account for approximately **58%** and **42%** of Mutual Funds AUM respectively. This suggests that investors in Trinidad and Tobago may be more risk averse, since most invest in the constant NAV funds. Fixed NAV Mutual Funds, however, offer a lower rate of return when compared to Floating NAV Mutual Funds. It appears therefore, that investors are willing to forego a higher rate of return for fewer fluctuations in NAVs.

As the 2023 Christmas season approaches, the TTSEC recommends that investors conduct proper research and budgeting techniques to ensure investments are not depleted while taking part in the festive season. We also suggest that investors consult with professionals registered with the TTSEC and ensure that any potential investment in the securities market are with entities registered with the TTSEC. Be wary of a potential investment **SCAM** (**S**mart-man **C**onniving **A**way your **M**oney) and know your **ABC's** – **A**sk questions; **B**eware of investment fraud; and **C**heck the TTSEC first!

*For more information on the securities market visit us at **www.ttsec.org.tt.***



ARTIFICIAL Intelligence

– WHAT DO YOU KNOW?

"Hey Siri!" or "Hey Alexa!"
may be two phrases you commonly use every day. Or maybe you're more familiar with "Hey Google!"
Regardless of which one is your go-to, do you know that you are using artificial intelligence ("AI")? Yes, artificial intelligence is already everywhere, and you may be using it more often than you think.

AI can be beneficial to new investors who are unsure of their risk level, or how to manage it.

AI Usage Today

In today's world, AI is more dominant than we perceive it to be. Most of us hear "AI" and think of things like 'futuristic' and 'robots', but AI is very much present in the tools that we use on a daily basis. Simply unlocking your cell phone with your fingerprint or facial recognition is an everyday use of AI. Similarly, the autocorrect and predictive text features in WhatsApp or Gmail are common uses of this technology.

There are several varieties of AI, but the most popular is generative AI. This is any AI technology that generates new content such as text, audio, images, or even code. One emerging game-changer in this regard is ChatGPT, an AI tool that generates text based on prompts inputted by the user. Students and employees typically use this programme to write articles, essays, and letters.

What Exactly is Artificial Intelligence?

Artificial intelligence refers to digital computer systems or computer-controlled robots that have the ability to mimic human behaviours, such as reasoning and decision-making. In practice, AI uses probability and pattern recognition functions that can be used for visual perception, understanding language and speech, prediction, and helping solve other data-related problems (ACCA Global, 2023).

AI in Trading

With the emergence of this kind of technology, there has been a major shift in the way financial services are carried out. For example, Bloomberg recently launched news about the development of "BloombergGPT," a new large-scale generative AI model that will assist Bloomberg in improving existing financial tasks and analyses. With advancements like this, investors no longer rely solely on their instinct to make investment decisions.

Data Analysis

As noted above, AI can analyse large amounts of data to identify patterns and trends, enabling investors to make data-driven decisions (Ligon, 2023). This is made possible through features that use historical data to predict the outcome of similar future transactions.

Risk Management

According to Kaplan and Mikes (2012), risk management refers to the organization of steps one takes to prevent undesirable outcomes from happening. In trading, it is the focus of investors to prevent negative outcomes such as grave trading losses. Financial technology (fintech) such as AI can also be beneficial to new investors who are unsure of their risk level, or how to manage it. To alleviate this, AI can aid investors in better assessing the stock market and determining which range of investments is best suited to their risk level. Some programmes even function by ascertaining participants' risk tolerance through a series of questions or based on past trading habits, thereafter categorising them into one among various risk levels on a spectrum.

Algorithmic Trading

Likewise, AI can also provide advanced services like algorithmic trading to investors. Algorithmic trading is a computerised programme that uses predefined rules and mathematical models to analyse large sets of trading data and apply analytical techniques to create predictions. Much like its ability to assess risk, algorithmic trading can forecast trades, price changes, and other trading activity. The adoption of automated, pre-programmed trading strategies allows for the identification of patterns, which can encourage traders in choosing which investments are right for them (Li, 2023). One example of this is the instance of software programmed by inputting categorical data to be looked for, and the algorithm returning trades that match said data.

Advantages and Limitations of AI Trading

Limitations of AI trading that must not be overlooked include:

Required fact-checking of data to keep up-to-date on variables

The need for human intervention may not be completely obsolete, as ever-changing market conditions can render AI-generated information, invalid or unreliable. Variables or changing factors such as business information and price fluctuations may not always be accurately considered by an AI system, which can result in the provision of incorrect information. Therefore, the onus falls on the responsible investor to verify that any trading information derived from AI is accurate and not outdated or misleading.

The lack of adaptability to unforeseen events

Much like variables, unforeseen events may not be on the AI system's radar. Similarly, most information that cannot be analysed predictively, like spontaneous investor behaviour, or the Covid -19 pandemic, requires the continuous need for human input via investment advisors.

Ethical Challenges

Where the use of a digital system exists, there is always a security risk. Besides the potential risk of cybercriminals leaking sensitive information, the responsible use of AI must be upheld by those who have legitimate access to it, to prevent white collar crimes like market manipulation and insider trading (ChatGPT, 2023).

Apart from the above, AI trading can have several advantages, such as:

The removal of human error

While human intervention may still be necessary, the use of AI technology in trading can help by eliminating human error. This works by removing simple mistakes such as miscalculation and misspelling.

Real-time updates

Although AI may not always present the most accurate information, the technology may undoubtedly capture all the information that is presently available. This timely feature can lead to investors making relevant and valid investment decisions.

Continuous adjustments

Since algorithmic trading can create predictions, the system stays updated in the present by making inferences based on historical performance and market data. This allows AI to conduct deeply-analysed predictive trading.

How does AI Trading Relate to Regulation?

Not only can AI be useful to investors and traders, but it can be helpful to regulators as well. According to Candelon, et al (2021), the increased usage of digital technology in the world of business signals one inevitable thing: AI security regulation is coming. This will be a useful tool since AI regulation brings operational complexity, transparency and governance capabilities to regulatory framework. How does this aid the functions of the Trinidad and Tobago Securities and Exchange Commission (TTSEC)? – By adopting

international practices. One notable regulatory software, currently being used by the National Association of Securities Dealers Automated Quotations (NASDAQ) is StarCompliance is a software that allows its users to see real-time analytics, outside activity, manage regulatory compliance and detect insider trading (StarCompliance, 2022). The adoption of such a system at the TTSEC can beneficially reduce the reliance on human detection and surveillance, facilitating smoother and more efficient market regulation which can assist in ***fraud detection***.

On the flip side, Forman et al, 2023, noted that the United States Securities and Exchange Commission (USSEC) finds that the use of AI in the securities industry pose five potential micro and macro risks: bias, conflict of interest, financial fraud, privacy and intellectual property concerns and market stability.

The Economic Times (2023) notes that data privacy is the major concern of regulators. The use of AI technology gives rise to privacy concerns, mainly around the safeguarding of personal data. For regulators, this can be sensitive information such as registrant and investor information that are subject to confidentiality requirements. It is imperative to note that such technology is largely susceptible to cyberattacks, data breaches, or even security breaches by malfunctions. Therefore, TTSEC must also consider these factors when approaching the integration of AI in its operations, as AI in itself calls for regulation.

Conclusion

With all things considered, AI presents itself as a positive step forward in the future of trading. Due to the accurate ability to perform reasoning and other human behaviours, AI can be advantageous to traders, investors and regulators in decision-making, risk measurement, and even market surveillance. However, all stakeholders must be wary of using this technology since it is still susceptible to manipulation and irresponsible usage.

So, the next time you think about investing but aren't sure what to invest in, or maybe you wish that someone could make these tough choices for you, then look no further - because AI might be the solution to your problems.

REFERENCES

ACCA Global (2023) How to regulate AI. July 2023. Retrieved from: https://abmagazine.accaglobal.com/global/articles/2023/jul/business/how-to-regulate-ai.html

Candelon, Francois, Charme di Carlo R, De Bondt M, Evgeniou T (2021) AI Regulation is Coming. September – October. Harvard Business Review. Retrieved from: https://hbr.org/2021/09/ai-regulation-is-coming

Forman A. Jonathan, Sherer J., Tanney M., Guillen T., Quailey S. August 2023. Retrieved from: https://www.bakerlaw.com/insights/sec-proposes-ai-rules-for-broker-dealers-and-advisers-after-chairs-warnings/

Kaplan, Robert S. and Mikes A (2012) Managing Risks: A New Framework. June. Harvard Business Review. Retrieved from: https://hbr.org/2012/06/managing-risks-a-new-framework

Ligon, Michael (2023) How Artificial Intelligence Is Revolutionizing Stock Investing. Forbes. Retrieved from: https://www.forbes.com/sites/forbesbusinesscouncil/2023/07/17/how-artificial-intelligence-is-revolutionizing-stock-investing/?sh=5f5ab9596485

StarCompliance Retrieved from: https://www.starcompliance.com/what-is-compliance-software

The Economic Times (2023) AI and Privacy: The privacy concerns surrounding AI, its potential impact on personal data. Retrieved from: https://economictimes.indiatimes.com/news/how-to/ai-and-privacy-the-privacy-concerns-surrounding-ai-its-potential-impact-on-personal-data/articleshow/99738234.cms

Why should Regulators and Registrants invest in Cyber Security to Protect the Market and Investors from Attacks?

Cybersecurity threats is among the three disruptive forces impacting the nature of work in the 21st century - the others being climate change and automation. The TTSEC explores the risk that cybersecurity threats pose to the financial sector, and in particular the securities industry.

The unprecedented rise in cybersecurity incidents within the Latin American and Caribbean region paints a clear picture of an escalating threat that is evolving in scope, scale and sophistication at an alarming rate.

The worrying impact of this trend is readily seen within the financial services sector, which continues to experience a significant increase in the frequency and sophistication of cyber-attacks. According to a SentinelOne report, financial institutions were the second most impacted sector based on the number of reported data breaches in 2022. The report further outlined that ransomware attacks on financial services increased from 55% in 2022 to 64% in 2023, which was nearly double the 34% reported in 2021. These cybersecurity incidents, in addition, to posing substantive risks to the individual institutions, have far-reaching impacts for the financial system at large. It is thus imperative that regulators and regulated entities invest in cybersecurity to protect the market and investors from attacks. This article explores the role of regulators in promoting cybersecurity in regulated firms, as well as the role of regulated entities in establishing business environments that are resilient to cybersecurity threats.

The Cybersecurity and Infrastructure Security Agency (CISA) defines cybersecurity as the art of protecting networks, devices, and data from unauthorized access or criminal use and the practice of ensuring confidentiality, integrity, and availability of information. Adding to the sense of urgency surrounding cybersecurity is the massive technological transformation underway in financial services driven by fintech, regtech, mobile applications, cloud adoption, and other emerging developments that have broadened the threat landscape. Investing in cybersecurity is therefore crucial to protect sensitive information, prevent data breaches, and safeguard against rapidly evolving forms of cyber threats, such as, malware, phishing attacks, ransomware, insider threat, spam and many others, which can cripple business operations, and materialise into legal and regulatory risks that have adverse impacts on business earnings.

cybersecurity prevents against cyber risks financial losses due to stolen funds, ransom payments, and operational disruptions

Investing in cybersecurity measures also demonstrates a commitment to protecting customer data and aids in fostering trust and loyalty, as customers value the security of their information. Regular investments in a comprehensive cybersecurity improvement programme allows organisations to stay ahead of emerging threats and adapt to new attack methods, as cyber threats continue to evolve. Regular cybersecurity investments demonstrate a commitment to protecting stakeholders and can help maintain trust among customers and partners. An investment in cybersecurity also prevents business disruptions due to cyber-attacks thereby ensuring the continuity of business activities, mitigates against cyber risks and prevents financial losses due to stolen funds, ransom payments, and operational disruptions. It also aids in ensuring compliance with regulatory requirements for data protection, thereby avoiding legal consequences and penalties.

To protect the market and investors from cyber-attacks, regulated entities should consider formulating cybersecurity programmes that include the implementation of a governance framework for the management of cybersecurity risks. This framework should be aligned with relevant industry standards such as ISO27001/27002 and should enable the entity to become aware of relevant cybersecurity risks, estimate the severity of such risks and decide on how the risks should be managed. There should be active Board or senior level management involvement in establishing priorities for and monitoring the implementation of the entity's response to cybersecurity threats. An appropriately independent function i.e., internal or external audit should also undertake regular assessments of the entity's cybersecurity programme against pre-established performance measurements. The entity should also ensure the conduct of regular cybersecurity risk assessments that identify cybersecurity risks to its assets and vendors and prioritise remediation.

The establishment of a cybersecurity awareness training program for staff is essential, as trained staff are better equipped to identify and mitigate potential risks, reducing the likelihood of falling victim to cyberattacks. This proactive approach enhances the entity's overall cybersecurity posture. The utilisation of suitable technical controls that would protect software and hardware that stores and processes data, as well as the data itself, should also be implemented. Appropriate incident response plans and cybersecurity playbooks that guide on the roles and responsibilities for escalating and responding to cybersecurity incidents, appropriate third-party supplier due diligence contract reviews and data security management strategies and cyber intelligence and information sharing strategies, should also be implemented.

The regulator's role is to aid in the development of a securities market that is resilient to cybersecurity threats, through the establishment and issuance of guidelines for regulated entities, inclusive of disclosure guidelines to ensure that investors receive material information, including information as it relates to cyber risk, and the development of a sound compliance review process that incorporates cybersecurity. Due to the size, complexity and constant evolution of attack vectors, regulatory approaches tend to be high-level and allow for flexibility, recognising that there is no simple, one-size fits all approach to managing the risks associated with cybersecurity, whilst ultimately ensuring that investors are protected.

Registered Representatives

A primary and critical function of the TTSEC's mandate is the registration of persons who provide securities-related services in the securities market in Trinidad and Tobago. This article will focus on one such category of persons registered by the Commission – Registered Representatives. Before we get into the specifics, it is important to note that the Commission is guided by the Securities Act, Chapter 83:02 of the Laws of the Republic of Trinidad and Tobago ("the Act"). The Act outlines the regulatory framework for the securities industry in Trinidad and Tobago and establishes the Commission as the regulator of the securities market. To understand the relevance of Registered Representatives, we must first delve into the requirements for registration with the Commission.

Who should be registered with the Commission?

Section 51(1) of the Act states that no person shall carry on business or hold himself out as, or engage in any act, action or course of conduct in connection with, or incidental to, the business activities of a Broker-Dealer, an Investment Adviser or an Underwriter, unless the person is:

a. Registered;
b. Deemed to be registered as such; or
c. Exempted in accordance with the Act.

Companies seeking registration under Section 51(1) of the Act, can be registered as:

a. Broker-Dealers or sub-categories of broker-dealers;
b. Investment Advisers; or
c. Underwriters

A requirement for registration under this section is that a Broker-Dealer, an Investment Adviser or Underwriter, register all individuals who are senior officers, agents or employees that engage in any act, action or course of conduct in connection with, or incidental to, the securities related business activities in which the registrant is engaged. Therefore, the individuals who represent the companies that are registered under Section 51(1) and who actually discharge the companies' securities related activities should be registered with the Commission as Registered Representatives. The requirement for registration does not apply to employees that perform functions which are solely administrative in nature, including without limitation, technology support, facilities support, human resources management and clerical support.

The onus is on the Broker-Dealer, Investment Adviser or Underwriter to ensure that the individuals who discharge its securities related activities, not only satisfy the requirements for registration as Registered Representatives but are also registered with the Commission in the appropriate category.

Categories of Registered Representatives

There are four categories of Registered Representatives:

1. Advising Representative – an advising representative provides investment advice in relation to securities.

2. Brokering Representative – a brokering representative discharges the brokerage activities of a Broker-Dealer in relation to its securities business.

3. Underwriting Representative – an underwriting representative performs the activities of an underwriter in securities.

4. Associate Representative – an associate must be representative under the supervision of either an Advising, Brokering or Underwriting Representative. An associate representative is authorised to conduct the activities that his or her supervising representative can conduct. It is important to note that an associate representative is not required to meet the same requirements for registration that must be met by the other three types of registered representatives.

Requirements for Registration

The provisions in the Act in conjunction with the Securities (General) By-laws, 2015 ("the By-laws") identify the pre-requisites for registration as a Registered Representative. By-laws 21 and 22 state that the officers or agents of the Broker-Dealer, Investment Adviser or Underwriter who are to be registered as Registered Representatives shall be at least 21 years of age and be fit and proper. In assessing whether someone is fit and proper to be an Advising, Brokering, or Underwriting Representative, their employer must (amongst other things) pay close attention to that individual's educational qualifications, work experience and character. As it relates to educational qualifications, an Advising, Brokering, or Underwriting Representative must have a degree or professional qualification in economics, banking, law, accountancy, business administration, chartered secretaryship, finance or such other qualification or training from a university or other educational institution acceptable to the Commission.

The educational and experience requirement is not required to be met by an Associate Representative. As mentioned before though, Associate Representatives must be under the supervision of a duly registered Advising, Brokering or Underwriting Representative. If the Broker-Dealer, Investment Adviser or Underwriter believes that its officer or agent meets the requirement to be registered as a Registered Representative and they have the documentary evidence in support of same, they must apply to the Commission to have these individuals registered. There are checklists on our website that detail the required documents and prescribed fee for registration of Registered Representatives (https://www.ttsec.org.tt/easi/checklists-for-registration-and-renewal-of-registration/).

Things to Note

- The registration of a Registered Representative is valid for a period of two years. The Broker-Dealer, Investment Adviser or Underwriter that the Registered Representative acts on behalf of must therefore apply for the renewal of this registration once every two years. In the event that it is not renewed, the registration of the Registered Representative expires, and that person must cease conducting securities related activities.

- It is not uncommon for Broker-Dealers, Investment Advisers or Underwriters to have multiple branches at which they conduct securities related activities. In the event that these companies are performing securities related business outside of their head office, those other locations are required to be registered with the Commission as a Branch Office. Furthermore, the companies must ensure that the securities related activities at its branches are only conducted by its Registered Representatives.

- All categories of Registered Representatives, with the exception of Associate Representatives can be registered in multiple categories. In other words, an individual can be registered as an Advising, Brokering, and Underwriting Representative (or combinations thereof), simultaneously, provided that he or she meets the requirements for same.

- The process for the registration of Registered Representatives, requires that the registered entity (the Broker-Dealer, Investment Adviser or Underwriter) submit the application for registration of Registered Representatives. The Broker-Dealer, Investment Adviser or Underwriter is:
    - responsible for ensuring that the requirements for registration of each Registered Representative are met.
    - required to notify the Commission and confirm a candidate's eligibility for registration as a Registered Representative, by way of submission of the Form 3A, as outlined in the Act and the By-laws.

Once a duly completed Form 3A – Registration of Registered Representatives and relevant registration

fees are submitted to the Commission for theregistration of an individual as a Registered Representative, the individual may proceed to conduct the business activities on behalf of the Registrant/ Registered company (in accordance with the category of registration of the individual).

Termination of Registered Representatives' Registration

There are two scenarios in which a Registered Representative's registration can be terminated:

1. The Registered Representative ceases to act on behalf of the registrant that sponsored their registration; and/or

2. The registration of the company that sponsored his registration is terminated.

In the first case, when a Registered Representative ceases to act on behalf of the Broker-Dealer, Investment Adviser or Underwriter that sponsored his registration, that registration will be terminated. This may occur for various reasons such as resignation, retirement, termination or change of the position of the individual such that the individual is no longer conducting securities related activities for the company. Regardless of what resulted in the individual no longer discharging the company's securities related activities, the Registered Representative will no longer be authorised to conduct business activities under the category of registration for which they were registered. In these circumstances, the Broker-Dealer, Investment Adviser or Underwriter that employed the services of the Registered Representative is obligated to notify the Commission of this matter. This notification ought to be done by way of the Commission's Form 6 – Notification of Change since this change falls under Schedule 3, List A of the By-laws – Changes Requiring Notification by Registrants Registered Under 51(1) of the Act. This must be submitted within seven days.

The second case where a Registered Representative's registration can be terminated occurs where his/her employer's registration with the Commission is terminated. Once the company's registration is terminated, the Registered Representatives' registrations are terminated as well. The Registered Representative cannot conduct securities related business on behalf of an entity if the entity is no longer registered to do so.

This article was intended to bring about greater clarity and understanding of the requirements and relevance of the registration of Registered Representatives.

Building a Culture of Compliance

The International Organisation of Securities Commissions (IOSCO) defines compliance as a function that, on an on-going basis, identifies, assesses, advises on, monitors and reports on a market intermediary's compliance with securities regulatory requirements, including whether there are appropriate supervisory procedures in place.

As stated by the Thomson Regulatory Intelligence for 2023: *In an ever-changing environment of geopolitical unrest, economic instability, bank industry failures, sustainability challenges, concern over crypto-assets and other innovative types of technology, financial services firms must be able to rely on their compliance functions to steer them through the labyrinth of associated regulations* .

The compliance function of the Trinidad and Tobago Securities and Exchange Commission (TTSEC) is essential to the operations of the securities market by ensuring that organisations establish effective policies, operational procedures and controls in relation to day-to-day business activities. Building a culture of compliance into an organisation's work environment fosters greater efficiency and long-term success, but it also remains an ever present/increasing challenge as organisations cope with the cost of compliance.

By-Law 64 of the Securities (General) By-Laws, 2015, requires that entities establish, maintain and apply a system of controls and supervision to ensure that they comply with the Securities Act Chapter 83:02, its By-Laws, and laws dealing with Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) to manage risks associated with their respective business and conforming to prudent business practices. It states further that these systems of controls should be documented in the form of written policies and procedures.

The culture of compliance is influenced by the organisation's Board of Directors through a framework of approved policies and procedures or otherwise loosely defined as "setting the tone at the top." Registrants should therefore foster a strong culture of compliance.

How to Build Compliance into Your Organisation?

Compliance requires a proactive, consistent and realistic approach to achieving a system of transparent risk management. A culture of compliance should put strong emphasis on people since most errors are as a result of human activity. Through the TTSEC's onsite inspection programme, it has been noted that although compliance policies and procedures exist, inadequate attention is paid to fully adopting and implementing them.

Commitment to a culture of compliance should be clearly articulated in an organisation's mission statement, policies and procedures, bringing employees into a clear understanding of their personal role. Those responsible for compliance should have detailed knowledge of the industry and regulatory requirements and should also receive ongoing training.

Some practical ways of embedding compliance:

Corporate Governance is the most important aspect of creating a culture of compliance, by establishing proper control and direction. A culture of compliance can only exist within an organisation if the board of directors and senior management recognise its importance.

Internal Policies and Procedures create the framework in which registrants carry out their daily business activities and are linked to the strategic plan. These are implemented, monitored, evaluated and reviewed on an ongoing basis.

Following Best Practice – Most practices adopted by registrants are supported by legislation however, other areas of importance which are normally governed by best practice include:

- Portfolio Management Procedures;
- Working Capital Procedures;
- Trading and Brokerage Procedures;
- Capital and Insurance requirements Procedures; and
- Procedures for preparing, reviewing and disclosing performance returns to clients.

Firms therefore need to go beyond legislative requirements and also implement best practices that are relevant to the nature of their operations. These will enhance operations within the organisation and mitigate associated inherent risks.

Training places emphasis on the development of the organisation's human resources capital. Appropriate training should be available to all levels from board of directors to all other members of staff.

POSSIBLE CHALLENGES

Challenges to maintain a culture of compliance are many, but here are a few:

Financial Cost – The cost of compliance in the U.S. securities industry reached more than USD25 billion in 2005. Costs include:

- Developing systems to meet reporting requirements;
- Personnel cost (compliance officer, data management staff);
- Revising and improving policies and procedures;
- Annual training for all staff; and

Today, cost pressures continue to dominate the list of compliance challenges as boards and senior management balance cost with available financing.

Regulatory Risk – Changes in laws and regulations (and increased regulatory scrutiny) can materially impact an organisation's operations and the entire securities market. The TTSEC seeks to maintain stability by ensuring that registrants are supported by robust regulatory and legal requirements while remaining competitive in the market.

Cybersecurity – Failure of organisations to ensure cybersecurity compliance can literally cost your business. It is becoming increasingly difficult for organisations and regulators for that matter, to keep up with a rapidly changing cybersecurity landscape, where there is increased sophistication/evolution and frequency (of cyberattacks). In the absence however, of issued cyber security guidance at this time, the Commission strongly encourages firms to use best practices as a guide to develop robust cybersecurity systems within their organisations that are suitable for the size and complexity of their business.

Skilled Resources – Also challenging is the availability of and ability to retain, key skilled resources, which is an essential component of any successful compliance function.

BENEFITS OF COMPLIANCE

Notwithstanding and perhaps because of the foregoing, the benefits of compliance still outweigh the challenges:

Risk Mitigation which reduces an organisation's exposure to various risks and/or the likelihood of its occurrence. This can lead to enhanced reputation and greater levels of security and stability for customers and entities alike. The TTSEC's Risk Based Supervisory (RBS) approach to its compliance reviews shifts the primary responsibility for risk management and internal control to the entities and changes the regulator's role from one of verifying compliance with rules to one of evaluating whether the firm's risk management and internal controls are adequate, being followed and updated as needed.

Legal and Reputational Status can sometimes be quantified and recognised as an asset to an organisation through goodwill. Having a good reputation may also aid in reducing the cost of compliance, where an organisation, by consistently following the rules, does not incur penalties and fees due to breaches of legal requirements.

Ethical and Social Practices are normally guided by principles and standards that determine acceptable conduct in an organisation. Commitment to ethical values promotes:

- Greater profitability;
- Lower levels of corporate pressure to senior management and employees;
- Maintenance of a positive reputation; it wins the trust and respect of employees, customers, and society, and in the long run improves corporate legitimacy;
- Enhances leadership; and
- Reduces the cost of regulation.

Integrity of Financial Markets ultimately impacts a country's development. General compliance reduces criminal activity, corruption, illegal trade and laundering of the proceeds of crime. Illicit flows within a country undermines good governance, financial sector stability, and economic development and increases economic distortion and instability.

Building a culture of compliance therefore is essential and helps keep your organisation safe and successful. Ultimately, when an organisation understands its compliance requirements, favourable conditions are created for profitability and avoiding costs in penalties for breach of compliance regulations. To be effective and consistent, and given your organisation's size, there must be an appropriately staffed and trained compliance department / function, with the tools/technology necessary to remain updated, monitor compliance.

For more information on the securities market and the role and functions of the TTSEC, please visit our corporate website at ***www.ttsec.org.tt.***

TTSEC Enhances Investor Education Programme

As a regulator, how do you remain on top of the investor education needs of the general public?

It's not that difficult.

Periodically, regulators assess the environment to determine the education needs of the populace. They also leverage technology to enhance existing programmes. The TTSEC, as regulator of the local securities market, has been a pioneer in leveraging the use of technology to advance investor education in Trinidad and Tobago and in the application of research to inform our education programmes.

In terms of our optimization of technology, the TTSEC is undertaking an overhaul of our investor education website investucate-tt and upgraded our gaming simulation of a stock market environment, InvestorQuest-TT, with modern features and innovations including the use of avatars.

There were also improvements made to our online education content with the introduction of two advance level investor education courses.

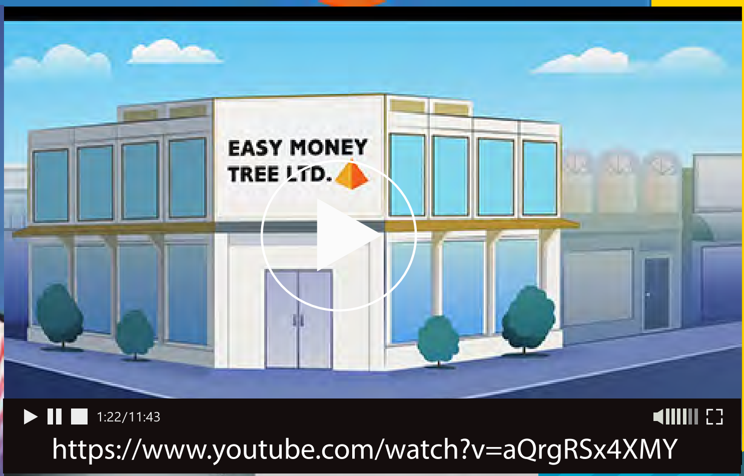
As reported on in a previous issue of the Market Newsletter, TTSEC partnered with the University of Trinidad and Tobago to upgrade our existing investing game – InvestorQuest-TT to 2.0 status. This educational investing game was completed in July, and we can expect to see greater utilization, and integration of this platform, within our IE programme. InvestorQuest-TT is an immersive playground wherein individuals can learn and understand how investing works, along with the risks and benefits associated with investing. The learning platform is enabled through the creation of a virtual stock exchange, avatar-like profiles and 20 simulated companies trading as 15 stocks, 5 mutual funds and 5 bonds. Click **www.InvestorQuest-tt.com** to learn more and share with your clients.

Another area of focus for the TTSEC, has been to maximise the use of technology in our day-to-day operations. The TTSEC has leveraged the use of artificial intelligence (AI) technology to improve our content development. This has had a positive impact on such recent campaigns promoting: World Investor Week and fraud awareness. The videos that were produced for WIW and our Christmas fraud campaign can be accessed here. We encourage you to share our content with your key stakeholders.

The TTSEC, in accordance with its statutory mandate, will continue its efforts to improve public education and awareness of the securities industry and encourage greater participation in the local market.

TTSEC Fraud Awareness Campaign

More protection for Investors from Prohibited Schemes



Announcement of Appointment

Mr. Kester Guy
Chief Executive Officer

Trinidad and Tobago Securities and Exchange Commission ("TTSEC") is pleased to announce the appointment of Mr. Kester Guy as Chief Executive Officer (CEO), effective December 1st 2023.

Mr. Guy, an economist, brings a wealth of experience in the regulatory landscape of the financial sector, having more recently served as the CEO and Deputy CEO, of the Financial Services Commission Barbados and the CEO of the Deposit Insurance Corporation, Barbados. His professional journey also includes roles as Assistant Director at the Research and Economic Analysis Department at the Central Bank of Barbados, as well as Senior Economist Central Bank of Barbados and Economist at the Central Bank of Trinidad and Tobago.

Mr. Guy has a solid macroeconomic foundation holding a Master of Science in Economics from the University of the West Indies (UWI) St. Augustine, and Bachelor of Science in Economics and Mathematics (First Class Honours) from UWI Cave Hill, complemented by years of ongoing professional and executive training.

The TTSEC welcomes Mr. Guy and looks forward to his leadership and overall contributions, toward the discharge of our oversight function, as regulator of the local securities industry.

You Invest. We Protect. Everyone Benefits!

International Waterfront Centre | Tower D | Levels 22 – 23
1 Wrightson Road, Port of Spain. Trinidad West Indies
Telephone: 868 624 2991 | Fax: 868 624 2995 | Email: ttsec@ttsec.org.tt
Websites: www.ttsec.org.tt | www.investucatett.com

Find us on

DOWNLOAD OUR MOBILE APP TTSEC

Trinidad and Tobago Securities and Exchange Commission

APPOINTMENT OF COMMISSIONERS

NOTICE is hereby given that 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**, that the following persons were recently appointed as Commissioners to the Board of the Trinidad and Tobago Securities and Exchange Commission ("the Commission"), with effect from November 24th 2023.

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

MR. DILLON TEELUCKSINGH……………………… Commissioner

MS. ZAHRAH MOHAMMED ………………………… Commissioner

The Board of Commissioners has been appointed for a term of three (3) years.

Ayanna Antoine
Corporate Secretary

December 12th 2023

SECURITIES & EXCHANGE COMMISSION

TRINIDAD AND TOBAGO

SEC