



Registration of Securities in Trinidad and Tobago – The Prospectus

The Trinidad and Tobago Securities and Exchange Commission (“TTSEC”) recently hosted its first Facebook Live Panel Discussion and Q&A event, ‘Ask the TTSEC’, where members of the public had the opportunity to ask questions in relation to the theme, ‘Know Your Investor Rights’ (in case you missed it, visit our Facebook Page). An important aspect of investors knowing their rights, is being well-informed about the security and the issuer of the security in which they are investing. Through the preparation and distribution of a prospectus, issuers are able to provide investors with important information about the issuer as well as the securities being distributed.

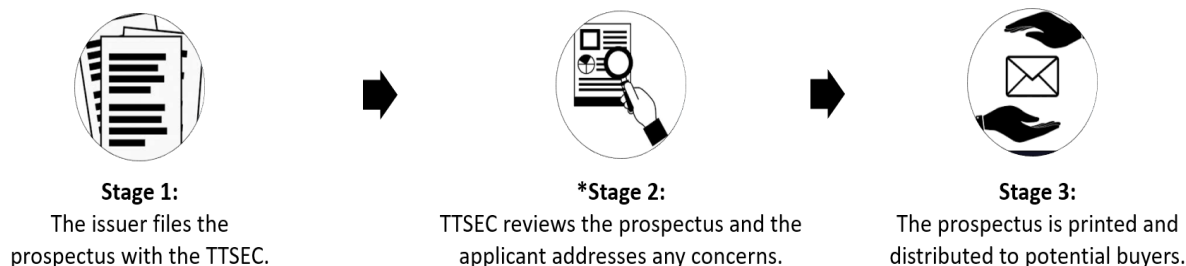
What is a prospectus?

A prospectus is a legal document which provides information in connection with a company that is proposing to offer a security for sale in the market and on the security being offered. Companies are required to file this document with the local securities regulator and distribute same to prospective investors when offering securities such as equities, bonds or mutual funds to the public at large. The prospectus contains important information that potential investors will require in order to make an informed decision regarding the security being offered.

Requirement for a prospectus

The Securities Act, 2012 (“SA 2012”) provides that where an issuer proposes to distribute its securities, it must first prepare a prospectus and have that prospectus receipted by the TTSEC before distribution. An issuer though, may not need to comply with this requirement, if it is eligible for an exemption from the requirement to have a prospectus receipted (these exemptions are outlined at Section 79 of the SA 2012). In preparing the prospectus, issuers are encouraged to utilise the market guidance contained in the TTSEC’s ‘Proposed Securities (Prospectus) By-laws 2007’ and the template included in Schedule 1 of that document. This document is available via our website: <https://www.ttsec.org.tt/wp-content/uploads/reg070125-2.pdf>. According to Section 76(1) of the SA 2012, the prospectus shall contain full and true disclosure in plain language of all material facts concerning the issuer and the securities to be distributed. Where there is misrepresentation within the prospectus, Section 139 of the SA 2012 provides investors with a right of action for damages for any loss or damage sustained as a result of the misrepresentation. This action may be brought against various officers or agents of the issuer who may have been responsible for the misrepresentation. Diagram 1 details the main stages of a prospectus.

Diagram 1: The main stages of a prospectus



*At Stage 2, the TTSEC reviews the prospectus and provides feedback or comments regarding the contents of the applicant's prospectus. The applicant then addresses these comments and resubmits a revised version of the prospectus. Once the prospectus meets the required standards, the TTSEC issues a receipt for the prospectus.

Components of the prospectus

The prospectus provides prospective investors with comprehensive details on the particulars of the security being offered, the issuer's management, organisational structure, historical and projected financial performance and other relevant information including the potential risks associated with investing in the security. The following describes some of the main components of a prospectus:

Details of the Distribution – This section describes the particulars of the distribution of the security. It includes, amongst other things, the dates of the distribution (the opening and closing dates of the distribution, the date of allotment of the securities and the date of listing of the securities on the stock exchange, where applicable); the description of the securities being offered; the price of the securities; the expenses incurred regarding the distribution; the purpose of the proceeds and the minimum amount required to satisfy the purposes of the distribution.

Details of the Securities being distributed – This section provides the particulars of the securities being distributed. In terms of a share, the class of the share and the rights associated with it are provided. In relation to debt securities, all material characteristics of the obligation and the security are outlined such as provisions for interest rates, maturity and premium.

Underwriter's and Plan of Distribution – Where an underwriter has been appointed, this section is included in the prospectus and it details the information regarding the underwriter of the distribution and the proposed plan of how the security will be distributed.

Risk Factors – The risks involved in the investment should be outlined within the prospectus. This section should include the material risks associated with investing in the issuer; any risks associated with the assets to be acquired using the proceeds of the distribution as well as general and specific risks relating to the investment and the industry in which the issuer operates. Where possible, the issuer should explain the potential of the risk to affect its operating and financial condition. Moreover, the issuer should disclose proposed steps it has taken or will take to mitigate and manage such risks.

Business of the Issuer – The prospectus should give an overview of the company issuing the security. It should also include the history of the company; a business overview including the

company's strategy; an industry overview describing the industry the company operates in and details regarding the company's Board of Directors and Senior Managers. Investors would like the assurance that there are experienced persons safeguarding their investment, as such, management profiles detailing qualifications and experience are included with this section.

Related Party Transactions – The prospectus should disclose any related party transactions and conflicts of interest which may exist between the issuer and its directors, senior officers, key employees or securityholders and experts named in the prospectus.

Financial Statements – The prospectus should provide investors with the issuer's past financial statements for at least three years. These statements include the balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, comprising a summary of significant accounting policies and other explanatory information.

The main components of a prospectus above provide investors with the necessary information to make an investment decision regarding an offering. It is important that investors thoroughly read and understand the information within the prospectus before investing in the security being distributed. If necessary, investors should consult with their broker or financial adviser for assistance or guidance in interpreting or using the information contained in a prospectus.

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You may also visit our Investor Education website at www.investucatett.com or
connect with us via any of our social media handles:



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