



Registration of Securities in Trinidad and Tobago – Other Participants

In last week's article, we focussed on the registration process for securities prior to distribution in the Trinidad and Tobago securities market. The process involves the registration of the entity issuing the security as a Reporting Issuer and the registration of the securities. While registering securities, there are different firms and service providers that can play integral roles in facilitating the issuance and distribution of securities via Public Offerings. These include: **attorneys and legal advisers, accountants and auditors, valuers, broker-dealers, underwriters, bankers, stock exchanges and securities depositories**. These service providers are normally involved in facilitating the distribution of securities. In this week's article, we discuss the roles of these entities in bringing an issue of securities (equities or bonds) to the market.

Attorneys and Legal Advisers – Securities laws and regulations govern the process for issuing securities, such as equities and bonds. These rules are designed in part to ensure full disclosure of information that would be relevant to an investor, prevent fraud, insider trading, and market manipulation, while also promoting transparency through a system of ongoing reporting and enforcement action, when appropriate. Attorneys and legal advisers provide advice to their client(s) on the legal and regulatory processes associated with issuing a security. These service providers may also negotiate contracts and draft required legal agreements such as **Trust Deeds, Prospectuses and Agreements for Distributional, Managerial and Custodial arrangements**. Ideally, the legal advisers selected should be familiar with the laws and regulations that apply to the securities market, as well as the industry that the issuer operates in.

Accountants and Auditors – An issuer that is seeking to raise money through the issuance of securities via a Public Offering must include their **audited financial statements** (for the last three years) in the **prospectus**. The firm's auditor must also provide their written consent for the inclusion of their audit opinion on the financial statements in the prospectus.

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) operates a disclosure-based regulatory regime which is prescribed in the **Securities Act, 2012** ("SA 2012") and related By-laws and Guidelines. A key component, in any disclosure-based regime, is the need for continuous and timely disclosure of information that would be relevant to a reasonable investor when making an investment decision. As prescribed under the SA 2012, Reporting Issuers are required to file with the TTSEC the requisite financial statements as well as make these financial statements available to their investors. The **Interim Financial Statements** must be filed within 60 days of the end of the financial period, and the **Audited Comparative Financial Statements** and the **Annual Report** must be filed within 90 days and 120 days, respectively, of the Reporting

Issuer's financial year end. These reporting requirements must be met by issuers of securities, therefore heavy reliance is placed on the services of accountants and auditors in ensuring accurate and timely reporting.

Valuators – This group provides valuation services to issuers of securities. **Valuation** is the analytical process of determining the current (or projected) worth of an asset or a company. Based on a number of techniques, valuers can assist the Issuer in arriving at the issue price, or fair value of an equity security. The fair value will provide an indication of the inherent worth per share and will influence the asking price and market demand at the point of issue. After the issue is successfully launched, the normal process of trading on a stock exchange by buyers and sellers should determine the market value of the security, be it a stock or a bond.

Broker-Dealers – This group comprises firms that buy and sell securities for their own accounts or on behalf of their customers. Entities which perform the function of a broker-dealer as defined by the SA 2012, are required to be registered under Section 51(1) of the SA 2012. Broker-dealers provide distribution services to issuers of securities. These services are normally governed by a **Distribution Agreement**. In addition, broker-dealers can also assist in conducting valuations, preparing the prospectus as well as liaising with the TTSEC in relation to issuance or distribution of the securities.

Underwriters – Persons who act as a **principal** - one agrees to purchase a security for the purpose of a distribution; as an **agent** – one who offers for sale or sells a security in connection with a distribution; or **participant**, one who partakes directly or indirectly in a distribution. Underwriters will facilitate distribution by buying securities from the issuer and then selling the securities, or a portion of the issue, on the market. The underwriter may underwrite all or part of the issuance of stocks, bonds, or any other type of security.

Bankers – Banks primarily perform the function of an **intermediary** between borrowers and investors. In addition, through specialised associated companies and subsidiaries, banks also provide **advisory, brokering and underwriting services** in the market.

Stock Exchanges – Stock Exchanges **facilitate the buying and selling of listed securities** such as shares, bonds and other financial instruments. Although an issuer may have a **Public Offering** of its securities, those securities are not necessarily required to be listed on a securities exchange. Being listed however provides several benefits to the issuer. These include easier and enhanced access to capital (possibly at lower cost) and increased Issuer visibility.

Securities Depositories – These are organisations which provide custodial services for Issuers of financial instruments such as bonds, equities, mutual funds and money market securities, in certificated or uncertificated form. For instance, if an investor receives his or her evidence of investment in the form of a physical certificate, this certificate is deposited in the Securities Depository through an electronic system commonly known as '**book entry records**' for safekeeping. This allows investors to confirm and transfer their ownership electronically and also secures entitlements to dividends and interest from the investment. Securities Depositories also aid in the efficient settlement of transactions.

In next week's article, the TTSEC will continue with the 'Registration of Securities in Trinidad and Tobago' series and discuss the distribution of securities via Limited Offerings.

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