



What is a Security?

Over the years market actors have been evolving their products and services to keep abreast of changes in the securities market. This is necessary to meet the increasing demands of investors for various types of securities. In this article, we will explain what is a security and also discuss the main securities distributed in the local industry. But first, how is it defined in the legislation.

What is a Security?

The Securities Act 2012, (“SA 2012”) defines a security as any document, instrument or writing evidencing ownership of, or any interest in, the capital, debt, property, profits, earnings or royalties of any person and includes:

- a) any *bond*, debenture, note or other evidence of indebtedness;
- b) any *share, stock*, unit, unit certificate, participation certificate, certificate of share or interest;
- c) any document, instrument or writing commonly known as a security;
- d) any document, instrument or writing evidencing an option, subscription or other interest in or to a security;
- e) any *investment contract*;
- f) any asset-backed security;
- g) any document, instrument or writing constituting evidence of any interest or participation in:
 - (i) a *profit-sharing arrangement* or agreement;
 - (ii) a *trust*; or
 - (iii) an oil, natural gas or mining lease, claim or royalty or other mineral right;
- h) any agreement under which the interest of the purchaser is valued for the purposes of
- i) conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets; and
- j) any derivative.

Simply put it is a financial instrument which has value and which can be traded or transferred.

A security does not include: a currency, a cheque, bill of exchange, or bank letter of credit; a contract of insurance or a certificate or document constituting evidence of any interest in a deposit account with a financial institution, a credit union; within the meaning of the Co-operative Societies Act, or a registrant under the Insurance Act.

Reporting Issuer and its Securities

According to Sections 61 and 62 of the SA 2012, no security shall be distributed or listed with any securities exchange unless it is registered with the Trinidad and Tobago Securities and

Exchange Commission (TTSEC). However, a company who wishes to distribute a security, is required to be registered as a Reporting Issuer. A Reporting Issuer is an issuer whose securities are listed on registered markets or whose existence following a takeover, business combination or other reorganisation involving an exchange of securities, in which one of the parties was a Reporting Issuer at the time of the transaction. The Reporting Issuer category does not include a government entity or international agency.

Importantly, all issuers of securities must be registered with the TTSEC.

The local securities market is mainly comprised of Collective Investments Schemes (CISs) (or sometimes referred to as Mutual Funds), Bonds (Government or Corporate) and Equities (also known as stocks and shares). The values of each segment of this market, for the period December 2019 to June 2020, are presented in **Figure 1** below. Despite Equities constituting the largest segment of the market, the local CIS industry appears to be growing the fastest.

Collective Investment Schemes

The mutual fund industry opened up in 1981. This industry has grown significantly since then with 69 funds collectively under management representing TTD55.92 Billion in assets, as at 30th June, 2020.

Analysis of the investor type within the CIS market shows that as at June 2020, Trinidad and Tobago Individuals accounted for 71.8% of investors, followed by TT Other Corporations 15.8% and Foreign Investors 7.3%. (**Table 1**). Perhaps it can be inferred that Individual investors tend to be more risk averse and prefer the relatively consistent expected returns they receive from their investment in mutual funds. A key benefit of a mutual fund is that it tends to diversify one's portfolio. Depending on the type of fund, the fund manager, and the local and global markets, the money that is pooled from investors are re-invested into other financial products that help to keep the fund profitable or balanced. Notwithstanding this, as all investments include some measure of risk there is no guarantee that a Mutual Fund will always be profitable, hence we recommend that you regularly review your statements and balances and monitor the value of your investments.

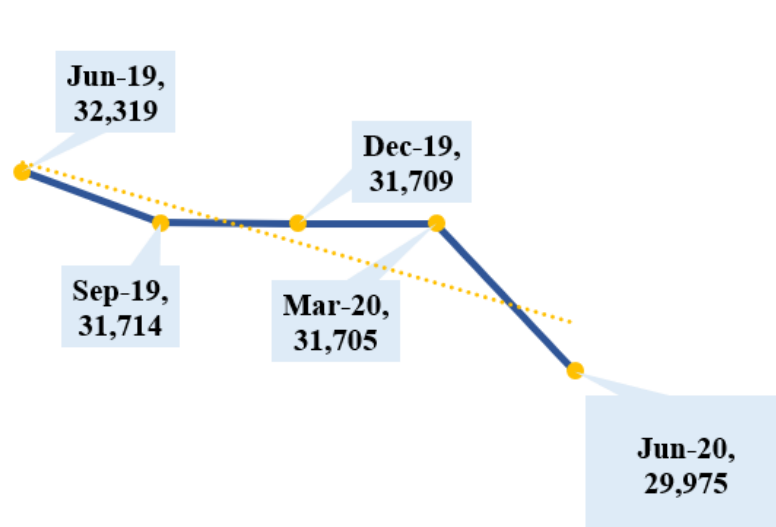
Table 1: CIS Investor Breakdown

Investor Category	June 2020
TT Individuals	71.79%
TT Other Corporations	15.81%
Foreign Investors	7.32%
TT Credit Unions	1.61%
TT Pensions	1.48%
TT Insurance Companies	1.18%
TT Government Agencies	0.29%
TT Banks	0.41%
TT Securities Intermediaries	0.08%
TT CIS	0.04%

Bonds

Bonds are traditionally used by companies and governments to finance a variety of projects and activities. A Bond is a debt investment in which an investor loans money to an entity (corporate or governmental). The funds are borrowed for a defined period of time at an agreed interest rate. The last issue of government bonds, through the Central Bank of Trinidad and Tobago, was in 2017. It is estimated that 18 Government of Trinidad and Tobago TTD bonds will mature within 5 years, with an average value of TTD579.1Mn. As at June 2020, there were 38 TTD denominated Government bonds, in issue, with a nominal value of TTD29,975Mn (**Figure 2**).

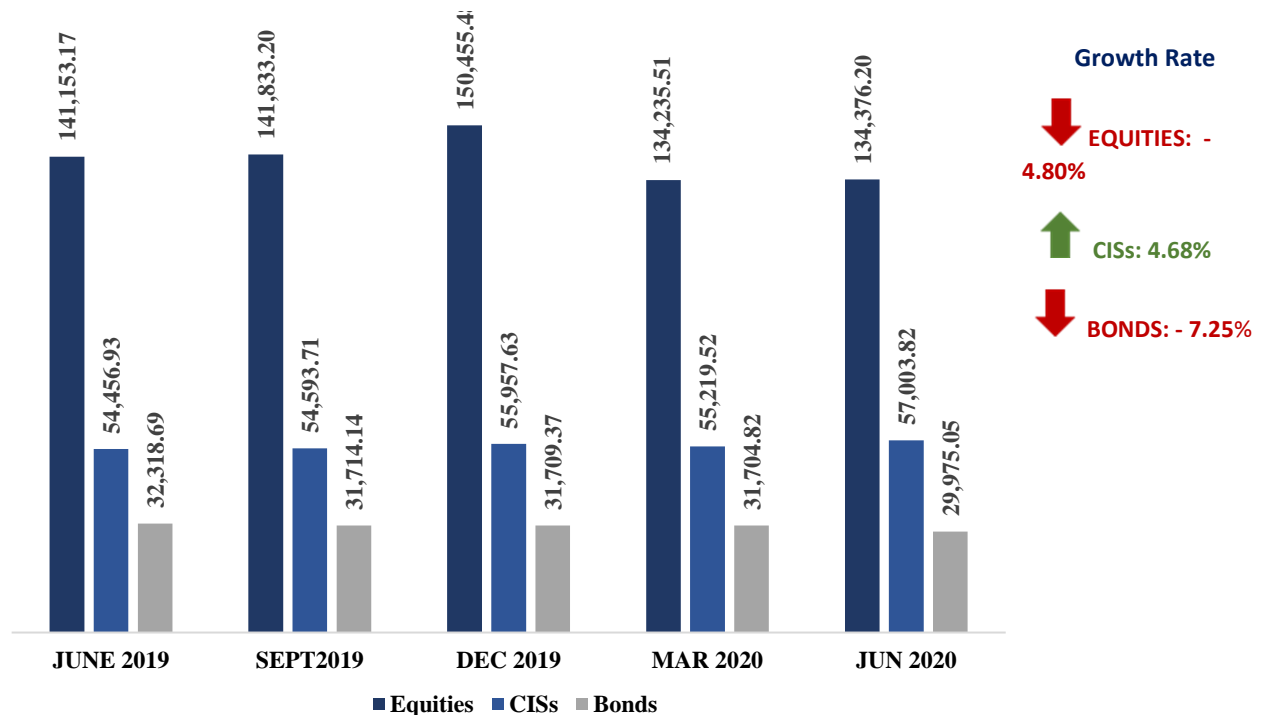
Figure 2: Value of GORTT Bond Issues, (TT\$Million)



Equity/Shares

Equity/shares represent ownership interest in a corporation, mainly in the form of ordinary/common stock or preferred stock. Members of the public can purchase shares from companies listed on the Trinidad and Tobago Stock Exchange. As at June 2020, there were 37 securities listed on the Stock Exchange valued at TTD134,376Mn.

Figure 1: Market Size of CIS, Bonds, Equities (TT\$M)



The TTSEC fosters development of the securities industry and welcomes participation in the market, we therefore encourage members of the public who are interested in investing in securities, to visit our website <https://www.ttsec.org.tt/registration/> for a list of registered companies, individuals and securities or consult with investment professionals registered with the TTSEC for the necessary information. Q1`

Alternatively, if you are new to investing and may be skeptical of the risks involved, uncertain of how to go about investing or simply think that you may not be equipped to invest in the local stock market, then think again. The TTSEC's investor education programme- InvestucateTT – has made it easy for you to get involved without the risks via our online investing game Investor Quest-TT (www.investorquest-tt.com). This online facility was developed primarily with potential investors in mind, to provide another avenue for persons to learn more about investing and to get involved in the securities market, without creating a bias towards any particular product or entity. It is an engaging platform and an educational tool designed to assist persons in learning about, and understanding the operations of the securities market in Trinidad and Tobago.

This game, which is a virtual market, is made up of (12) fictitious companies and investment products, comprises many scenarios and market changes, and incorporates risk at various levels, relating to investments in stocks (7), bonds (2) and mutual funds (3).

While our market is slow moving, the game attempts to create a very unpredictable market with interesting circumstances, material changes and significant movements in the stocks. Users will also be able to interpret how their initial investments can result in capital losses or gains based on the risks or decisions taken during game play. Investor Quest -TT makes investing easy for you to understand and get involved in the securities market.

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For more information, please visit our corporate website, www.ttsec.org.tt.
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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