



TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

**THE PROPOSAL BY THE
TRINIDAD AND TOBAGO STOCK EXCHANGE LIMITED TO AMEND ITS
RULES TO PROVIDE FOR THE TRADING OF GOVERNMENT BONDS**

In accordance with sections 40 and 134 of the Securities Industry Act, 1995

September 21, 2007

BACKGROUND TO THE HEARING HELD ON SEPTEMBER 21 2007

THE PROPOSAL OF THE TRINIDAD AND TOBAGO STOCK EXCHANGE

The Trinidad and Tobago Stock Exchange (“the Exchange”) and the Central Bank of Trinidad and Tobago (“CBTT”) are developing facilities for a secondary market trading platform, for the trading of bonds issued by the Republic of Trinidad and Tobago (“GORTT Bonds”) on the Horizon Trading Platform of the Exchange.

On July 27, 2007 the Trinidad and Tobago Stock Exchange Government Bond Trading Rules (“the Rules”) that had been developed by the Exchange in conjunction with the CBTT, were submitted in draft to the Trinidad and Tobago Securities and Exchange Commission (“the Commission”).

On August 15, 2007, a joint public consultation with relevant market participants upon whom the said Rules will directly impact, namely the ten (10) Government Securities Intermediaries (“GSIs”) and the seven (7) brokerages in respect of the Rules (and the Guidelines formulated by the Commission in respect of the required registration of securities companies and brokers to conduct trading in GORTT Bonds) was held by the CBTT, the Exchange and the Commission.

On August 16, 2007, under cover of letter dated August 16, 2007, the Exchange filed a copy of the proposed Rules and a concise statement of their substance and purpose in

accordance with section 40(1) of the Securities Industry Act, 1995 (“the Act”) for the Commission’s approval.

On September 14, 2007 the Commission published a notice in accordance with Section 134 of the Securities Industry Act inviting interested persons to attend a hearing on September 21, 2007 at 8:00 a.m. at the offices of the Commission, 57-59 Dundonald Street, Port of Spain.

REQUIREMENT FOR A HEARING

Prior to making a final order in an application of a self-regulatory organization to amend its rules pursuant to section 40 (5) of the SIA, the Commission is required to hold a hearing pursuant to section 134.

THE HEARING

The Commission’s Hearing Panel consisted of the Commission’s Chairman, Mr. Osborne Nurse, and Commissioners Dr Shelton Nicholls and Mrs Janice Clarence-Quamina

At the hearing, the Central Bank of Trinidad and Tobago represented by Mr. Alistair Noel, Senior Manager of Operations and the Trinidad and Tobago Stock Exchange represented by Mr. Hugh Edwards, General Manager and CEO, made submissions.

Mr. Alistair Noel stated that an amendment to the rules will facilitate the development of the secondary market in Government Bonds. He noted that the Central Bank has made available the Horizon Trading Platform for the trading of Bonds. This will result in a more efficient system. The paper based system will be removed and replaced by an electronic automated auction system, from written certificates to the establishment of an electronic depository, which will result in better access to the public and more transparency.

Mr. Edwards stated that the above rules were instituted to develop and structure the Bond Market, specifically the trading of government bonds. He noted that the Government sector is the backbone of the market. Further he stated that a successful bond market facilitates the transfer of savings to the industry, thereby resulting in increased financial liquidity.

Submissions were also made by other interested persons i.e.traders, members of brokerage companies, and members of the public attending the hearing.

PURPOSE OF THE HEARING

Having regard to section 40(3) of the Act as outlined above, the purpose of the hearing is for the Commission to consider whether they should make an order approving the

adoption of the Exchange's Government Bond Trading Rules, in order to implement an automated secondary market trading platform for the trading of bonds, issued by the Government of the Republic of Trinidad and Tobago, through the Exchange.

DECISION OF THE COMMISSION

Taking account of all the submissions made at the hearing, the accompanying proposed Trinidad and Tobago Stock Exchange Government Bond Trading Rules, and the Exchange's Statement of Substance and Purpose, the Commission:

- i. Determined that the submissions made by the Stock Exchange support and justify the application of section 40(1) and Sec 134 of the Act.
- ii. Considered section 40(4) of the Act and determined that section 40(4) is inapplicable.
- iii. Ordered the amendment of the Trinidad and Tobago Stock Exchange Rules to include the Trinidad and Tobago Stock Exchange Government Bond Trading Rules in accordance with section 40(3) of the Act.
- iv. Determined that the Order shall take effect on the 21st day of September 2007.

Signed by:

Osborne Nurse
Chairman

Dr. Shelton Nicholls
Commissioner

Janice Clarence-Quamina
Commissioner

Dated this 21st day of September 2007