



## NOTICE

### **Request for Comments on a Proposal by the Trinidad and Tobago Stock Exchange Limited to amend the Trinidad and Tobago Stock Exchange Rules to provide for an Error Account**

1. The Trinidad and Tobago Stock Exchange Limited (“the Stock Exchange”) by letter dated June 22, 2005, filed with the Trinidad and Tobago Securities and Exchange Commission (“the Commission”) a proposal to amend the Trinidad and Tobago Stock Exchange Rules pursuant to section 40(1) of the Securities Industry Act, 1995 (“the Act”). The purpose of the amendment is to provide for an error account.
2. By letter **Ref: SE246/06**, the Stock Exchange filed with the Commission a statement of substance and purpose of the proposed amendment as required by section 40(1) of the Act. The statement of the substance and purpose of the amendment submitted by the Stock Exchange is as follows:

#### **“STATEMENT OF SUBSTANCE AND PURPOSE**

**Resulting from the commencement of electronic trading it has become necessary to make amendments/addition to the Stock Exchange rules, to facilitate the smooth and efficient operations of the trading system. Outlined below is a recommendation for an addition to be made to the Stock-Exchange Rules, in order to adequately manage the risks faced by traders and stockbrokers in the trading process.**

**From time to time requests are made to the Exchange to have corrections made on trades executed for a number of reasons. Currently only errors made due to incorrect account traded is facilitated, by substituting the trade to the correct account.**

**There are however instances whereby trades may be executed where errors relate to price or volume may occur. In order to deal with these in an organized and transparent manner it is suggested that a stockbrokers error account be maintained, whereby entries of this nature can be addressed and followed through in a systematic manner, and not be merged with the accounts of the firm.**

**An additional point to note is that the Exchange is currently in a developmental mode, and imminently there will be the introduction of Margin Trading and other products to the market. The risk of financial loss will be potentially greater and measures need to be put in place to manage this risk.**

**In order to implement this system, Stock Exchange Rule 231 — Error Account will be an addition to the Stock Exchange Rules, under the area, *Dealings and Settlement.*”**

3. The proposed Rule 231 states as follows:

**Rule 231**

1. Except with the prior approval of the Trinidad and Tobago Stock Exchange Limited (the Exchange), no executed trade involving the purchase or sale of a security (or such portion thereof as may be executed) will be cancelled to correct an error.
2. If a member firm discovers subsequent to the execution of a trade that an error was made because of incorrect data with respect to the trade, the trade shall be accepted by the member for the firm's own account and the underlying securities and the corresponding market value should be promptly recorded in an "Error Account" established specifically for that purpose. Such acceptance of the trade for their "Error Account" shall not prejudice the member's right to subsequently resolve or dispose of the security.
3. Security position valuations, that is, the marking to market of securities held in an "Error Account", should be made as of the date of the computation of the Liquidity Return and the unrealized gain or loss included in the capital computation of the firm.

The Commission invites interested persons to submit written comments on the proposed amendment of the Trinidad and Tobago Stock Exchange Rules.

Comments must be received on or before **September 1, 2006** and should be addressed to:

The General Manager  
Trinidad and Tobago Securities and Exchange Commission  
57-59 Dundonald Street  
Port of Spain

Fax: 624-2995

E-mail: [ttsec@ttsec.org.tt](mailto:ttsec@ttsec.org.tt)

Members of the public can view a summary of the proposed amendments and the statement of substance and purpose at the offices of the Commission at the above address, or at the offices of the Stock Exchange at:

10<sup>th</sup> Floor, Nicholas Towers  
63-65 Independence Square  
Port of Spain

**Terrence Clarke**  
General Manager  
Trinidad and Tobago Securities and Exchange Commission

Dated this 11th day of August, 2006