

**THE TRINIDAD AND TOBAGO STOCK EXCHANGE LIMITED**

**STATEMENT OF SUBSTANCE AND PURPOSE**

**August 16, 2007**

**PROPOSED IMPLEMENTATION – STOCK EXCHANGE GOVERNMENT BOND  
TRADING RULES**

The Stock Exchange Government Bond Trading Rules have been developed in conjunction with the Central Bank of Trinidad and Tobago (CBTT) and the Trinidad and Tobago Stock Exchange Limited (the Exchange), in collaboration with the market actors, to support the proposed electronic trading of Bonds issued by the Government of the Republic of Trinidad and Tobago, on the Horizon Trading Platform of the Exchange.

The following underlying rules were taken into consideration in the development of the Rules:

- Stock Exchange Rules
- Operating Rules for the Government Securities Intermediaries Settlement System (GSS),
- Horizon Trading Rules for Fixed Income Securities,
- Service Rules of the Trinidad and Tobago Central Depository
- Policy Guidelines for Registration of Securities Companies and Brokers to conduct business in Fixed Income Securities.

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Over the past months the Stock Exchange and the Central Bank, have engaged in discussions relative to the development of the secondary bond market. This process involves the utilization of the Exchange's electronic trading platform to develop the Secondary market trading in the Government Bonds so that bonds are traded electronically using an automatic match system.

It is proposed that the electronic trading platform of the Exchange (the Horizon Trading System) will be used to pursue this initiative, which is driven by the Government of Trinidad and Tobago, is aimed at an organized system of trading government bonds, while simultaneously maintaining an efficient inventory of the ownership and transfer of these bonds. The Settlement of trades will be done through the Central Bank's Real Time Gross Settlement System (RTGS) between the Participants and the Central Bank.

The overall vision is to develop the capital market in a manner that is sustainable and it is hoped that this initiative will generate a greater level of activity in the secondary bond market, and at the same time provide a mechanism for other investment vehicles to be traded, such as corporate bonds and repurchase agreements. The formalizing of bond trading on the Stock Exchange will also provide an opportunity for investors to switch the nature of their investment depending on market options.

The participants in the process include the Government Securities Intermediaries (GSIs) as well as the securities firms and market actors who are already participants and members of the Stock Exchange. The rules for registration of the market actors are supported by the Policy Guidelines for Registration of Brokers, Dealers and Traders in Bonds and other Fixed Income Securities issued by the Securities and Exchange Commission.