

# 2<sup>ND</sup> ANNUAL CONFERENCE OF THE ASSOCIATION OF CARIBBEAN SECURITIES REGULATORS

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***ADDRESS BY-***

**OSBORNE NURSE, CHAIRMAN**

**TRINIDAD AND TOBAGO SECURITIES & EXCHANGE COMMISSION**

Hon. Minister of Finance, Dr. Omar Davies, Chairman of the Financial Services Commission, Dr. Owen Jefferson, other Commissioners, Executive Director, Financial Services Commission, Mr. Brian Wynter, other distinguished guests, Ladies and Gentlemen..

Good Morning

I am particularly pleased to join my colleagues at the Jamaica Financial Services Commission and the Minister of Finance at this opening of the Second Annual Conference of the Association of Caribbean Securities Regulators, the first such Conference having been held in Trinidad and Tobago in October 2004. This Conference, therefore, is a new development in the Region and already one is encouraged by other signs in the development of our regional capital markets that suggest that the formation of the ACSR has been a timely development. It may therefore be useful to review briefly its context.

As we are all aware, there are a number of separate securities regulatory jurisdictions in the Caribbean –, Barbados, the Eastern Caribbean, Jamaica and

Trinidad and Tobago, as well as The Bahamas and Bermuda – to name some of the more active ones. Most of these are on-shore jurisdictions, but there also exist a number of offshore jurisdictions as well, including territories such as the British Virgin Islands, the Cayman Islands, and several Eastern Caribbean States. Of the six securities regulatory jurisdictions mentioned above, all but one – the Eastern Caribbean – are full members of the International Organisation of Securities Commissions (IOSCO) which was formed in 1983 and which, among other functions, has been established as a forum for the development and dissemination of standards of best practice for securities regulation.

With a membership of some 100 countries, IOSCO is a global forum for disseminating standards, sharing experiences and contacts and for assisting in the development of member organisations. IOSCO usually holds its annual conference in the second quarter of each year in various jurisdictions. The last was held in Sri Lanka, the two before that in Amman, Jordan and Seoul, South Korea, and the next will be held in Hong Kong in June 2006.

IOSCO has implemented a system of four Regional Committees within its governance structure, including one each for Europe, Asia-Pacific, Africa and

the Americas. The Regional Committee for the Americas is the Inter American Regional Sub Committee, the membership of which comprises Canada, the USA, Central and South America and the Caribbean..

In 1992, securities regulators in these countries formed the Council of Securities Regulators of the Americas (COSRA) in an effort to better more fully address their specific concerns, while recognising the peculiar developments in the Americas region. COSRA's membership has now grown to 31 members in 26 countries, all of which appear to extract significant value from the meetings and from the substantial support for the development efforts of the other members that is provided to all the members by Canada and the USSEC. COSRA usually meets twice yearly in one of the member states. The two meetings for 2005 were held in Bolivia and in Cartagena, Colombia, and the February 2006 meeting will be held in Miami.

Each year therefore, representatives of Caribbean Securities Regulators – usually from The Bahamas, Barbados, Bermuda, Jamaica and Trinidad and Tobago – journey to IOSCO and COSRA meetings in what are for us relatively far-flung locations. At these meetings, these representatives seek to set aside time to discuss issues of specific relevance to the Caribbean.

At the February 2002 meeting of COSRA which was held in Trinidad and Tobago, the Caribbean representatives decided that, as beneficial as attendance at IOSCO and COSRA meetings undoubtedly were, they needed a forum of their own in which issues of securities market development and regulation that are uniquely our own could be discussed in greater detail. This led to the formulation of the concept of a Caribbean Association, a concept which was developed more fully in 2003 – primarily at COSRA meetings – and led to the hosting of our first Conference and formal meeting in Trinidad last October.

Six jurisdictions originally agreed to the formation of the Association – Bahamas, Barbados, the Eastern Caribbean, Guyana, Jamaica and Trinidad and Tobago – and membership which was originally designed to include only jurisdictions that are members of CARICOM now includes Bermuda.

In implementing the Association in 2003/2004, the members agreed to eschew formal structures at this time and to focus instead on producing value by encouraging the free exchange of ideas among and between regional regulators and regional capital market participants. Our Conference was born

out of this concept and we sought to organise the first Conference, which Trinidad and Tobago readily agreed to host in a framework in which the dialogue with market participants would take place on the first day while the second would have been closed-door among the regulators alone.

To our surprise and delight, the market participants quite vociferously requested to be allowed to participate in the second day's discussions as well. As good regulators who value the power and effectiveness of the consultative process and who are actively concerned about the issues that market participants wish to discuss, we of course agreed.

The design of this year's Conference therefore reflects our continuing commitment to engaging openly with market participants as we strive to ensure the fullest development of the regional capital market. On reflection, when we consider the real context of capital market development in the region, we ought not to have been surprised at the reaction that we encountered.

Allow me then, to briefly outline the justification for the formation of this

Association in the context of the development of regional capital markets in the Caribbean.

### **The Development of Regional Capital Markets**

Currently there exist four stock exchanges in the region on which equity securities of Caribbean companies may be listed. There are fewer than 120 listings on these exchanges and several of these are by companies listing in more than one of the markets. Of some 46 listings in Jamaica, approximately six are domiciled elsewhere in the Caribbean. The picture is similar for Trinidad and Tobago where 8 of 37 listings are domiciled elsewhere and in Barbados where 5 of 24 listings are domiciled elsewhere. The impact of such cross listed equities is demonstrated by the fact that they account for almost 60% of market capitalisation in Jamaica, some 50% in Barbados and more than 30% in Trinidad and Tobago.

This indicates both the growing importance of regional companies in each country's stock market and the business strategies that are being adopted by the largest and strongest companies in the Caribbean – all before the full implementation of the CSME and all in response to perceived business

opportunities that are available around the Caribbean. It is important to note that this direction has been the result of the initiative and push of the issuers and not of the exchanges. There may well be important messages there, somewhere for the exchanges and we trust that they are beginning to respond positively.

The regionalisation of the securities market has not been restricted to the important roles that cross listed equities play on regional markets as other securities also enjoy significant cross-border activity. In Trinidad and Tobago for example, the issue of new securities in the form of bonds, commercial paper and derivatives significantly exceeds the issue of new equity securities. For the period 1997 – 2003 TT\$ 53 billion in new bonds, derivatives and commercial paper were issued as compared to TT\$ 32 billion of new equities, including only TT\$2.8 billion of IPOs. At least 11% of the new issues were made by external issuers, especially public sector entities and 25% were issued in currencies other than the TT dollar – 23% in US dollars and 2% in Barbados and East Caribbean dollars. The derivative issues reflect similar patterns.

A vibrant private bond market has therefore been emerging and cross border



issues are becoming increasingly important. Once again, it is the issuers and the intermediaries, not the exchanges, that are the movers in this development since in none of the major markets are private bond issues listed. Once again, the question arises about what the exchanges, which all bemoan the lack of liquidity and depth in the market, are proposing to widen their product offerings.

This, and similar activity in each of our markets, underscores the importance of our regional markets to our investing public and to our entrepreneurs. The cross border activity not only provides access to funds and investing opportunities, but if recent patterns in the Trinidad and Tobago market are any reflection, these cross listed issues are currently serving to maintain the relative buoyancy of the entire market.

### **Implications for Regulators**

As our markets increase their interdependence with firms seeking to exploit the business opportunities that become available in the region

– including the wider Caribbean – regulators need to collaborate more closely in order to simplify the requirements for business activity and to ensure that all investors, wherever resident, benefit from the same levels of knowledge or

information about market actors. We have found in Trinidad and Tobago, for example, that cross listed entities are a bit unsure about the requirements they have to satisfy in each of their listings. Regulatory cooperation will certainly help to achieve less complicated regional markets. The development of a single regional Exchange or of fully integrated Exchanges will also help.

The long discussion that has been conducted in the region, alas without a final conclusion or finite timeline for the creation of a single or an integrated regional stock market will only serve us well if it results in the implementation of an integrated market or platform relatively soon. The full development of our market demands such a result.

While the full-fledged implementation of regulatory cooperation and information sharing in the region requires an adequate legal framework – and several of our jurisdictions are currently engaged in efforts to improve our regulatory frameworks in that regard, we, as the regional regulators are seeking to anticipate, prepare for and facilitate the integration and deepening of our market. The formation of the Association is one of the mechanisms by which we are seeking to facilitate market development.

Our role as regulators, is to establish standards for the disclosure of information and for market behaviour that issuers and market actors must observe. Together with our responsibility to educate the investing public, these are the key mechanisms for assuring the protection of investors, the efficiency of our markets and the minimisation of risk. While this may seem a relatively simple job, it is not without cost. All market participants seek to minimise these costs, wherever possible, by playing in the areas of differences and lack of clarity that may be presented by the various regulators with whom they have to interact.

The formation of the Association of Caribbean Securities Regulators has been promoted to facilitate cooperation among regional regulators in order to achieve a more simplified, integrated and efficient supervised market. It is therefore a forum through which we can accelerate our efforts to harmonise our standards for disclosure, governance and reporting by market participants. The achievement of such cooperation and harmonisation will certainly facilitate the development, widening and deepening of integrated regional securities markets and help to foster the coming into fruition of the CSME and its attendant benefits. As regional regulators we have however determined that it is not sufficient to speak among ourselves, but that we should extend the

conversation to include the market participants whom we regulate.

This gives this Conference its special quality as all market actors are invited to share the dialogue with their regulators on the issues that are of importance to this Region. And in this our second Conference, we expect an even wider participation by both onshore and offshore Regulators and by market actors from around the entire Region.

I am therefore delighted to welcome you all to our Second Annual Conference, which, I am sure, will be of significant value to all of us as we strive for more efficient markets in the Region.

I Thank You.