



# Broadening The Trinidad and Tobago Capital Market

Guidelines for the Issue and Regulation of Depositary  
Receipts in Trinidad and Tobago



## Overview

The TTSEC, together with the Ministry of Finance and the Central Bank, have determined that within the context of the RBC/RBTT transaction, a comprehensive programme governing the introduction and operation of depositary receipts should be put in place as quickly as possible.



# Overview

The establishment of a TTDR programme will have a number of benefits

Increase the  
"product"  
trading in the  
local market

Absorb liquidity  
in the domestic  
economy to  
reduce  
inflationary  
pressure

Encourage  
greater  
diversification  
for local  
investors

Contribute to  
the deepening  
of the T&T  
capital market  
and the  
development of  
T&T as IFC



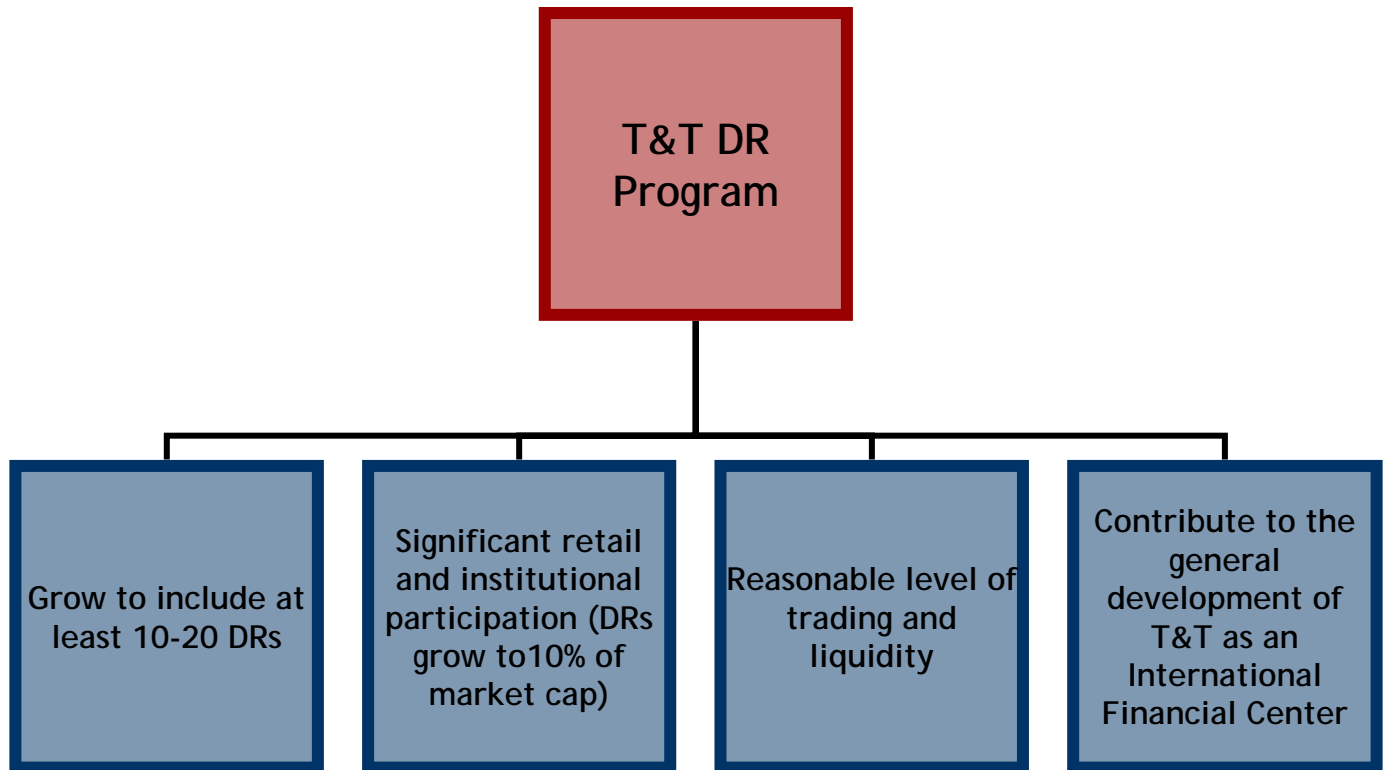
# Overview

## **Four Keys to Success**

- Streamlined registration and listing requirements
- Allow both sponsored and unsponsored TTDRs
- Encourage market making to generate active trading in TTDRs
- Public education regarding TTDRs



# Objectives





# Key Elements of Proposed TTDR Framework

## Basic Framework

- Sponsored vs Un-sponsored:
  - Sponsored DR: issuers actively register with local regulatory authority to have their securities traded under the local jurisdiction
  - Un-sponsored DR: driven by brokers and Depositary Agents to meet market demand, without any action by the issuer
- Attracting sponsored programmes may take time
  - Potential exceptions: RBC, Arcelor-Mittal, Multinational Oil & Gas Companies
- For this reason it will be necessary to put in place a framework that allows - and actively encourages - un-sponsored DR programs.



# Key Elements of Proposed DR Programme

## TTDRs Will be Domestic Securities

- Following the market practices in other jurisdictions, TTDRs will be considered domestic securities, issued by a local T&T financial institution and subject to T&T law.
- While underlying shares held in a custodian account for the DR bank are foreign securities, from the investor point of view, the TTDR will look and feel like a domestic security.
- TTDRs will be quoted in TT\$, traded on the TTSE, cleared through the TTCD and registered with the TTSEC.



# Key Elements of Proposed DR Programme

## Local Tax Treatment of TTDRs

- Under current Trinidad and Tobago regulations, dividend income paid to domestic holders of domestic securities is exempt from income tax.
- Dividend income to domestic holders of foreign securities, however, is subject to taxation at the standard income tax rate of 25 percent.
- Domestic tax treatment of dividends for TTDRs, will help to
  1. increase the size of the local market (by adding new securities)
  2. increase trading activity in the local market and;
  3. generate fees and income for local financial market participants.
- In order for TTDRs to receive domestic tax treatment amendments to the Income Tax Act will be required.

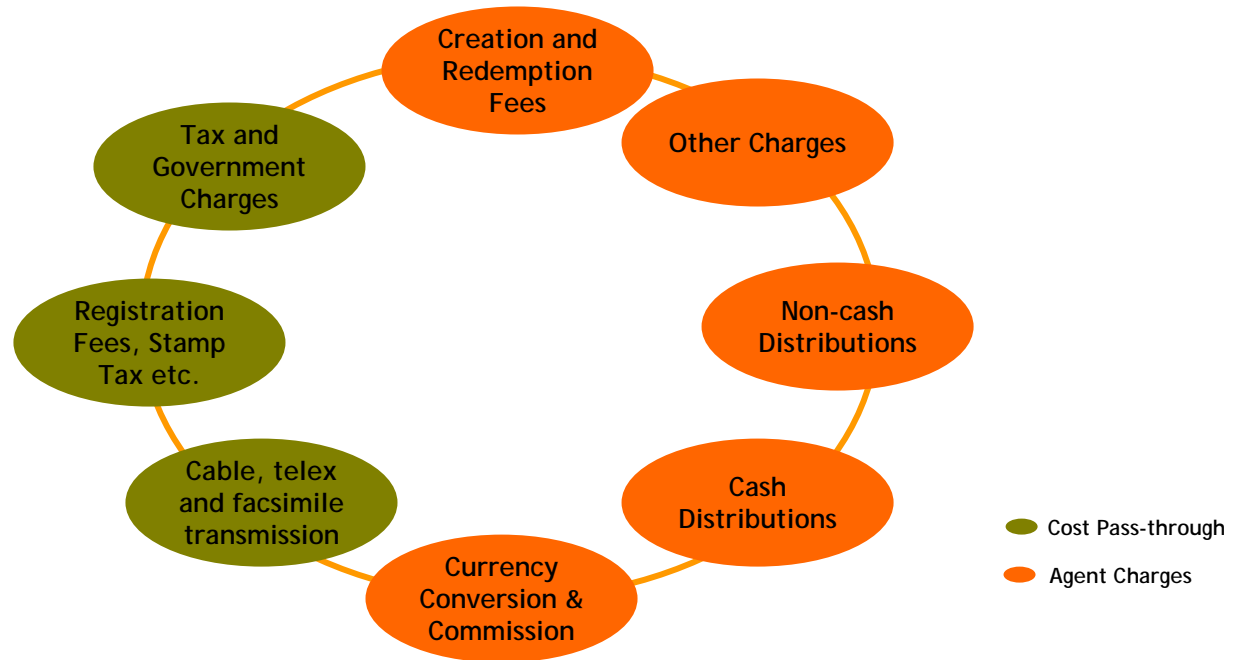




# Regulation and Operation of Key Institutions

## Depository Agents

- Depository Agents issue (create) and cancel DRs, perform the DR registrar function, provide for custody of the underlying shares, handle FX conversion, pay distributions, solicit proxies and votes and distribute notices to DR shareholders
- They typically charge fees to investors for these services





# Regulation and Operation of Key Institutions

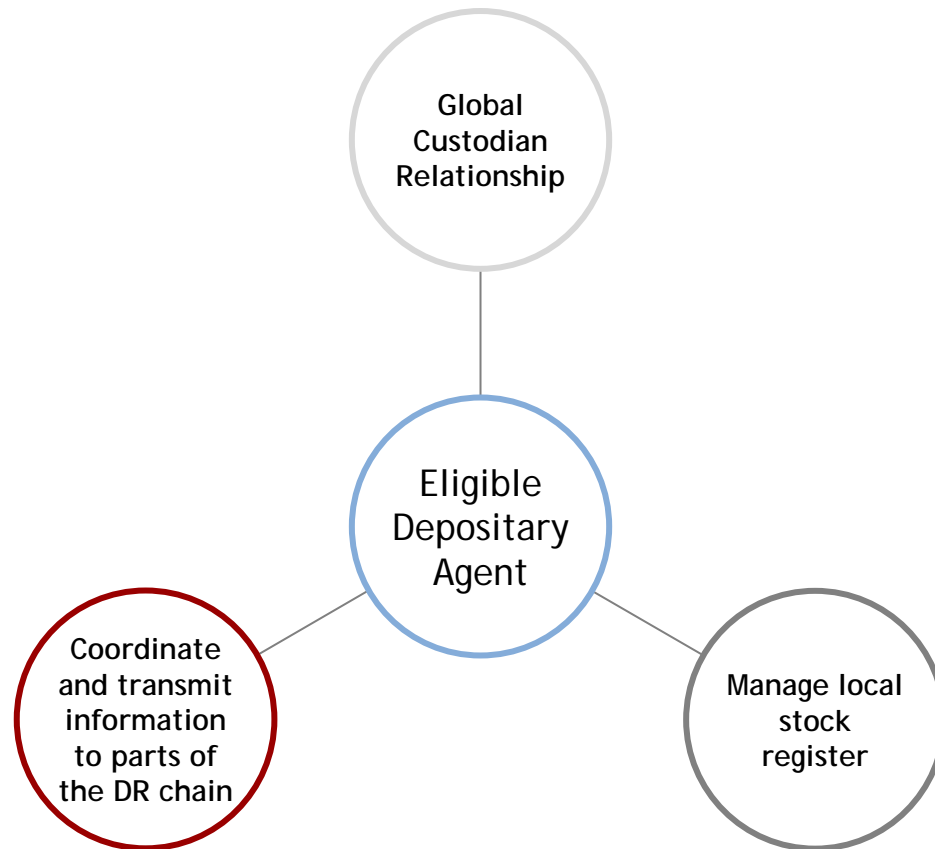
## Depository Agent Regulation

- A Depository Agent will need to be registered with the TTSEC
- Criteria for registration will include:
  - Must be a Financial Institution or a Securities Company, or regulated by the Central Bank of Trinidad and Tobago,
  - Must be in good standing with its regulator
  - Must have the technical resources and capacities to do the necessary work of Depository Agent
  - Must have a reliable relationship with a Custodian with Global Custodian capability in an approved jurisdiction.



# Regulation and Operation of Key Institutions

## Essential Functions of a Depository Agent





# Regulation and Operation of Key Institutions

## Custodians

- A Custodian of the Foreign Share must:
  - Be duly registered, regulated and be in compliance with its respective home regulatory authority in an approved jurisdiction.
  - Have provided services as a Global Custodian for at least three (3) years immediately preceding registration of the TTDR programme.



## Regulation of TTDRs

- The Foreign Share Issuer is up-to-date with its registration obligations in a jurisdiction recognized as acceptable to the TTSEC
- English language regulatory filings must be available within seven (7) days of submission to a foreign regulatory authority
- The company's security is listed on a recognized international exchange
- The company's market capitalization exceeds US\$1 billion
- Average value of trading exceeds US\$10 million per day



# Registration and Trading of TTDRs

## Registration of TTDRs with the TTSEC

- The TTSEC will require all TTDRs issued in Trinidad and Tobago to file a registration statement including:
  - A brief description of the security to be registered
  - The name and address of the Depositary Agent
  - The terms of the depositary agreement
  - Registration Fees



# TTDR Targets

	March	April	May	June	July
Preliminary Report on TTDRs	■				
Final Report on TTDRs		■	■		
Launch of RBC TTDR					July 1
TTSEC Board Approval of TTDR Proposal		■			
Market Consultations	■	■	■		
Legal Research	■	■			
Required Legislative Changes		■	■	■	
RBC / RBTT Closes			May 19		
Launch of Unsponsored TTDR Programs					■
Drafting of Rule Changes, Guidelines & Regulatory Forms	■	■	■		
Develop Public Education & Product Launch Plan		■	■		
Training for DR Agents & Brokers			■	■	
Public Education Plan Implementation			■	■	■



The End