



REGULATION: TOO MUCH OR NOT ENOUGH? FINDING THE BALANCE

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The Appropriate Balance for Regulation: Origins of the 2008/2009 Debate

- The Global Financial Crisis & Meltdown
 - Opaque Markets and Products
 - Lack of Information and Understanding on Products, Market Actors and Market Operations
 - Excessive Risk
 - Originate to Distribute Model
 - Pro-Cyclical Risk Management Models
 - Excessive Short Term Compensation with Little Reference to Risk
 - Regulatory Arbitrage from Differential Regulation
 - “Light Touch” Self Regulation Based Model for non-Banks to Facilitate Innovation



The Appropriate Balance for Regulation: The Objectives of Securities Regulation

Paper by Ana Carvajal & Jennifer Elliot, IMF,
November 2007*

- Address Asymmetries of Information Between Issuers and Investors; Clients and Financial Intermediaries
- Ensure Smooth Functioning of Trading, Clearing and Settlement Systems
- Foster Investor Confidence

**“Strengths and Weaknesses in Securities Market Regulation: A Global Analysis”*
IMF Working Paper, November 2007



The Appropriate Balance for Regulation: The Regulatory Model

Four Essential Pillars:

1. Full, Timely Initial and Continuous Disclosure to Investors
 - Corporate Governance Concerns to Ensure Reliability and Integrity of Information Provided
2. Ensure that Intermediaries Enter Freely, Conduct Business with Due Care and Trade Fairly
 - Includes Asset Management where Concern is for Professional Management and Disclosure of Investments to Investors
3. Ensure Fair Access and Fair Dealing on Secondary Markets and Effective Settlement
4. Encourage Investor Education and Responsibility



The Appropriate Balance for Regulation: Where Do We Go From Here?

- Self Regulation has Severe Limits – Unable to Contain Excess
- Independent Central Authority with Adequate Legal Framework Essential
 - Strong Arguments for Single Regulator - Wider Intermediation, Financial Conglomerates, Global Operations
- Global Cooperation – Systemically Sensitive Institutions are Global, Not Local
- Public Safety Nets to Ensure Systemic Integrity



The Appropriate Balance for Regulation: The T&T Approach

- Strengthen Disclosure Requirements
 - Filing Quarterly Returns
 - Publish MD&A
 - Monthly Reporting for CIS
 - Reporting of Insider Trades and Material Transactions
- Simplified Market Actor Registration
- Clearer Definition of Market Abuse and Manipulation Prohibitions and Offences
- Strengthen Enforcement Capacity/Capability of Commission
- Greater Use of Consultation and Commission Guidance



Thank You