

Trinidad and Tobago Securities and Exchange Commission

BREAKFAST MEETING



Address by the Chairman- Ms. Deborah Thomas-Felix

Hyatt Regency, Regency Ballrooms V & VI

February 4th, 2010

ADDRESS

Good Morning to everyone, I wish to welcome you to the first in a series of meetings which the Commission will be hosting.

My role as Chairman of the Securities and Exchange Commission is made much easier due to the path which was paved by the previous Chairs, particularly Mr. Ossie Nurse. Over the years, under Mr. Nurse's stewardship the SEC has grown tremendously and its focus has moved from registration to one of market surveillance and enforcement. I wish to publicly thank Mr. Nurse for his hard work and efforts over the years.

As you know I assumed the office of Chairman a few days before the new Securities Bill 2009 was debated in the Senate and as a result, I was immediately involved in the examination of the Bill and in the critique of it. I want you to know that we at the SEC have listened very closely to the comments and criticisms about the Bill and we have factored all of those comments and criticisms into our recommendations on the final draft. On Friday last, the Bill was again tabled in Parliament where it was unanimously agreed that it be sent to a Joint Select Committee for deliberations to be brought back to the Parliament. At the end of the process we should have new legislation and an enhanced legal framework from which we operate.

A key component in the SEC's mission statement is to create and promote such conditions in the securities market as may seem necessary, advisable, or appropriate to ensure the orderly growth and development of the capital market.

Therefore, you will understand that I am concerned with the declining activity in the Equity market, a concern which I am sure most of you share. As you may know, the delisting of RBTT Financial Holdings from the Stock Exchange in 2008 effectively removed some \$12.6 billion of market capitalisation or 10.91 percent of the market's valuation. According to reports on Equity trading volumes on the Trinidad and Tobago Stock Exchange there was a decline in activity in 2009 compared to 2008. On the First Tier Market, approximately 76.9 million shares were traded in 2009 compared to 133.9 million shares in 2008; this represents a decline of 42.6 percent.

I believe that it is important for the intermediaries to give their full support in ensuring the growth of the domestic Money and Capital Market. Although the investing public can utilize the advisory services of market participants and buy and sell foreign securities with an external broker, this practice will not help to develop our local market. In my view, for our market to develop it is imperative, that all players – intermediaries, the Stock Exchange as a Self Regulatory Organisation, and other stakeholders develop, facilitate and support new and innovative products for investors. The SEC is currently inviting comments on proposals submitted by the Trinidad and Tobago Stock Exchange for the trading of Depositary Receipts; I believe that we all have a vital role to play in encouraging new activity and innovation in the market.

I have been asked if I will be a hard-nosed regulator. The answer is no. Am I committed to the enforcement of rules and regulations? The answer is a resounding – YES.

Now I am aware that there is always a delicate balance which regulators face between regulating and promoting liquidity in the market. Overregulation can have a negative impact on the market, and a market which is not properly regulated can also have negative impact and deeply affect the confidence of investors. At the end of it all, one of our aims at the SEC is to promote investor confidence in the market while protecting the public's interest, and as such we will always keep that balance in mind.

I have noted with interest the current debate over Merit Based Regulation as opposed to Disclosure Based Regulation. What is clear from that discourse is that whether the approach is Merit Based or Disclosure Based, the market can suffer dislocation if there is no enforcement by the Regulators. The Madoff case is an excellent example of what can go wrong if a Regulator does not do its job. So I want to assure each of you that the SEC will continue to ensure that there is surveillance of the market and enforcement in order to protect investors and ultimately boost confidence.

This brings me to the very topical issue which I know affects market participants as it relates to the SEC: contraventions under the Securities Industry Act, 1995. These contraventions are:

- a) failure to file annual reports;
- b) failure to file amended registration statements;

- c) failure to file interim financial statements;
- d) failure to file audited Comparative financial statements within the prescribed time frames as determined by the Act and its by-laws

The law provides for anyone who is about to issue securities or has issued securities, to meet certain reporting and disclosure obligations. These reporting and disclosure obligations are not only obligations to the Commission, but they are obligations to the investors and the public at large.

There are presently about 1000 reporting or disclosure related contraventions before the SEC. It is noteworthy that under the new Bill the penalties for contraventions will increase from \$50,000 to \$500,000, together with a late filing fee of \$1000.00 a day, after the expiration of the time as prescribed.

Under the existing Law, disclosure and reporting obligations are mandatory, which means that Commissioners have no discretion and must ensure that these provisions of the Act are enforced. I daresay that the duty to disclose combined with anti-fraud and insider trading provisions which exist in the legislation and the new Bill suggest that the intention is to create an environment which will avail investors of the necessary information to make informed decisions and thus stimulate the capital market. And who will not want that?

So, as tough as we may appear to be at the SEC, we have a duty to ensure that there is compliance under the Law. Now, I know that defaulters may

say that the issue is not the paying of penalties, but the issue lies in the publication of their names. The Law states that it is mandatory for contraventions to be published; however, the Commissioners do have the discretion to determine if the names of the defaulters will be published along with the contravention. The Act provides for contravention hearings to be **public** hearings. It stands to reason that the findings and decisions of the Commission will naturally be made public.

As Chairman, one of my areas of focus will be public education. The SEC will soon be embarking on a series of workshops, seminars, public education and training. This training will be designed for market players, investors and members of the public including Sixth Form students. We intend to invite you to participate in the various discussions and seminars on relevant issues which we believe may be useful in your understanding of the work of the Commission. We look forward to your support in this regard. Among the aims of this education drive is to ensure that potential investors receive all relevant information before making investment decisions and also to inform market players of the relevant rules and laws.

The SEC will continue its role to promote and encourage the orderly growth and development of the capital market. We are committed to a fair, efficient and transparent market which will provide protection for investors and bolster public confidence. I am committed to surveillance and enforcement of the rules which govern the market.

This is a very interesting time in the life of the Commission where very soon we may see the proclamation of a new Act. I look forward to working with the new legislation and I also look forward to a more active, innovative market.

Ladies and gentlemen I thank you.

