

***Trinidad and Tobago Securities and Exchange Commission***

**BREAKFAST MEETING**



***Address by the Chairman- Ms. Deborah Thomas-Felix***

***Trinidad Hilton and Conference Centre- La Boucan Room***

***February 24<sup>th</sup>, 2010***

## ADDRESS

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Good Morning to everyone, welcome, I sincerely thank all of you for accepting our invitation to attend this breakfast meeting.

I believe that it is important that we get to know one another as early as possible in my tenure as Chairman of the Securities and Exchange Commission and to set the stage for the continued dialogue which I hope we will be having in the months ahead on matters of mutual interest.

In 2009 we witnessed what is commonly referred to as the global meltdown and a decline in economic and market conditions in every corner of the globe. 2009 was an especially difficult year for the local stock market. Market performance remained quite subdued in the face of slower domestic economic growth and continued instability in global financial markets. These developments weighed quite heavily on investor sentiment which at best remained cautious and “bearish” throughout the period.

This subdued performance of the market is borne out in the Stock Market data. The Composite Stock Market Index fell by 9.2 per cent in 2009 with twenty three of the listed stocks (56 per cent) posting declines. Trading activity on the market also weakened significantly in 2009 with the volume and value of shares traded falling by 40.38 per cent and 36 per cent, respectively over the period. Despite the addition of BCB Holdings Limited to the market, the steady fall in stock prices resulted in a TT\$5.8 billion decline in market capitalization to TT\$70.6 billion in 2009. The de-listing of

two companies that had ceased trading on the market also contributed to the fall in market capitalization.

For most of 2009, the performance of the mutual fund industry was quite robust with funds under management increasing to TT\$40.7 billion in September 2009 from around TT\$36.6 billion a year earlier. Most of this increase took place in income-based funds which were paying slightly higher rates of return than bank deposits and short-term money market instruments. In fact, income-based mutual funds grew by approximately 17.2 per cent in the twelve months to September 2009. Not unexpectedly however, equity-based mutual funds, which mirrored more closely the performance of the stock market, declined by around 25.4 per cent on a year-on-year basis to September 2009.

The last quarter of 2009 however saw a bit of reversal in the fortunes of the mutual fund industry. In anticipation of the decision by one institution offering both TT-dollar and US-dollar denominated mutual funds to shift these funds to a floating net asset value basis, many investors redeemed their mutual funds, resulting in an increase in net mutual fund redemptions in the quarter to around TT\$5.8 billion. These redemptions contributed to a decline of around 13 per cent in funds under management between September 2009 and December 2009.

While stock market activity remained relatively lethargic, conditions in the bond market improved considerably in 2009 as government and the Central Bank acted to contain the high levels of liquidity in the financial

system. A total of twenty-four bonds with an aggregate face value of TT\$7.5 billion was issued in 2009 compared to twenty issues with a combined face value of TT\$6.4 billion in 2008. What has been particularly interesting about the composition of issues in 2009 is the significant increase in placements by the government and state enterprises as opposed to private sector firms.

For the year to date (January – February 19), the local stock market has begun to show some signs of improvement with the Composite Stock Market Index rising by 3.5 per cent year to date . If the anticipated recovery in the global and domestic economies materializes, this should provide some overall boost to investor confidence and help to consolidate growth in the domestic stock market in 2010.

The SEC is fully cognizant of the current challenges in the domestic capital market and is moving quite expeditiously to improve transparency and disclosure standards with a view to enhancing investor confidence. In this regard, I should report that the Securities Bill 2009 which was tabled in Parliament has been sent to a Joint Select Committee of the Parliament, this Committee sits today. We do hope at the end of the process to have an enhanced legal framework in place.

I will be remiss if I do not address an issue which affects market participants including Reporting Issuers in the audience here today; this is the issue of contraventions under the present Securities Industry Act, 1995.

**There are four types of contraventions namely:**

- 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.**

**If the Security Bill becomes law, the penalties for contraventions will increase from the existing \$50,000 to \$500,000, together with a late filing fee of \$1000.00 a day.**

**According to the provisions of the existing legislation, disclosure and reporting obligations are mandatory, this means that Commissioners have no discretion on the issue; instead they must ensure that there is enforcement in keeping with the provisions of the Act. I daresay that the duty to disclose combined with anti-fraud and insider trading provisions 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.**

**I want to assure each of you that the SEC will continue to ensure that there is enforcement and surveillance of the market in order to protect investors and ultimately boost confidence.**

**The Commission will also continue 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.**

**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. We hope to invite you to participate in the various forums; seminars and workshops on 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.**

**A key component of the SEC's mission 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.**

**In my view, for our market to develop it is imperative, that all players – intermediaries, the Stock Exchange as a Self Regulatory Organisation,**

and issuers of securities like you here today develop, facilitate and support new and innovative products for investors.

I wish to again confirm my commitment as Chairman to the orderly growth of the Capital Market in Trinidad and Tobago by promoting such policies that maintain the delicate balance between a liquid and a well regulated market. It is my firm view that enforcement of rules boosts investor confidence and consequently promotes the growth of markets.

Thank you for listening.

