

Trinidad and Tobago Securities and Exchange Commission

**Remarks at Caribbean Group of Securities Regulators
7th Annual Meeting & Conference
November 25 – 26, 2010**



Address by the Chairman- Ms. Deborah Thomas-Felix

**Sunset Jamaica Grande
Resort and Spa**

ADDRESS

Ladies and gentlemen

The recent global financial crisis has taught us many lessons. One of which is the importance for regulators to operate in an **independent** environment, free from any influence so that they can effectively perform their functions. The crisis has also revealed that there are a number of very sophisticated high risk products and carefully crafted Ponzi schemes present in our markets. The challenge which this region and indeed regulators throughout the world face is to keep abreast of the constantly changing new products, and to have within their institutional structure, expertise to deal with the sophisticated form of market abuse and market manipulation which we see today.

Currently regulators, to a large measure, depend on rating agencies to obtain assessments of products. With new complex and innovative products on the market we have to ensure that we understand these products, and the risks associated with them. We also have a duty to educate the public about these sophisticated products and their associated risks.

It is more and more apparent that to be effective in this globalised world, it is not only necessary for regulators to be knowledgeable about new and complex structured products but indeed from the present trends we may have to live and breathe these new products .

It is clear that those who engage in market manipulation have developed considerable knowledge of sophisticated complex products and have expertise in trading in those products and they appear to be one step ahead of the regulators, while we continue to play “catch up”. Regulators need to be provided with the much needed resources such as highly skilled staff that can be fully immersed in looking at high frequency trading, high risk products and securities which may be labeled by another name.

The reality is that we have to spread our limited resources to all areas of regulation including surveillance. We do not have staff with the expertise who can examine these complex structured products and who can specialize 24/7 in this area. How many of us have the power in our jurisdictions to conduct on-site visits, to examine books etc? How many of us have staff who specialize exclusively in one area? Do we have

resources to attract a cadre of economists and financial experts to our local institutions to examine products and data? How many of us possess adequate financial resources to fully monitor and investigate breaches within the entire market? Regulation is costly.

So how do we treat with these new challenges?

The need for ongoing training of staff in new, complex products is critical. While we encourage and welcome innovation in the market, it is imperative that our staff be trained to understand these products. Regulators should also consider recruiting persons from the private sector who have the necessary skill and expertise in these products to strengthen our expert bank. I know that on the last point you are thinking can we pay members of the private sector? This is the topic of another discussion.

In my view we must devise means to assess these products more frequently. Six months assessments may have to be done quarterly and in some cases quarterly assessments should be done monthly. There is also a need for increased regulatory collaboration and cooperation of regulators within the region and abroad. This collaboration would facilitate the

continuous exchange of information, the assessments of products and strengthen our commitment to a common approach towards regulation.

The capital market is the most effective tool for economic growth and as the recent crisis has shown the problems in the market affect everyone. It is therefore imperative that we improve the effectiveness of the regulatory regime in the region by placing more emphasis on surveillance and enforcement.

The need to harmonize and strengthen all the relevant securities laws in our respective jurisdictions and to adopt a common approach towards regulation cannot be overemphasized.

The USSEC has recently introduced the Dodd-Frank Wall Street Reform and Consumer Protection Act and Trinidad and Tobago has drafted a new Securities Bill. Indeed several countries in the region are re-examining their legal framework with a view to strengthening their regulatory function.

Within recent times there has been an increase in mergers and acquisitions initiated by regional entities and large

multinational companies. These transactions clearly revealed deficiencies in the legislative framework with respect to mergers and acquisitions within the region. Transactions, such as the competing takeovers bids of both Neal and Massy Ltd. and Ansa Mc Al Ltd. for the Barbados Shipping and Trading Company BS&T as well as the RBC acquisition of RBTT highlighted the need for increased regional regulatory co-operation and the harmonization of securities laws in the region.

The CGSR in collaboration with CARTAC has been working assiduously to develop a common takeover code for Mergers and Acquisitions in addition to a Choice of Law rules. The Code speaks not only to disclosure standards but also to market conduct, regulatory cooperation and the resolution of issues via the court process.

The draft Choice of Law Rules set out a clear and concise framework to determine the jurisdiction which has responsibility over takeover and merger transactions involving a cross listed entity. The rules also seek to preserve each jurisdiction's right to regulate its market in all other matters relating to the cross listed issuer.

The CGSR held several meetings on these initiatives in the past year the most recent of which was held in Trinidad and Tobago in July of this year. The draft code is now at the stage of final review along with the Choice of Law Rules which will both be discussed tomorrow.

As we deliberate over the next two days, I ask that we remember that we have a duty to improve the confidence of investors in the market and to assure them that it is well regulated and safe to invest. To do so our people should know that enforcement is swift, fair and decisive and that there is full disclosure and transparency in the regulation of the capital market.

The stakes today are very high. Investors and by extension, the public, expect that we have the capacity to navigate and regulate a complex industry that is subject to constant change.

We must adapt to the changing landscape, being mindful of our obligations to the public and fierce in our independence.

Thank you.