

Trinidad & Tobago Securities and Exchange Commission



Staying Ahead of the Curve -The Regulator's Perspective-

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Summary of Presentation

- The Need for Regulation
- The Securities Industries Bill 2012
- Repurchase Agreements
- Anti-Money Laundering and Combating the Financing of Terrorism
- Credit Rating Agencies
- Audit Oversight

The Need for Regulation

- Recent financial crisis underscores the need for efficient and effective regulation
- Expanding the perimeter of regulation to include previously unregulated markets
- G20 mandates IOSCO & FSB to develop standards for their members to address:-
 - improved market transparency, efficiency and integrity;
 - greater investor protection
- On-going regulatory reform is needed to stay ahead of the curve

Securities Industry Bill 2012

- Role of IOSCO
- T&T is currently an “Appendix B” signatory to the MMoU
- Deadline to meet requirements of becoming “A-list signatory” is **December 31, 2012.**
- Primary deficiencies to be addressed:-
 - Access to Records
 - Information sharing
 - Record Keeping Requirements
 - Confidentiality

Features of the SIB, 2012

- Proposed Bill will provide the Commission with:
 - Expanded functions and powers;
 - Enhanced disclosure obligations;
 - Provisions for greater confidentiality and information sharing with both local and international regulatory agencies;
 - Superior enforcement capabilities which include providing the Commission with the ability to access books, records and documents of market actors; and
 - Greater regulatory oversight over market conduct.

Repurchase Agreements

- 2006 - study of the market provided data on:-
 - estimated size of the market;
 - key players and their market share;
 - general structure and operations of the market;
 - areas of concern requiring regulation
- 2012 – guidelines launched after extensive consultation process

Characteristics of Repos

- Relatively secure investment option with enhanced returns;
- Greater market liquidity;
- Lower cost of borrowing for capital market borrowers; and
- Reduced counterparty risks in money market borrowing.

Risks

- As with all investments, there is a level of risk involved when engaging in repo business:-
 - Credit;
 - Liquidity;
 - Market;
 - Operational;
 - Custody; and
 - Legal risks.

Lessons Learnt

- There is a need for :-
 - a data-driven process
 - building in-house expertise
 - understanding nuances of the local market
 - dialogue with stakeholders
- The Repo Guidelines are the first step in achieving more stable and orderly Repo market .

AML-CFT

- Guidelines launched in April 2012
- Aligned to international best practice & the current domestic legislation
- Securities market is at risk of being targeted because of:-
 - speed in executing transactions
 - global reach
 - continuously evolving products & services

Risk to the Economy

- Reputational risk to T&T – being viewed as a haven for criminal activity
- Systemic Risk
- Diversion of funds away from legitimate business
- International blacklisting

Future developments

- Possible By-laws
- On site inspections & offsite monitoring
- Enforcement of the FORs
- Guidance notes
- Reports by External Auditors will continue to play an important role.

Credit Rating Agencies

- Currently unregulated
- CRAs provide an assessment of the creditworthiness of debt instruments and issuers
- Potential conflicts of interest and lack of proper methodology can result in low quality ratings
- Global effort underway to enhance transparency and oversight by regulators

IOSCO & G20 Requirements

- IOSCO Code –high level principles regarding:-
 - quality and integrity of the rating process;
 - minimizing conflicts of interest; and
 - identifying the responsibilities of CRAs to the investing public and issuers
- G20 Working Group- calls on national regulators to implement enforceable supervisory regime
- Legal authority is therefore necessary

CRAs in the SIB 2012

- SIB 2012 incorporates CRAs as market actors
- Commission will develop a regulatory regime to address:-
 - registration;
 - continuous disclosure;
 - record-keeping requirements;
 - information dissemination;
 - mitigation / elimination of conflict of interest

Audit Oversight

- Credible & reliable financial information builds investor confidence
- Commission is building its capacity re: corporate finance function
- Greater level of scrutiny over the annual audited financials

ROSC Report

- The report cited the need for Trinidad and Tobago to :-
 - strengthen the supervision of the accounting and auditing profession.
 - implement measures to enhance monitoring
 - noted the current limited role of the TTSEC.

The way forward

- The TTSEC, ICATT and other regulators are currently engaged in discussions about:-
 - the nature and role which an oversight body will play;
 - the composition of such a body;
 - its powers.
- The part to be played by the TTSEC is yet to be determined.

In Conclusion

- We are preparing to implement wide ranging measures as part of our new securities legislation.
- We will continue to partner with stakeholders at every opportunity.
- Our goal is to develop a robust regime that is current, relevant and effective in order to boost investor confidence & offer a higher level of protection.

Thank you

Any Questions?