



# NEWSLETTER

APRIL - JUNE 2016

ISSUE # 15

YOU INVEST. WE PROTECT. EVERYONE BENEFITS!

## TTSEC Welcomes New Board of Commissioners



Introduction of the New Board Pg.4

Promoting market conditions and ensuring the orderly growth and development of the capital market



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## Chairman's Message

I am pleased to welcome you to the Commission's 15th quarterly communiqué and first issue under this new Board of Commissioners.

This newsletter is designed to keep you, our stakeholder, abreast of key activities which have held the attention of the Commission since its last publication.

I take this opportunity to encourage you to peruse our pages in an effort to learn more about the role of the Trinidad and Tobago Securities and Exchange Commission in 'promoting market conditions and ensuring the orderly growth and development of the capital market'.

Protecting our investors is at the core of our mission. Regulation, enforcement and education are the key pillars identified in ensuring a fair and transparent market for all. With your continued support and cooperation, we aim to provide a secure and vibrant market for all investors and potential investors.

Thank you for taking the time to read our publication. According to Benjamin Franklin, "An investment in knowledge pays the best interest."

*Douglas Mendes, SC*  
Chairman



# CEO's Report

Mr. C. Wainwright Iton  
Chief Executive Officer

## Board of Commissioners

The Trinidad and Tobago Securities & Exchange Commission (TTSEC) welcomed a new Board of Commissioners in April 2016.

The Board comprises:

- Mr. Douglas Mendes S.C. - Chairman
- Ms. Enid Zephyrine - Deputy Chairman
- Mr. Patrick Solomon - Commissioner
- Mr. Imtiaz Hosein - Commissioner
- Ms. Suzette Taylor Lee-Chee - Commissioner

On behalf of the Management and staff of the Commission, I extend a warm welcome to our new Commissioners.

## Ensuring Orderly Growth and Development of the Capital Market

The Securities Act 2012 (SA 2012) which came into effect on December 31st, 2012 is "An Act:

- (a) To provide protection to Investors from unfair, improper or fraudulent practices;
- (b) To foster fair and efficient securities markets and CONFIDENCE in the securities industry in Trinidad & Tobago;
- (c) To reduce systemic risk;
- (d) To repeal and replace the Securities Industry Act, and for other related matters."

Issue #15's theme speaks to **"The Growth and Development of the Capital Market"**. When one looks carefully at the different segments of the capital market, there isn't strong evidence of much growth over the last five (5) years.

### 1) The Trinidad & Tobago Stock Exchange

- a. The number of listings has remained between 31 – 34 companies over this period.
- b. Total market capitalization between approximately TT\$108 billion and TT\$110 billion.
- c. Apart from First Citizens, Clico Investment Fund (CIF) and TTNGL, all of which were secondary offers made by the Government, there have been no Initial Public Offerings (IPOs) to fund national development in the past five years.



### 2) The Jamaica Stock Exchange

By way of contrast, the Gleaner (Jamaica's oldest newspaper) on July 08, 2016 quoted General Manager, Marlene Street Forrest "Just within the first six months of the year (2016), over \$9.4 billion (TT\$582 million) has been raised through Initial Public Offerings alone". In all of 2015, \$9.6 billion was raised. Street Forrest continued, "In respect of listings, 12 securities have been listed year to date". The listings included four preference stocks, and six junior companies.

A significant portion of the dynamism in the Jamaican market over the past five years has been attributed to the Junior market. There have been 29 listings since 2009.

### 3) The SME Market (Exchange) in Trinidad & Tobago

It is worth noting that the Finance Act 2012 introduced legislation offering a tax incentive "to encourage small and medium-sized enterprises to raise capital through the Trinidad & Tobago Stock Exchange". This incentive was further refined in 2014.

The time is ripe for the TTSE, the market actors, broker-dealers, investment bankers, the Chambers of Commerce and small and medium-sized businesses to take up the challenge and make the SME (Junior) market a reality.

# TTSEC Welcomes New Board of Commissioners

*The Trinidad and Tobago Securities and Exchange Commission welcomed its new Board of Commissioners in May, 2016, in accordance with Sections 10 and 12 of the Securities Act 2012.*

## The Board of Commissioners consists of:

**Mr. Douglas Mendes SC** is a lawyer, former judge and academic. He was a judge of the Court of Appeal of Belize for the period March 2011 to March 2014 and a temporary judge of the High Court of Trinidad and Tobago during the period April to September 1998. He was also a lecturer in the Faculty of Law at the University of the West Indies (UWI) for a period of 14 years, ending in 2012, when he took up his judicial appointment in Belize. In 2003, he was appointed Senior Counsel and became a member of the Inner Bar of the Republic of Trinidad and Tobago.



**Mr. Douglas Mendes SC**  
Commissioner and Chairman

He has litigated numerous human rights, constitutional and administrative law cases as a senior legal practitioner across the Caribbean and before the Caribbean Court of Justice and the Judicial Committee of the Privy Council. He was the coordinator of the Coalition for Social Justice and Human Rights (1994-1997) and is the Vice President of the Caribbean Centre for Human Rights. He is also the Honorary Legal Counsel of the International Planned Parenthood Federation. In 2011, Mr. Mendes completed a Master of Studies in International Human Rights Law at the University of Oxford (with distinction).

**Mrs. Enid Zephyrine** is a financial management and development finance expert with over thirty years' shared experience in both the Public Sector and Financial Services Sector. She served as a Senior Advisor and member of the Board of Directors of the World Bank Group, in Washington DC, as Executive Director Investment/Divestment with responsibility for monitoring the State Enterprises under the purview of the Government of the Republic of Trinidad and Tobago (GOTT) and as Director, Economic Management with responsibility for the macro fiscal and debt management portfolio of GOTT. She also served as a Senior Budget Analyst and a Financial Analyst within the Ministry of Finance of the Government of the Republic of Trinidad and Tobago. She



**Mrs. Enid Zephyrine**  
Commissioner & Deputy Chairman  
FCCA, CA, MSc., BSc.

previously served as a Governor on the Board of Management of the Heritage and Stabilization Fund.

Mrs. Zephyrine is a Chartered Certified Accountant by profession and a Fellow of the Association of Chartered Certified Accountants of the United Kingdom. She attended Brunel University in the United Kingdom where she obtained the MSc. in International Money, Finance and Investment. Mrs. Zephyrine is the holder of a BSc. (Hons.) in Applied Accounting from Oxford Brookes University in the United Kingdom and also holds Post Graduate Qualification in Project Planning Appraisal and Management from Bradford University in the United Kingdom. She also attended the University of the West Indies where she obtained the Certificate in Public Administration.

**Mrs. Suzette Taylor-Lee Chee** is Permanent Secretary in the Ministry of Finance (Ag.) with effect from September 2015. Prior to her current assignment, she served as Deputy Permanent Secretary from March 2014. Mrs Taylor-Lee Chee's portfolio at the Ministry of Finance includes, Public Debt Administration and Management, Macro Fiscal Policy and Programming, Taxation Policy, and the GORTT's relationship with the Credit Rating Agencies and Multilateral Financial Institutions such as the IMF, World Bank and the IDB.



**Mrs. Suzette Taylor-Lee Chee**  
Commissioner

Mrs Taylor-Lee Chee is also responsible for the Ministry of Finance's interaction with CARICOM and its various organs and serves on the board of the Barbados-based Caricom Development Fund.

Between 2009 and 2010 she was assigned to the World Bank in Washington DC, as the Government of Trinidad and Tobago's representative to the World Bank; situated in the office of the Executive Director with responsibility for Brazil, Columbia, the Philippines, Suriname, Haiti, Ecuador, the Dominican Republic and Trinidad and Tobago.

Mrs Taylor-Lee Chee possesses a B.Sc. degree in Economics from the University of the West Indies, St. Augustine (1991) and a Masters of Business Administration, from Heriot-Watt University, Edinburgh Scotland (2007).

Her appointment was effected on March 17th 2014 and she is currently serving her second term as Commissioner.



**Mr. Imtiaz Hosein** holds a distinguished career in the area of finance and business management and has over twenty (25) years of diversified experience both in the Private sector and Government agencies. His main areas of expertise are Leadership and Business management, Financial management, Accounting, Corporate Services, Internal Audit and Quality Management.

Mr. Hosein is a holder of a first degree in Industrial management and a Masters in Business Administration (MBA). He is a Certified Chartered Accountant having his FCCA qualifications, a Certified Quality Manager (CQM) from the American Society for Quality (ASQ) and a Certified Fraud Examiner (CFE).



**Mr. Imtiaz Hosein**  
Commissioner

Mr. Solomon has a balanced blend of experience since he functioned as a Vice President at Citigroup for seven years in the capacity of Head of Compliance and Quality Assurance. He also was seconded for two years to The Unit Trust Corporation of Trinidad and Tobago as part of the Executive Team assisting the Executive Director in establishing and embedding a risk management framework for that entity.

Mr. Solomon is a Fellow of the Chartered Association of Certified Accountants and an Associate of the Institute of Financial Services. He served as President of the Institute of Bankers (IBAF) during the 2003/2004 term and received a Fellowship from that institution in 2005 for his contribution to the development of the institution. In addition he is also a member of the Institute of Chartered Accountants of Trinidad and Tobago (ICATT).

Mr. Patrick Solomon currently holds the position of Senior Specialist Advisor, Corporate Governance, Controls and Compliance.



**Mr. Patrick Solomon**  
Commissioner

**Mr. Patrick Solomon** is a Central Banker for over twenty years. He started his career in the Bank Inspections department where he spent 15 years and 5 years in other departments. He was also in charge of Internal Audit, Risk Management, Security and Facilities Management.

*Effective Date of Appointments: April 25th 2016.*



# DR&CF

DISCLOSURE, REGISTRATION AND CORPORATE FINANCE DIVISION

## PROMOTING MARKET CONDITIONS TO ENSURE ORDERLY GROWTH AND DEVELOPMENT OF THE CAPITAL MARKET

The Division of Disclosure, Registration and Corporate Finance (DR&CF) is generally the Commission's first point of contact with market participants. As such it is imperative that the relationship established between the Division and the market players is as harmonious as possible. In this publication we will identify some of the significant requirements for the initial and ongoing registration, and timely submission of pertinent information from registrants, within the context of existing legislation. These requirements are key elements for efficient and effective functioning of our local capital market.

With the passage of the Securities (General) By-Laws, 2015 in April 2015, the Commission, and in particular the Division of DR&CF, updated its processes for the registration and renewal of registrants, and securities. In support of these revised processes we uploaded checklists for registration onto our website, [www.tfsec.org.tt](http://www.tfsec.org.tt). All applicants are required to submit these checklists with their applications. Essentially these checklists identify the documents to be submitted in support of an application for registration. These checklists assist the applicant in verifying that all requirements are met before a submission is made thereby minimising any delays in the registration process. The checklist also assists in expediting our review of the submission, which in turn reduces the turnaround time for the application.

In issue #13 of the newsletter we indicated that the Securities (General) By-Laws, 2015 was enacted which meant that all registrants previously registered under the Securities Industry Act, 1995 were expected to submit applications for the regularisation of their registration by June 28, 2015. This group of registrants who would have received approvals for their regularisation status are therefore nearing the time for renewal. As such we are working on providing checklists for the renewal of registration, to these registrants. Further, please be reminded that the renewal in this instance is only applicable for any entities falling under Section 51(1) of the SA, 2012 i.e. Broker-Dealers, Investment Advisers and Underwriters – registrations in these categories are valid for one year. Individuals registered as **Registered Representatives however, are not expected to submit applications for renewal of registration** at this point since their registrations are valid for a period of two (2) years. At this stage, it is noteworthy to mention that our website is unable to accommodate online submissions of applications. The Commission is working assiduously to bring this to fruition. Applicants for registration or renewal of registration, will be required to download the relevant forms and other documentation from our website and submit the duly completed forms to the Commission.

We encourage registrants to submit the required continuous disclosure documents in accordance with the SA, 2012 in an effort to avoid facing administrative fines. For ease of reference the table below identifies some of the key continuous disclosure documents that registrants are required to file with the Commission as well as the timeframes for filing same:

TYPE OF REGISTRANT	DOCUMENTS TO BE FILED	TIMEFRAME FOR FILING
Broker-Dealers, Investment Advisers, Underwriters Reporting Issuers	<ul style="list-style-type: none"> <li>• Half Yearly Interim Financial Statements</li> <li>• Comparative Financial Statements</li> <li>• Interim Financial Statements</li> <li>• Comparative Financial Statements</li> <li>• Annual Report</li> <li>• Revised Registration Statement</li> </ul>	<ul style="list-style-type: none"> <li>• 60 days after the end of the entity's financial half year</li> <li>• 90 days after the end of the entity's financial year</li> <li>• 60 days after the end of the issuer's financial quarters</li> <li>• 90 days after the end of the issuer's financial year</li> <li>• 120 days after the end of the issuer's financial year</li> <li>• 14 days after the end of the issuer's financial year</li> </ul>

Some registrants would have received email alerts from the Commission reminding them about upcoming deadlines for filing of disclosure documents. In this regard, we are urging registrants to ensure that they keep us apprised of their designated officer and supply us with a valid email address for these designated officers. This will assist in ensuring that any correspondence, including reminder notices, are delivered to each registrant and are not lost or overlooked.



# CROWDFUNDING

- To regulate or not?

## WHAT IS CROWDFUNDING?

Crowdfunding is an umbrella term used to describe the use of small amounts of money, obtained from a large number of individuals or organizations (through use of an internet based portal) for the purpose of funding a project, business, a personal loan, or other needs.

There are four main types of crowdfunding as set out in the Table below.

CLASSIFICATION & MOTIVATION FOR DIFFERENT TYPES OF CF	TYPE OF CROWDFUNDING
<b>Non-Financial Return Crowdfunding</b> - Social lending and Reward CF do not constitute an investment or security.	<b>Social Lending/Donation CF</b> - this is simply put seeking donations for charitable causes and or for other personal reasons through the use of a crowdfunding platform.
	<b>Reward CF</b> - Raising funds for a service or product by pre-selling on the internet.
<b>Financial Return Crowdfunding</b> - the participant or investor gets a security with defined financial returns.	<b>Lending based CF</b> - This is raising capital for a personal or business venture through the sale of a debt instrument which pays a fixed rate of return and principal on a specified schedule.
	<b>Equity CF</b> - This is selling shares or other equity instruments in a business in return for a crowdfunding investment.

Securities regulators are generally only concerned with **Financial Return Crowdfunding** as these may be classified as security transactions.

**Equity Crowdfunding** - This would clearly constitute the sale of a security using an online portal. Engaging in this activity without registration of both the reporting issuer and the security would be prohibited in Trinidad and Tobago.

**Lending based crowdfunding** - It is arguable whether a strict peer-to-peer loan arrangement between two private parties would be considered a security. But it is quite clear that under the Securities legislation in Trinidad and Tobago that an investment in a loan agreement by a crowd of investors who expect to get a return (interest) on their investment over a stipulated period of time is a debt security.

The World Bank has noted that Crowdfunding can be a useful tool to assist in funding of SMEs and startups. It provides an alternative to traditional sources of financing. However due to the online nature of crowdfunding activity it does pose some additional regulatory risks.

## Regulation of Crowdfunding Internationally

There are many approaches to the regulation of financial return crowdfunding internationally. These approaches

range from outright prohibition in some jurisdictions, to a complete exemption from regulation in others.

Specialized crowdfunding securities regimes have been established in Canada, the USA and the UK. In the USA, both equity crowdfunding and lending based crowdfunding are regulated by their securities commission. The United States Securities and Exchange Commission Rules which were adopted on October 30, 2015 (to accompany Title III of the JOBS Act) promulgated rules specifically designed for funding portals creating this as a separate category of registration from 'broker'.

These rules also set out a detailed regime for the regulation of investment based crowdfunding with strict limits being placed on the amounts that investors can invest and the amounts that issuers can raise via a crowdfunding offering.

Certain provincial securities regulators in Canada also recently established two specialized crowdfunding regimes (the 45-108 Crowdfunding Regime and the Start-up Crowdfunding Regime) both of which create "crowdfunding prospectus exemptions". These regimes also set limits on the amounts which individuals can invest in crowdfunding offerings and the amounts which can be raised via such offerings. Although the offering limits and financing limits vary under the two regimes.

## TTSEC Regulatory Proposals

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) is giving careful consideration to the development of a similar specialized regime for crowdfunding offerings whereby a special prospectus exemption would be created for securities offered on crowdfunding portals. Also, the portals themselves would have to apply for registration as a special type of market intermediary (a new category will have to be created).

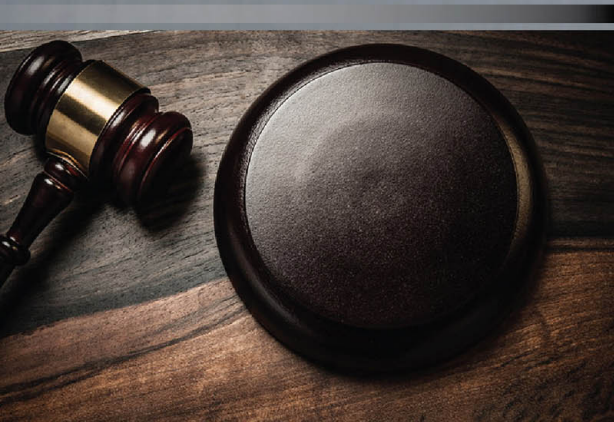
The TTSEC hopes to issue a policy paper on Crowdfunding for comments from the Market. Until such time, the TTSEC continues to monitor local, regional and international developments in this emerging area.



# CELEBRATING 19 YEARS

## of Regulating the Securities Industry and Protecting Investors

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) has been evolving over the years to meet the many changes in the day-to-day operations within the securities industry. To date the Commission has succeeded in improving legislation, enhancing its relationship with local and regional stakeholders, and adapting its public investor education tools, all in an effort to fulfil its mandate of protecting investors and ensuring a fair and transparent market for all.



### Legislative Framework

- 1995 - Securities Industry Act 1995
- 1997 - The Trinidad and Tobago Securities Industry Act By-laws
- 2005 - The Securities Industry (Take-Over) By-laws
- 2006 - The Securities Industry (Amendment) By-Laws
- 2012 - Securities Act, 2012
- 2014 - Securities (Amendment) Act
- 2015 - Securities (General) By-Laws



### Penalties

#### GENERAL OFFENCES

##### Maximum Administrative Penalty

From - \$50,000  
To - \$500,000

##### Maximum Criminal Penalty

From - \$200,000 and imprisonment for 2 years  
To - \$10 Million and imprisonment for 10 years

##### Administrative Fines

For the period January 1, 2000 to present the Commission imposed fines on registrants totaling \$8,135,005 relative to more than 300 contraventions.



### Enforcement: High Court Action

During the period January 1, 2000 to present, the Commission instituted High Court action against seven companies and two individuals. The Court appointed receivers to oversee the affairs of the said companies and ordered disgorgement of profits. The operations of these companies were eventually wound up by order of the said Court.





## Cooperation

### LOCAL

#### Memorandum of Understanding (MOU) between TTSEC and:

- Central Bank of Trinidad and Tobago – January 6, 2014
- Financial Intelligence Unit– May 21 , 2014
- Trinidad and Tobago Stock Exchange – October 22, 2014
- (Executed Protocol) between the TTSEC and Securities Dealers Association of Trinidad and Tobago (SDATT) – January, 2014

### REGIONAL AND INTERNATIONAL

- **IOSCO:** TTSEC became a Full Signatory to the International Organization of Securities Commission's (IOSCO) Multilateral Memorandum of Understanding Concerning Consultation and Cooperation, and the Exchange of Information (MMoU) in June 2013
- **CGSR:** The Caribbean Group of Securities Regulators' (CGSR) signed a Multilateral Memorandum of Understanding (MMoU) for the Exchange of Information, Cooperation and Consultation with TTSEC - April, 2004
- **IARC:** The TTSEC was re-elected as one of three representatives on the Inter-American Regional Committee (IARC) of the International Organization of Securities Commissions (IOSCO) for the period 2014-2016.
- **IFIE:** The TTSEC is also a member of the International Forum for Investor Education (IFIE) which allows for information sharing and partnerships among global and regional regulators and is co-chair of a working group for the development and delivery of investor education related content within the Caribbean region.

## Anti-Money Laundering Committees

- National Anti-Money Laundering and Combatting the Financing of Terrorism Committee (NAMLC) which provides legislative, regulatory and policy guidance on AML/CFT matters within Trinidad and Tobago through its recommendations to the Prime Contact to the CFATF, The Honourable Attorney General and Minister of National Security.

## Public and Investor Education

The TTSEC's investor education tools have developed over the years to include:

- **Corporate website** - [www.ttsec.org.tt](http://www.ttsec.org.tt) for corporate information on registration and legislation of the Commission
- **Investor Education website** – [www.investucatett.com](http://www.investucatett.com) for investor education tools and resources
- **Outreach Sessions** - Register via email at [ccei@ttsec.org.tt](mailto:ccei@ttsec.org.tt) for a free investor education outreach session



**19 YEARS**  
of Regulating the Securities Industry  
and Protecting Investors

You Invest. We. Protect. Everyone Benefits!



INTERNATIONAL AFFAIRS

## IOSCO's Annual Conference 2016

The Trinidad and Tobago Securities and Exchange Commission's (TTSEC's) Chief Executive Officer, Mr. C. Wainwright Iton, represented the TTSEC at the International Organization of Securities Commission's (IOSCO's) 41st Annual Conference in Lima, Peru, from May 8-12, 2016. The TTSEC served as the second representative of the Inter-American Regional Committee (IARC) for two terms (2012-2014 and 2014-2016). This role secured the TTSEC a position on the IOSCO Board until May, 2016. The Financial Services Commission (FSC) in Jamaica, now succeeds the TTSEC as the second representative of the IARC and will hold a position on the IOSCO Board for the period 2016-2018. The TTSEC continues to serve as a member of the Presidents Committee, the IARC, the Growth and Emerging Markets Committee (GEMC) and several working groups within IOSCO.

During the Conference, the IOSCO Board, the GEMC, the four Regional Committees and the Affiliate Members Consultative Committee (AMCC) discussed policy initiatives to strengthen securities market resilience and ensure that securities markets continue to be sustainable sources of finance.

### Enforcement and Co-operation

IOSCO's Presidents Committee approved the text of an Enhanced Multilateral Memorandum of Understanding (Enhanced MMoU) on cooperation and the exchange of information, following detailed discussion at the GEMC, Regional Committees and the Board.

The Enhanced MMoU, which is aspirational in nature, provides for the additional powers that IOSCO believes are necessary for its member regulators to ensure their continued effectiveness in deterring cross-border misconduct and fraud in securities markets. It builds on the success of the current MMoU on cooperation and exchange of information, while taking into account technological and regulatory developments since the launch of the original MMoU in 2002. The Enhanced MMoU sets out new powers in addition to those in the current MMoU.

The new powers are obtaining and providing information from any Persons regarding the matters set forth in the request for assistance, including, but not limited to:

- (i) Auditing Information including, but not limited to, audit work papers, communications and other Information relating to the audit or review of financial statements;
- (ii) Subscriber records held or maintained by telephone service providers who are located within the jurisdiction of the Requested Authority, that identify subscribers (name and address), payment details and incoming and outgoing communications with date, time, duration and identification of phone numbers from which communications are made or received;
- (iii) Subscriber records held or maintained by internet service providers, and other electronic communication providers, who are located within the jurisdiction of the Requested Authority, that identify subscribers (name and address), payment details, length of service, type of service utilized, network addresses, and session times\dates and durations;
- (iv) Recordings of telephone conversations or other electronic communications held or maintained by Persons regulated by the Requested Authority;
- (v) Compelling a Person's physical attendance to take or, where permissible, compel that Person's statement or testimony under oath, regarding the matters set forth in the request for assistance, in accordance with the rights and privileges afforded by the laws and regulations applicable in the jurisdiction of the Requested Authority; and
- (vi) Where permissible, requiring or requesting the freeze or sequestration of funds or assets located in the Requested Authority's jurisdiction. Where such assistance is not available, informing the Requesting Authority about the relevant funds or assets located in the Requested Authority's jurisdiction, and to the fullest extent possible assisting the Requesting Authority with the use of legal procedures and other means to freeze or sequester those funds or assets.

Arrangements for implementation of the Enhanced MMoU will be developed by the Board, in consultation with the Regional and GEM Committees, with a view to receiving approval from the Presidents Committee by the end of 2016.

### Policy Work

The Board also endorsed the following mandates relating to retail investors:

- To review industry practices regarding senior investor vulnerability;
- To apply insights from behavioural economics to investor programs and initiatives; and
- To design and coordinate a pilot IOSCO world investor week campaign in 2017.

With regard to financial infrastructure, the Board agreed to establish a working group comprised of Board members from both advanced, and growth and emerging markets, that will engage with development banks, institutional investors and other stakeholders, to discuss issues relevant to market-based finance for infrastructure development.

### Emerging Risks

The Board discussed the issue of liquidity in securities markets, with a particular focus on liquidity in corporate bond markets. Also, IOSCO continues its work on cyber resilience and financial technology (fin-tech) risks. IOSCO agreed to consider different mechanisms for securities regulators to share and gather information on cyber risk and cyber security issues that are relevant to securities regulators across its membership. An update was given on IOSCO's work on the potential impact of fin-tech and digitalization on securities markets and regulation. The work will culminate in a report that draws on contributions from IOSCO's Committee on Emerging Risks, the GEM Committee, relevant policy committees and the AMCC.

### Trinidad and Tobago IOSCO Country Review

The TTSEC completed a Country Review by the IOSCO Assessment Committee (AC). IOSCO Country Reviews aim to evaluate the status of implementation of IOSCO Principles and Standards by members and to recommend a road map to address any gaps in implementation. The Country Review Final Report, which describes Trinidad and Tobago's progress in implementing the IOSCO Principles and identifies areas in which improvements are required, was approved by the IOSCO Board at the last Board meeting (May 2016).

# C&I: Compliance & Inspections Division

## - THE COMPLIANCE REVIEWS



"The major firms that failed in the crisis were characterised by megalomaniac male CEO's; woeful risk management; with boards frequently composed of "nodding heads" or "poodles" along with auditors who did not warn about the risks building up in spite of their public watchdog function"

- David Wright, Secretary General of IOSCO, 2012.

Notwithstanding the intemperate motives that played a part in the failure of local, regional and international firms over the last decade, the unmitigated build-up of risks at the firm-level amplified the consequent negative knock-on effects on the respective countries' economies. Ensuing from these developments, the management of risk was codified in the securities legislation, whereby *By-law 64(1)(b) of the Securities (General) By-laws, 2015* requires a registrant to "manage the risks associated with its business in conformity with prudent business practices".

This has guided the adoption of a risk-based approach by the **Division of Compliance and Inspections (C&I)** in the conduct of its onsite inspections. This means that, in addition to assessing the level of compliance with the specifics of the legislative framework, the manner in which registrants manage risks emanating from their activities is also evaluated.

The TTSEC is of the view that implementation of an effective risk management framework will provide a firm with reasonable assurance that it is complying with the relevant laws and regulations and that its management and board are made aware, in a timely manner, of the extent to which it is moving toward achievement of its objectives. It should be noted that a risk management system does not replace a firm's internal control framework but rather incorporates the internal control framework within it<sup>1</sup>.

"Good risk management does not imply avoiding all risks at all cost. It does imply making informed and coherent choices regarding the risks the company wants to take in pursuit of its objectives, and regarding the measures to manage and mitigate those risks<sup>2</sup>."



While there is significant literature on the design and implementation of enterprise risk management frameworks, the Enterprise Risk Management – Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), serves as an international benchmark for this area.

Nonetheless, a typical risk management framework may involve four (4) processes:

- **Risk Identification** - Analysis of the activities and the risks of these activities to the firm.
- **Risk Measurement** - Determination of a risk's potential impact and likelihood. Determination of the acceptable level of a risk.
- **Risk Mitigation and Control** - Comparison of risk to its exposure control limits. Determination of how best to treat with the risk: whether to mitigate, avoid, transfer or accept the level of risk.
- **Risk Review and Monitoring** - Ongoing review of the activities, risks and related exposure control limits.

In addition, the International Organisation of Securities Commissions (IOSCO) has developed guidance<sup>3</sup> which is applicable to both registrants and the Commission. It should be noted that both the COSO Framework and the IOSCO Guidance, recognise the importance of the "tone-at-the-top". As such it recognises that specific duties and responsibilities fall within the remit of a board of directors in the risk management framework including:

- **Oversight, responsibility and accountability for the level of risk taken,**
- **Approval of overall business strategies, risk management and control policies of a firm; and**
- **Performance of independent evaluation to ensure compliance with established strategies and policies.**

The Commission strongly encourages firms to adopt risk management frameworks that are suitable for nature, scale, scope and complexity of their business activities. As part of its on-site inspection process, inspection staff will assess the adequacy of a firm's risk management framework as well as the level of the firm's compliance with this framework.

In this and other fora, the Commission will continue to provide guidance as we work together with our stakeholders to ensure the effective development of the market. The guidance provided in these articles will be consolidated into more structured guidance in the form of issued guidelines under section 146(1)(d) of the Securities Act, 2012, which provides for issuance of Guidelines on any matter the Commission considers necessary to regulate the conduct of market actors.

<sup>1</sup> Enterprise Risk Management – Integrated Framework, Committee of Sponsoring Organisations of the Treadway Commission, September 2004.

<sup>2</sup> Five Years On, Uncertainty is the New Norm, Tapestry Network, 2013

<sup>3</sup> Risk Management and Control Guidance for Securities Firms and their Supervisors, IOSCO, May 1998



# ADVANCING THE MMRF INITIATIVE



Since our last update in Issue #13 of 2016, significant progress has been made in the development and establishment of the Commission's Micro and Macro Prudential Reporting Framework (MMRF). This framework is applicable to persons registered under **Sections 36 and 51(1) of the Securities Act 2012**, i.e. self-regulatory organisations, broker-dealers, investment advisers and underwriters.

The MMRF entails the introduction of 11 reporting forms, which are intended to capture financial and statistical data on assets, liabilities, revenues, expenditures and other transactional data, the analysis of which will strengthen our ability to monitor and supervise all segments of the securities industry. Its implementation will assist the Commission in the fulfilment of its mandate, to **"assess, measure and evaluate risk exposures in the securities industry"**. Registrants can also expect to derive benefits from this process, as it is the Commission's intention to provide them with regular statistical reports which can be used in their decision making process.

The Framework was launched as a pilot project in two Phases to a selected group of registrants, who were asked to complete the relevant forms and submit their feedback within a stipulated timeframe. Phase I was launched on August 5, 2015 and Phase II on November 13, 2015. Following the close of both Phases, participants submitted their feedback, which was included in the draft forms where necessary.

The draft forms were introduced to registrants on April 8, 2016, when the Commission hosted a market engagement and consultation session at the Hilton Trinidad and Tobago Conference Centre. At this session, registrants were presented with an outline of the proposed Macro-Micro Prudential Reporting Framework, including the 11 MMRF forms and their accompanying instructions. The presentation provided a brief discussion on the purpose of the MMRF, as well as an explanation of each form and the benefits which registrants can expect to derive from implementation of this framework.

Registrants were given until May 6, 2016 (30 days) to provide feedback on the forms. The Commission received feedback from the Mutual Fund Association of Trinidad & Tobago (MFATT), Securities Dealers Association of Trinidad & Tobago (SDATT) and 5 registrants. At the end of June, staff of the Commission reviewed the comments and engaged MFATT and SDATT for further discussions on the way forward regarding the implementation of the forms into their business processes.

The Commission will continue its consultation with all stakeholders as it moves towards the full implementation of this framework in the last quarter of 2016.



Team TTSEC meeting with SDATT



Team TTSEC meeting with MFATT



# DIVISIONAL spotlight

## THE OFFICE OF THE DCEO

The Office of the Deputy Chief Executive Officer (DCEO) works closely with the Office of the Chief Executive Officer (CEO) to assist in the regulation of the securities industry, to ensure the stability of the financial system, the protection of investors and the overall management/performance of the TTSEC.

The position of the DCEO is listed as a senior officer in Section 8 (8-b) of the Securities Act 2012, as amended (the Act) alongside the CEO, the General Counsel and Directors. Based on the close working relationship with the Office of the CEO, the Office of the DCEO is subject to many of the requirements stated for the CEO within the Act.

Specifically, the Office of the DCEO is primarily responsible for:

### ■ Strategic Plan Administration

- Developing, planning, and implementing goals, objectives, strategies and activities consistent with the TTSEC's mission, vision, strategic plan and key performance measures.
- Monitoring and evaluating the progress made towards meeting these goals and objectives.
- Ensuring the Information Technology's strategic and business continuity plans are developed and implemented, in conformity with the Strategic Plan.

### ■ Management of General Operations

- Reviewing and revising operational corporate policies and procedures in terms of effectiveness and identifying areas for improvement
- Analysing and adapting divisional and departmental work programs to meet changing needs and to simplify procedures

### ■ Supervision of the Operational Budget

- Confirming that the Budget conforms to the Strategic Plan
- Ensuring cost effectiveness of activities and promoting cost-reduction initiatives

### ■ Facilitation of Market Surveillance, Research and Technology

- Ensuring that the TTSEC can conduct market surveillance and analysis of market activities
- Enabling the research capacity to inform policies on securities regulation and other related matters

### ■ Human Resource Development

- Providing direction to staff by assigning and supervising designated projects
- Implementing practices to improve work standards and managing the quality of output to increase the TTSEC's productivity
- Facilitating the growth and development of staff in the Commission

Generally the Office of the DCEO undertakes a leadership role in the TTSEC by supporting the CEO in measuring, evaluating and implementing procedures, practices and strategies, that are focused on developing the TTSEC as an effective regulator of the capital market.



*Ms. Lystra Lucillio  
Deputy Chief Executive Officer*



# MR&S

MARKET REGULATION & SURVEILLANCE DIVISION

## TTSEC's role in the development of the capital market in Trinidad and Tobago

### WHY ARE CAPITAL MARKETS IMPORTANT?

Capital markets play a vital role in an economy by matching borrowers and savers and their respective risk appetite for financial instruments with an aim to produce a profitable investment opportunity for both parties. The following points highlight the importance of the capital markets.

#### 1. Capital markets foster capital formation

Capital formation is the "expansion of capital or capital goods through savings, which leads to economic growth<sup>1</sup>". It is an increase in the capital stock of an economy which includes an increase in equipment, buildings and intermediate goods. When these factors are combined with labour there is a net addition to the existing stock of capital in the economy. Thus, savings facilitate capital formation by allowing the excess funds to be directed towards investment opportunities in capital stock through the facilities of the capital market.

#### 2. Capital markets provide investment avenues

Through capital markets, investors can direct their savings to productive investments, and businesses can find funds to finance their activities for long term investments. It is an efficient vehicle for allocating resources to productive activities in the long term, mobilising excess funds from individuals, organisations or government for various investments.

#### 3. Capital markets speed up economic growth and development

Essential to the economic growth and development of any country is the development of its capital market since capital is a critical component for generating economic output. Capital is needed to support and finance new ideas and investment opportunities which, in turn, spurs growth and development. This economic growth can take the form of an increase in the productive capacity of the economy through improved infrastructure and an increased labour force. In other words, it is the mobilisation of funds towards productive uses within the economy. When a country's capital assets increase, it results in the increase in labour productivity, increase in the rate of economic growth and development, and an improvement in the standard of living of the population.

### *The Commission's role in the development of the capital market*


Information asymmetry can often lead to abuses in the capital market. In that regard, regulators have a unique responsibility. Regulators oversee the proper functioning of the market to maintain order and confidence. Specifically, the Trinidad and Tobago Securities and Exchange Commission (the Commission) regulates the capital market in Trinidad and Tobago.

The Commission, as a regulator, can take specific action in relation to the activities of market participants. It is also the body responsible for formulating and implementing principles that guide the securities market, and allow for a level playing field for all market actors. The following are some of the functions of the Commission which aid in the development of the capital market.

#### 1. Develop and maintain a fair and transparent capital market

Through regulation of the capital market, the Commission is able to set a level playing field for all registrants by mandating certain continuous disclosure obligations. These disclosures are important for investors to assess the borrower and provide a better matching of investors with the financial instruments' risks. Without effective disclosures, the capital market would be compromised and stakeholders would not receive the information they need to make informed investment decisions. Full disclosure includes the preparation of prospectuses containing all the information required by investors, as well as the provision of accurate and timely interim reports on material developments, to existing and potential investors.

<sup>1</sup> - NASDAQ.com, Capital Formation, <http://www.nasdaq.com/investing/glossary/c/capital-formation>



Additionally, the Commission monitors the market for unfair trading activities by persons who have access to material non-public information. This type of activity is called insider trading, whereby a security is bought or sold by someone who has access to material information about a company that has not yet been disseminated to all market participants. If such activities are discovered, the Commission can initiate enforcement action. This type of monitoring and enforcement action increases the confidence of investors in the market and promotes the development of sustainable capital markets.

## 2. Investor education

The Commission often engages in various public education programs aimed at ensuring that investors have the information needed to make informed decisions. The Commission conducts seminars and workshops, and collaborates with stakeholders to disseminate information on relevant issues to market participants. In addition, there are various advertisements and brochures produced by the Commission, which are aimed at explaining concepts and issues relating to the securities market to the investing public. The Commission also produces this quarterly newsletter which gives a more in-depth review of other capital market issues. Other information portals include: the Commission's corporate website, [ttsec.org.tt](http://ttsec.org.tt); its Investor Education website, [investucatett.com](http://investucatett.com); a Mobile Application (TTSEC) for tracking the stock market and receiving daily tips on both iPhone and Android devices; webinars; via social media – Facebook, LinkedIn, YouTube; and much more.

## 3. The registration and supervision of registrants

Pursuant to Section 61(1) of the Securities Act, 2012 (the Act) all persons who propose to make a distribution of securities to the public must first be registered with the Commission as a reporting issuer and must file a registration statement. This registration requirement, however, is subject to certain caveats, which may exempt registration. Further, pursuant to Section 51(1) of the Act, all persons who wish to conduct business or any course of action in relation to a broker-dealer, investment adviser or underwriter, must also be registered with the Commission before undertaking such activities. A broker acts as an agent executing orders on behalf of his/her clients; dealers trade for their own accounts; investment advisers provide investment advice while underwriters administer the public issuance and distribution of a security.

## 4. Powers of the Commission/ enforcement action

The Commission, through the Securities Act, 2012, has the authority to enforce local securities laws and initiate enforcement action against wrongdoers to ensure the sound and proper functioning of the capital market. The Commission's role as regulator is meaningless unless it is accompanied by compliance from registrants and effective enforcement for non-compliance. Stakeholders in the capital market have greater confidence and trust in the market when enforcement action is taken for breaches of the securities legislation.

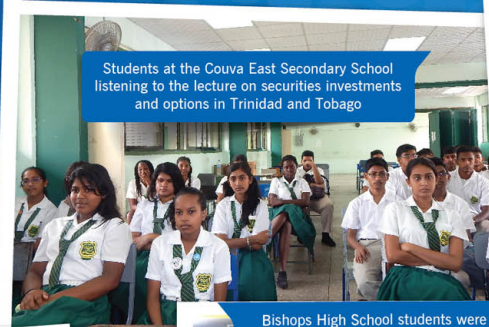
Where violations or suspected violations are detected, the Commission has leveraged its powers to intervene through various means such as, launching investigations into potential violations of the law and initiating enforcement action against any person(s) failing to comply with the Act. In addition, the Commission develops principles for the guidance of the capital market, which are to be used in tandem with the Act, to assist with the interpretation of the Act and to ensure that registrants are operating in the best interest of the market.

***In conclusion, it must be stated that the Commission recognises the importance of the capital market of Trinidad and Tobago, which facilitates the flow of funds into productive investments. The Commission's intention is to maintain and continuously improve confidence in the market through effective regulation, timely disclosures and investor education. As the capital market continues to grow and develop, the Commission will continue to keep abreast of the evolving nature of the market.***

# Investor Education Month

MAY

Students at the Couva East Secondary School listening to the lecture on securities investments and options in Trinidad and Tobago



Bishops High School students were eager to participate in the discussions during our outreach lecture in Tobago.



Ms. Arlene Stephen, Director Corporate Communications, Education and Information Division, TTSEC, delivered an interactive presentation at Presentation College, Chaguanas.



Students engaged during an investor education lecture at the Kenson School of Production Technology



Visitors engaged at our booth at Trincity Mall. Brochures, tokens, a short video and games, kept passers-by interested in finding out more about the TTSEC and their investor rights and responsibilities.



Students engaged at the TTSEC's booth at Scarborough Secondary school's career fair



Mr. C. Wainwright Iton, CEO, TTSEC having fun at our exhibition booth in Trincity.



## TTSEC Celebrates First IE Month in May, 2016

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) celebrated its first **Investor Education month in May, 2016**. This initiative was aimed at raising the level of awareness about the securities industry, the role of the Commission and opportunities available to anyone willing to become an investor. The securities industry in Trinidad and Tobago offers a wealth of opportunities to make your money grow and safeguard your financial future. When people are aware of their financial opportunities they are better able to plan for their future.

The month included an interpersonal sensitisation thrust via the Commission's Investor Education (IE) Programme, along with press, radio and social media advertising. The Commission visited the Couva East Secondary School, Presentation College Chaguanas and the Kenson School of Production Technology. The Commission also visited Tobago for an Investor Education outreach session at Bishops High School and a career fair and Scarborough Secondary School.

Activities culminated at Trincity Mall on May 25, 2016 where a TTSEC team distributed commemorative tokens, fun prizes and educational material related to the securities industry, and the role of the Commission in regulating the industry and safeguarding investors.

According to Mr. C. Wainwright Iton, CEO, TTSEC, "This is the first year that we are embarking on such a project, to capture a piece of our nation's mindshare through promoting and sensitising persons about the securities industry and the Securities and Exchange Commission." He continued saying, "As a regulator, we also have a mandate, to educate the public about the securities industry and equip persons with the knowledge they need to make wise financial decisions. This month we hope we can encourage many persons to consider investing as a viable option when planning for their future."

If you are interested in a free Investor Education outreach session, please send your request to [ccei@ttsec.org.tt](mailto:ccei@ttsec.org.tt).

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