



THE TRINIDAD AND TOBAGO  
**STOCK EXCHANGE**  
LIMITED

# STATEMENT OF SUBSTANCE AND PURPOSE

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## Capital Requirement Rule

September 2016

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## **BACKGROUND**

The recent global financial crisis forced regulators to review their risk management framework for market actors. Regulators recognized that inadequate capital requirement regulations allowed market actors to make risky investments and build up large amounts of debt, becoming highly leveraged as a result, without being required to hold sufficient capital on their balance sheets. The high levels of leverage in the lead up to the financial crisis reduced the ability of financial institutions to withstand the heavy losses they incurred, as the value of the assets held on their balance sheet was rapidly eroded.

The experience locally with the collapse of CL Financial highlighted the importance of effective regulation that evolves with changes in operations of the companies that are regulated. The need for enhanced capital requirements, that will protect investors and their investments by ensuring that market actors have sufficient capital to withstand losses, was also brought into focus.

Regulators have been reviewing the levels of capital requirement of different entities and recent changes in securities legislation have resulted in higher capital requirements. The Securities (General) By-Laws 2015 require brokers \$2 million in capital if trading is conducted only for the account of clients and \$5 million if trading is also conducted for the broker firm. This compares to no stipulation stated under the previous legislation the Securities Industry Act 1995. The TTSE has also been reviewing the adequacy of its existing capital rules for its member firms.

After evaluating its current capital requirement rules and the approach adopted in other markets the TTSE is seeking to implement a risk based approach to determine the capital requirements of the member firms it regulates. A risk based approach has been adopted internationally and is used in most developed and developing countries.

The current approach of the TTSE promulgates a minimum capital or net worth of \$1,000,000 (Rule 105 of the Stock Exchange Rules) and further requires (as per Rule 300 (12)) that a member firm ensures that its Ranking Liabilities not exceed 1,000% of its capital, this latter requirement stated differently, that an amount equal to at least 10% of a member firm's Ranking Liabilities must be held in capital. The current methodology, described

above, results in a fixed view across different types of balance sheets and does not take account of the varying levels of riskiness resident in the asset portfolio of one firm compared to another.

With the risk based approach used in the proposed Capital Adequacy Requirement, the types of assets held, as differentiated by the risks inherent in these assets, will be the driving factor behind the amount of capital a firm should hold.

## **STATEMENT OF SUBSTANCE AND PURPOSE**

The TTSE is proposing to implement a risk based approach for determining the capital requirements for its member firms with the purpose of strengthening the management of risk. This approach will allow for member firms to be capitalized based on the riskiness of the assets on their balance sheet. This will allow for larger capital buffers in those firms who assume more risk compared to those who assume less risk and therefore provide greater protection for investors.

The following represents the shortcomings of the current minimum capital rule which have been addressed by the proposed risk based capital requirement rule:

1. Assessment of Risk

Currently, the capital requirement is calculated based on the amount of liabilities held on the firm's balance sheet and therefore disregards the risk attached to the different types of assets held on the balance sheet.

2. Shareholder Equity

The current rules do not separate the capital of a member firm into tier 1 and tier 2 capital. The proposed rule specifies that tier 1 capital less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets must be at minimum 7% of Total Risk Weighted Assets. This differentiation is important as it allows for specification of the level of tier 1 capital that must be maintained, increasing the strength of total capital held as tier 1 capital represents core capital, comprised of share capital and retained earnings.

3. The current rule does not take account of off-balance sheet items. The proposed rule quantifies off-balance sheet items through the use of a methodological approach to establish a nominal amount and then applies the relevant risk weighting to the nominal amount. This is an improvement over the current approach as it ensures that any contingent exposures may be captured.

The TTSE believes that the risk based approach being proposed offers the following advantages:

- a) The capital requirements of member firms will be correlated to the riskiness of the assets they acquire.
- b) Member firms will be encouraged to maintain less risky assets as this will reduce their capital requirement.
- c) Member firms can engage in more proactive risk management as they will be aware of how the acquisition of various types of assets will affect their capital requirement. This information may influence the decision on whether or not to acquire an asset.
- d) Potential risks from off balance sheet items will be provided for.

As a self-regulatory organization, the TTSE conducted a review of its existing capital requirements with the aim of determining whether the current rules were best suited for regulating its member firms and ensuring that the member firms are adequately capitalized.

The approach adopted by regulators of the securities and banking industry in other countries as well as the Central Bank of Trinidad and Tobago (CBTT) was studied in order to determine the approach best suited for the member firms regulated by the TTSE. The risk based approach has been implemented worldwide over the past three to four decades with little evidence of the minimum capital approach being in use. Locally, the CBTT implemented the risk based approach for financial institutions since 1994.

One of the Objectives and Principles of Securities Regulations of the International Organization of Securities Commissions (IOSCO) states that there should be initial and ongoing capital and other prudential requirements for market intermediaries **that reflect the risks that the intermediaries undertake**. The TTSE is of the view that the proposed risk based approach will allow for the capital requirements of member firms to be more closely related to the risks that these firms face or may undertake from time to time. Furthermore, by increasing the frequency of reporting from quarterly to monthly member firms and the TTSE will be able to identify potential challenges earlier so that corrective measures can be implemented sooner than under the current rules.

Capital requirement rules must foster confidence among customers and counterparties. Although no framework can fully protect customers and prevent the failure of a member firm, adequate capital will contribute significantly towards providing the confidence necessary to facilitate the efficient functioning of the stock market.

The proposed capital requirement rule incorporates the capital requirements as outlined in the Securities (General) By-Laws 2015, as may be modified from time to time, which are used to set the minimum amount of capital member firms regulated by the TTSE will be required to maintain. This will ensure that TTSE member firms are at least as equally capitalized as other registrants registered by the Trinidad and Tobago Securities and Exchange Commission.

The risk weightings that have been assigned to the various assets were arrived at after review of the risk weightings used by the CBTT for local financial institutions.

Member firms will be provided with guidelines (as follows) that outline the procedures that must be followed for the completion and submission of the capital requirement report to the TTSE. These guidelines will form part of the TTSE Rules and will be revised by the TTSE as necessary in order to ensure that the submissions by member firms are in accordance with the capital requirement rule. These guidelines will replace Appendix VII of the TTSE Rules.

## **EXISTING RULES**

### **Rules for Rescission**

The existing rules which outline the minimum capital requirements for member companies are presented below. Appendix VII of the TTSE Rules and Forms LM 1, LM 2, LM 3 and LM 4 are also presented below. An application is hereby submitted to have the existing rules, appendix and forms rescinded.

### **Rule 105 (1) – Minimum Capital Requirements; Books and Records**

A Broker shall maintain at all times a minimum net worth as defined in Exchange Rule 300 12(a) of one million dollars or such other amount as the Exchange may from time to time prescribe.”

### **Rule 300 (7)**

## Statement of Substance And Purpose – Capital Requirement Rules

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Member companies shall disclose in their balance sheet the following which shall not be regarded as approved assets or ranking liabilities as defined in sub-rules (8) and (9) respectively:

- (a) the paid up capital of the member company;
- (b) capital and revenue reserves;
- (c) subordinated loans by each director;
- (d) total credit and total debit due to or from directors in respect of transactions in securities;
- (e) credit or debit balances on other accounts of each director;
- (f) amounts due to the member company, which relate to transactions in securities for the account of directors;
- (g) the aggregate amount of assets consisting of shares or interests in and amounts owing by subsidiary companies or organizations established under Stock Exchange Rules and Procedures by the member company or any of its directors distinguishing shares and interest from indebtedness;
- (h) amounts appropriately categorized of any other assets not qualifying under sub-rule (8);
- (i) such liabilities as have been agreed with the Stock Exchange.

### **Rule 300 (8) – Approved Assets**

Without prejudice to the general requirements of sub-rule (2) each balance sheet and/or statement of financial condition shall show under separate headings the following classes of assets, which shall be approved assets:

- (a) money receivable in the ordinary course of Stock Exchange business excluding all amounts in respect of directors transactions, and consisting only of amounts due from:
  - (i) clients and/or employees who have not in any way rendered null and void their original contract with the broker which had at the balance sheet date been outstanding for not more than ninety (90) days, or settle against delivery of stock to the extent that such stock has not been delivered;
  - (ii) employees who are due to settle on account day which had at the balance sheet date been outstanding for not more than ninety (90) days or settle against delivery of stock to the extent that such stock has not been delivered;
  - (iii) member companies, distinguishing between:
    - a) balances which had at the balance sheet date been outstanding for ninety (90) days or less;

- b) balances in respect of open stock positions which had at the balance sheet date been outstanding for more than ninety (90) days; and
- c) other balances which had at the Balance Sheet date been outstanding for more than ninety (90) days;
  - (i) the Stock Exchange Settlement Office;
  - (ii) member firms of overseas Stock Exchanges;
  - (iii) foreign exchange dealers;
  
- (b) Certificates of Deposit issued by recognized banks which are redeemable within one year of the balance sheet date, Trinidad and Tobago Saving Bonds, Certificates of Tax Deposit, National Development Bonds and Treasury Bills;
  
- (c) money on deposit with a Local Authority, or a Non-Bank Financial Institution recognized by the Central Bank or Building Society which is encashable within one year of the balance sheet date;
  
- (d) balances on current or deposit account which are encashable within one year of the balance sheet date with branches of those banks specified authorised banks for Exchange Control purposes by the Central bank of Trinidad and Tobago; balances in foreign currencies must be shown separately from Trinidad and Tobago balances and shall distinguish:
  - (i) balances which are freely remittable to Trinidad and Tobago through a recognized banking system;
  - (ii) balances which may only be used in settlement of security transactions in the country in which the balances are held;
  
- (e) Trinidad and Tobago government securities and corporation stocks which may be listed in the Stock Exchange Official List. The aggregate market value of such securities must be stated;
  
- (f) securities listed on the Stock Exchange other than those referred to in (e) above, excluding any in which dealings have been suspended for more than three (3) weeks. The aggregate market value of such securities must be stated;

- (g) only 90 per cent of the aggregate market value of the securities included under the preceding paragraph (f) should be permitted for inclusion within the approved assets;
  
- (h) such other assets of the member company as may be agreed with the Board of the Stock Exchange, such agreement not to be unreasonably withheld.

**Rule 300 (9) – Ranking Liabilities**

Without prejudice to the general requirements of sub-rule (2) each balance sheet and/or statement of financial condition shall show under separate headings the following liabilities, which shall be ranking *liabilities*, which shall be used in determining the minimum net capital requirement of the member company in their Liquidity Return:

- (a) amounts due to:
  - (i) clients;
  - (ii) employees;
  - (iii) member companies;
  - (iv) the Stock Exchange Settlement Office;
  - (v) member companies of overseas Stock Exchanges;
  - (vi) banks specifying the nature and market value of any security given and the fact, where applicable, that the security given is not the property of the member company, together with particulars by way of note, of any charge guarantee or indemnity given;
  - (vii) foreign exchange dealers;
  
- (b) any other liabilities which are secured, either by the deposit of securities or otherwise, specifying the nature and market value of the security at the date of the balance sheet and the fact where applicable that the security given is not the property of the member company, together with particulars by way of note, of any charge guarantee or indemnity given;
  
- (c) aggregate amount due to any subsidiary company established under the rules of the Stock Exchange;
  
- (d) the total amount of the companies tax (or a fair estimate thereof) payable or expected to be payable on the whole of the profits up to the balance sheet date;

- (e) the amount, if any, by which the sum at which securities ranking as approved assets under sub-rule (8) are brought into account exceeds their aggregate market value;
- (f) the amount of any loss which the member company could incur at the balance sheet date in respect of transactions to be settled in overseas currencies, where the member company has not covered the relevant amount by a forward purchase or sale of currency, and the amount of any loss were there to be substituted for the rates of exchange employed in the accounts the rate ruling in Trinidad and Tobago at the date of the balance sheet;
- (g) the amount of any accumulated losses, so far as they concern the member company or any of its directors, of any subsidiary company or organization established under the Rules of the Stock Exchange which are not covered by the investment in the organisation or company respectively;
- (h) the amount of any foreseeable losses from bad or doubtful debts or from any other causes;
- (i) all other liabilities of the company apart from those specified in sub-rule (9) separately designated where material;

**Rule 300 (12) – Liquidity Return**

(a) Definitions-For the purpose of this sub-rule:

"net worth" means total stockholder's equity increased by liabilities subordinated to claims of general creditors (subordinated loans);

"net capital" means the net worth of a member company reduced by all non-approved assets and other charges;

"excess net capital" means net capital reduced by the minimum capital required to be maintained as determined by sub-rule (12) (b)

"non-approved assets" means those assets which cannot be readily into cash, and or because of their nature are not approved assets as defined in sub-rule (8) converted into cash, and or because of their nature are not approved assets as defined in sub- rule (8);

"ranking liabilities" have the same meaning as defined in sub-rule (9).

(b) No member company shall permit:

- (i) its ranking liabilities to all other persons to exceed 1,000 percent of its net capital except as otherwise limited by the provisions of sub-paragraph (ii) of this paragraph.
- (ii) its ranking liabilities to all other persons to exceed 400 per cent of its net capital for twelve (12) months after commencing business as a member company, except as otherwise provided for in sub-paragraph (i) of this paragraph.

(iii) Its minimum capital requirement to be:

- a. \$50,000 for each registered stockbroker and \$25,000 for each authorised dealer in the member company, or
- b. An amount which is equivalent to 10 per cent of its ranking liabilities, whichever is greater.

(c) The minimum capital requirement required in accordance with sub-rule (12) (b) (iii) above shall be maintained not only in the member company itself but also after consolidation of all subsidiary companies and organisations established under the Rules of the Stock Exchange for whose debts and obligations the member company or any of its directors is liable.

### **Rule 301 – Liquidity Return**

(1) Unless the Stock Exchange shall otherwise permit, all member companies shall prepare a liquidity return each quarter summarizing the accounts required by Rule 300 in the form prescribed in Appendix VI.

(2) Member companies shall notify the Stock Exchange of the quarterly dates in which the returns are to be made up. One of the dates notified shall coincide with the date at which the member company's accounts are prepared.

(3) Each liquidity return shall be submitted to the exchange accountant within one calendar month of the date at which it is made up. A copy of each return shall also be submitted within one calendar month to the member company's auditors.

(4) The exchange accountant shall be deemed to be authorized by the member company to obtain direct from either the member company's auditors or the member company itself as appropriate any information or explanation which he may consider necessary to carry out a review of the member company's state of affairs as revealed by the liquidity return. The provisions of rule 300, sub-rule (17)(b) apply.

(5) The Stock Exchange assumes that member companies as a matter of normal accounting control strike a trial balance of their accounts each month within two weeks of the month end. In the event that the Stock Exchange, advised by the Stock Exchange accountants, consider the circumstances of either the member company or the market to warrant it, the Stock Exchange may require any member company or companies to submit monthly capital computations.

#### **Appendix VII Notes for Guidance on the Completion of Liquidity Returns**

- (1) Member companies should refer to rules 300 and 301, the notes for guidance of member companies relating to these rules issued by the Board, and to the detailed description in Form LM. 2, LM.3 and LM.4.
- (2) This return is to be completed and submitted quarterly by all member companies. One of the dates selected for the preparation of these figures should coincide with the last date of the company's financial year.
- (3) The return should be prepared from a trial balance and it will normally be sufficient to use control account totals (provided that these are subject to regular agreement with listing of individual balances) except in those instruments where further detailed analysis of particular items is required, as for example is the case with client balances. Any item for which member companies consider that no appropriate heading is provided should be shown separately on the return together with a suitable description.
- (4) Explanatory notes of any unusual items should be submitted with the completed return where appropriate.

- (5) Where there are no amounts appropriate to any particular item in the return or in the supplementary schedule please state "NIL" in the appropriate box.
- (6) The form which is sent to the Exchange Accountant should be signed. The signatures of two Directors are required in all cases. If the Managing Director also acts as the Finance Director please ensure that a second Director also signs the return.
- (7) Bank reconciliation should be carried out at the date of the return in respect of all balances with banks, or by reference to the latest bank statement prior to the date of the return.
- (8) Amounts deposited on behalf of clients which do not form part of the firm's assets, in accordance with the arrangements with the clients concerned, should together with the corresponding rights of the clients to the deposits be entered in the boxes inserted on pages 2 and 3.
- (9) Any refunds of tax which have been taken into account in calculating the tax provision, should be stated separately with a note as to whether or not the refund has been agreed with the Inland Revenue. If it should be desired to alter the basis upon which provision is made for taxation liabilities, the amount provided should be shown here and the details of the revised basis supplied.
- (10) This provision should be a reasonable estimate of the eventual taxation liability attributable to the profit available to the member company which has been earned in the period since the last financial year end; a proportion of the annual allowances as appropriate should be used in estimating the provision.
- (11) The settlement offices box has no current relevance, and is included for future purposes.

**Form LM 1 Liquidity Return**

Liquidity Return

*This report is being filed pursuant to Rule 300 and 301 in accordance with the Rules and Regulations/Procedures of the Trinidad and Tobago Stock Exchange Limited*

NAME OF MEMBER COMPANY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS  
(Do not use P.O. Box Number)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT WITH REGARD TO THIS REPORT

FOR QUARTER ENDED .....

Minimum liquidity margin methods used by Respondent re Rule 301(12)(b)(iii) .....

Minimum liquidity margin required \$ .....

Check Here if Respondent is Filing an Audited Report// .....

**EXECUTION:**

The firm submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, financial information and/or supporting details are considered integral parts of this Forms and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

.....  
Dated the ..... day of ..... 19 .....

Manual signatures of:

(1)

.....  
Principal Executive Officer or Managing Director

(2)

.....  
Director

Reviewed by

.....  
Name of Stock Exchange Accountants

Statement of Substance And Purpose – Capital Requirement Rules

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Form LM 2 Liquidity Return

Liquidity Return  
STATEMENT OF FINANCIAL CONDITION

Assets

	Approved \$	Non-Approved \$	Total \$
1. Cash and Bank Balance at Short Notice			
A. Cash, stamps, bank balances encashable within three months	.....		.....
B. Fixed deposits, etc	.....		.....
C. Deposits with local authorities, etc., encashable within one year	.....		.....
D. Deposits on behalf of clients	.....		.....
2. Securities			
A. Trinidad and Tobago government securities	.....		.....
B. Listed securities	.....	.....	.....
C. Others	.....	.....	.....
3. Clients, Staff and Directors' Connected Persons			
A. Clients who settle on Account Day or pay against delivery	.....		.....
B. Clients' unsecured balances outstanding more than ninety days	.....	.....	.....
C. Employees	.....		.....
D. Employees' balances outstanding for more than ninety days	.....	.....	.....
E. Amounts owing other than in ordinary course of Stock Exchange business	.....	.....	.....
-Clients	.....	.....	.....
-Employees	.....	.....	.....
-Others	.....	.....	.....
4. Member Companies			
A. Member companies balances outstanding for ninety days or less	.....	.....	.....
B. Member companies balances outstanding for more than ninety days	.....	.....	.....
5. Stock Exchange settlement office	.....		.....
6. Fixed assets	.....	.....	.....
7. Payments in advance	.....	.....	.....
8. Taxation recoverable	.....	.....	.....
9. Shares and indebtedness of subsidiary companies	.....	.....	.....
10. Others			
Others	.....	.....	.....
TOTAL ASSETS	.....	.....	.....

Statement of Substance And Purpose – Capital Requirement Rules

Form LM 3 Liquidity Return

LIQUIDITY RETURN  
STATEMENT OF FINANCIAL CONDITION

Ranking Liabilities

									\$	Total \$
11. Loans and advances										
A. Bank loans and overdrafts-secured	...	...	...	...	...	...	...	.....		.....
Bank loans and overdrafts-unsecured	...	...	...	...	...	...	...	.....		.....
B. Other loans	...	...	...	...	...	...	...	.....		.....
12. Clients, Staff and Directors' Connected Persons										
A. Clients-for stock exchange business	...	...	...	...	...	...	...	.....		.....
B. Clients-for money placed on deposit	...	...	...	...	...	...	...	.....		.....
C. Employees	...	...	...	...	...	...	...	.....		.....
13. Member Companies										
A. Member companies...	...	...	...	...	...	...	...	.....		.....
B. Stock Exchange settlement offices	...	...	...	...	...	...	...	.....		.....
14. Other amounts payable in ordinary course of Stock Exchange business	...	...	...	...	...	...	...	.....		.....
15. Amount owing to subsidiary companies	...	...	...	...	...	...	...	.....		.....
16. Tax provisions										
A. Provisions for taxation at latest financial year-end adjusted for subsequent payments and revisions										.....
B. Estimated provision for tax on profit earned latest financial year end	...	...	...	...	...	...	...	.....		.....
17. Creditors and accruals	...	...	...	...	...	...	...	.....		.....
18. Others (List)	...	...	...	...	...	...	...	.....		.....
A	...	...	...	...	...	...	...	.....		.....
B	...	...	...	...	...	...	...	.....		.....
C	...	...	...	...	...	...	...	.....		.....
D	...	...	...	...	...	...	...	.....		.....
TOTAL RANKING LIABILITIES	...	...	...	...	...	...	...	.....		.....

Stockholders Equity

19. Corporation (Company)										
A. Preferred Shares	...	...	...	...	...	...	...	.....		.....
B. Common Shares	...	...	...	...	...	...	...	.....		.....
C. Share Premium-Other Reserves	...	...	...	...	...	...	...	.....		.....
D. Retained Earnings	...	...	...	...	...	...	...	.....		.....
E. TOTAL	...	...	...	...	...	...	...	.....		.....
F. Add: Subordinated loans	...	...	...	...	...	...	...	.....		.....
20. Total stockholders equity and subordinated loans	...	...	...	...	...	...	...	.....		.....
21. Total liabilities, stockholders equity and subordinated loans	....	....	....	....	....	....	....	.....		.....



## **Rules for Amendment**

The existing rules impacted by the rescission of the aforementioned and the proposed rules in the foregoing section are presented below. An application is hereby submitted to have the existing rules to be amended.

### **Definitions:**

“the Act” means the Securities Industry Act, 1995;

“senior officer” means the chairman or vice chairman of the board of directors of an issuer, the managing director, the chief executive officer, the deputy managing director, the president, the vice president, the secretary, the treasurer, the chief financial officer, the financial controller, the general manager or the deputy general manager of an issuer or any other individual who performs functions for an issuer similar to those normally performed by an individual occupying any such office, and each of the five highest paid employees of an issuer, including any individual referred to in paragraph (a);

### **Rule 231 – Error Account**

(3) Securities position valuations, that is, the marking to market of securities held in an “Error Account”, should be made as of the date of the computation of the Liquidity Return and the unrealized gain or loss included in the capital computation of the firm

### **Rule 300 (1) – Transaction records**

(i) a register of each account of directors’ spouses, infant children and dealing companies under the control or beneficial ownership of the directors and their spouses. The member company shall submit with the copy of the documents required under sub-rule (16)(a) (i) a letter signed by the Chairman and Secretary stating that the register is up to date, and as far as they are aware complete. Except that, for the purpose of this paragraph, records shall not be deemed to be maintained in sufficient details if there are no maintained up to date records to enable the directors:

(i) to verify at any time that they are in compliance with the requirements of sub-rule 12 and to draw up, within a reasonable time, accounts which comply with sub-rule (2)

(ii) to analyse at any time the member company’s assets, liabilities, income and expenditure to comply with sub-rules (7), (8) (9) and (10).

### **Rule 300 (2) – Accounts to be prepared**

(c) capital computation in the form prescribed in Appendix VI.

**Rule 300 (3)**

The disclosure of details required by sub-rules (4) to (10) may be made in note to the accounts that such accounts:

**Rule 300 (16)**

(a) (i) one copy of its accounts prepared under sub-rule (2) together with a copy of the auditor's report as specified in sub-rule (15);

**Rule 300 (18)**

(a) Members and authorized dealers shall attend the Stock Exchange when required and shall give such information as may be in their possession relative to any matter under investigation including such accounts and information as to their member company's finances as the Stock Exchange may consider necessary. In addition, the Stock Exchange may require the periodic submission of information relating to the minimum capital required to be maintained under the provisions of sub-rule (12).

**PROPOSED RULES**

The proposed capital requirement rule is outlined below for review and approval.

**Definitions:**

"By-Laws" means the Securities (General) By-Laws, 2015;

**301 – Capital Requirement**

- (1) A member firm shall maintain at all times a minimum Total Capital<sup>1</sup> less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets that is:
- a. 10% of the sum of its Total Risk Weighted Assets<sup>2</sup>; or

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<sup>1</sup> "Total Capital" shall be the sum of the Tier 1 Capital and the Tier 2 Capital of a member firm.

<sup>2</sup> "Total Risk Weighted Assets" shall be the sum of the value of the on-balance sheet assets and converted off balance sheet items of a member firm as at the end of the reporting period multiplied by the risk weight for the asset or converted off balance sheet item.

- b. Its capital requirements in accordance with the Act and its By-Laws as may be modified from time to time and to take into consideration any other guidelines issued by the Commission in respect of the capital requirements for its registrants, whichever is greater.

(2) A member firm shall maintain at all times a minimum:

Tier 1 Capital<sup>3</sup> less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets of

- a. 7% of the sum of its Total Risk Weighted Assets; or
- b. 70% of its capital requirements in accordance with the Act and its By-Laws as may be modified from time to time and to take into consideration any other guidelines issued by the Commission in respect of the capital requirements for its registrants; whichever is greater.

(3) The capital requirement report shall be submitted to the TTSE within the timeframe and on the form prescribed in Appendix VII.

(4) A member shall immediately notify the Exchange if its Total Capital less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets becomes equal to or less than 15%, or its Tier 1 Capital less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets become equal to or less than 10% of the sum of its Total Risk Weighted Assets. The Exchange may at its discretion require such member to submit its Capital Requirement Report with such frequency, as the Exchange so determines.

(5) No member is permitted to extract and/or reallocate the capital resources of the firm to the extent that it causes a breach in its minimum capital requirements nor to make any extraction and/or reallocation of capital resources without giving prior notification to the Exchange

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<sup>3</sup> “Tier 1 Capital” shall be the sum of the common equity and the retained earnings or losses of a member firm as at the end of the reporting period

“Tier 2 Capital” shall be the sum of the value of the preferred shares, the revaluation reserves and any other reserves from the balance sheet of a member firm as at the end of the reporting period.

For the purpose of this rule, balance sheet shall be interpreted as Statement of Financial Position

- (6) The Exchange may at its discretion, impose limitations on the size of withdrawals or temporary restrictions on the member's ability to withdraw capital so as to allow for an impact assessment by the TTSE.
- (7) Members are required to report, by way of a note attached to the capital requirement report, any contingent liabilities and the likelihood of them being realized, upon which the TTSE in its own discretion, may assess the exposure to determine the impact, if any, on the total capital required to be held by the Member.

Note

*The existing TTSE Rules are currently being revised. As a result, the number for these rules may change.*

## **PROPOSED RULES AMENDMENTS**

The following are proposed amended Rules or extracts of Rules as outlined on pages 17 to 18 under the section Existing Rules – Rules for Amendment.

**Definitions:**

“the Act” or “Securities Act” means the Securities Act, Ch. 83.02;

“senior officer” shall have the meaning as applied to it in the Act;

**Rule 231 – Error Account**

(3) Securities position valuations, that is, the marking to market of securities held in an “Error Account”, should be calculated as of the date at the end of the period for which the capital requirement report is prepared

**Rule 300 (1) – Transaction records**

(i) a register of each account of directors' spouses, infant children and dealing companies under the control or beneficial ownership of the directors and their spouses. The member company shall submit with the copy of the documents required under sub-rule (16)(a) (i) a letter signed by the Chairman and Secretary stating that the register is up to date, and as far as they are aware complete. Except that, for the purpose of this paragraph, records shall not be deemed to be maintained in sufficient details if there are no maintained up to date records to enable the directors:

(i) to verify at any time that they are in compliance with the requirements of rule 301 and to draw up, within a reasonable time, accounts which comply with sub-rule (2)

(ii) to analyse at any time the member company's assets, and exposures to comply with Appendix VII.

**Rule 300 (2) – Accounts to be prepared**

(c) capital computation in the form prescribed in Appendix VII.

**Rule 300 (3)**

The disclosure of details required by sub-rules (4) to (6) and sub-rule (10) may be made in note to the accounts that such accounts:

**Rule 300 (16)**

(a) (i) one copy of its accounts prepared under sub-rule (2), except for sub-rule (2)(c) which shall be submitted in accordance with Rule 301 and Appendix VII, together with a copy of the auditor's report as specified in sub-rule (15);

**Rule 300 (18)**

(a) Members and authorized dealers shall attend the Stock Exchange when required and shall give such information as may be in their possession relative to any matter under investigation including such accounts and information as to their member company's finances as the Stock Exchange may consider necessary. In addition, the Stock Exchange may require the periodic submission of information relating to the minimum capital required to be maintained under the provisions of rule 301.

Appendix VII

**CAPITAL REQUIREMENT RULES GUIDELINES**

Submission of Capital Requirement Report

(1) The capital requirement report shall be submitted monthly to the TTSE no later than the 10th working day following the end of the month for which the report is being prepared. A copy of each report shall also be submitted on the same date to the company's auditors

## Statement of Substance And Purpose – Capital Requirement Rules

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- (2) The capital requirement report shall be submitted to the TTSE on the prescribed form along with signed management accounts.
- (3) The capital requirement report shall be certified by a senior officer duly authorized by the board of directors to sign on behalf of the member
- (4) Every member firm shall provide the TTSE with any records that may be requested and provide any explanations that may be required by the TTSE in order to carry out a review of the member firm's financial position as revealed by the capital requirement report.

### Preparation of Capital Requirement Report

- (1) Each member firm shall submit its capital requirement report to the Exchange Accountant no later than the 10<sup>th</sup> working day following the end of every quarter of the calendar year
- (2) Every member firm shall make its trial balance, management accounts and any other records that may be requested available to the Exchange Accountant and provide any explanations that may be required by the Exchange Accountant to perform a review of the capital computation
- (3) The Exchange Accountant shall submit a copy of the capital requirement report and a report of its review to the TTSE and the member firm by the end of the month following the quarter for which the capital requirement report is prepared. The Exchange Accountant shall state in its report of the review of the capital requirement report whether it is satisfied that the member firm has met the capital requirement of the TTSE.
- (4) The Form CR 1 - schedule of assets and schedule of stockholders' equity, Form CR 2 - schedule of off-balance sheet exposures, Form CR 3 - schedule of risk weighted on-balance sheet assets, Form CR 4 – schedule of risk weighted off-balance sheet converted assets and Form CR 5 - schedule of capital requirements comprise the prescribed forms for the capital requirement report which must be submitted to the TTSE.

### **Form CR 1 – Schedule of Assets and Schedule of Stockbrokers' Equity.**

#### Schedule of Assets

<b>ASSETS</b>		<b>TT (\$)</b>
<b>Cash, cash equivalents and Deposits</b>		
Cash and cash equivalents available on demand		0.00
Cash and cash equivalents available within three months		0.00
Cash and cash equivalents available within 1 year of the report date		0.00

## Statement of Substance And Purpose – Capital Requirement Rules

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Fixed Deposits (Deposits to be held for more than 1 year)	0.00
<b>Foreign Currency Cash Balances</b>	
Foreign Currency cash balances (USD, GBP, EUR, CDN)	0.00
Foreign Currency cash balances (Other)	0.00
<b>Current Assets</b>	
Current Assets convertible to cash within three (3) months	0.00
Current Assets convertible to cash after three (3) months	0.00
<b>Securities</b>	
Sovereign (GORTT TT\$) Securities	0.00
Sovereign (GORTT US\$) Securities	0.00
Sovereign (GORTT Other Currency) Securities	0.00
Corporate Securities	0.00
Listed Equity Securities	0.00
Repurchase Agreements	0.00
Non-Investment Grade (Rated) Securities	0.00
Other/Unrated securities	0.00
Statutory Authorities securities	0.00
Foreign Government securities	0.00
State Enterprises securities with Government guarantee	0.00
State Enterprises securities without Government guarantee	0.00
<b>Clients</b>	
Amounts owed by clients for sales due within 0-3 days	0.00
Amounts owed by clients outstanding between 4-90 days	0.00
Amounts owed by clients outstanding for more than 90 days	0.00
<b>Employees</b>	
Amounts owed by employees for sales due within 0-3 days	0.00
Amounts owed by employees outstanding between 4-90 days	0.00
Amounts owed by employees outstanding for more than 90 days	0.00
<b>Brokers</b>	
Amounts owed by Brokers for sales due within 0-3 days	0.00
Amounts owed by Brokers outstanding between 4-90 days	0.00
Amounts owed by Brokers outstanding for more than 90 days	0.00

## Statement of Substance And Purpose – Capital Requirement Rules

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### Directors

Amounts owed by Directors for sales due within 0-3 days	0.00
Amounts owed by Directors outstanding between 4-90 days	0.00
Amounts owed by Directors outstanding for more than 90 days	0.00

Amounts owed by TTSE and TTCD	0.00
Property, Plant and Equipment	0.00
Payments in advance	0.00
Taxation Recoverable	0.00
Deferred Tax Asset	0.00

### Subsidiary Companies

Investments in subsidiary companies	0.00
Amounts owed by subsidiary companies	0.00

### TTSE

Membership in TTSE	0.00
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### Other

Other Assets (please list other Assets)	0.00
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<b>TOTAL ASSETS</b>	<b>0.00</b>
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### Schedule of Stockholders' Equity

Preferred Shares	0.00
Common Shares	0.00
Share Premium - Other Reserves	0.00
Retained earnings	0.00
Minority Interests	0.00
<b>TOTAL</b>	<b>0.00</b>

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**Form CR2 – Schedule of Off-Balance Sheet Exposures**

<u>Off-Balance Sheet Exposure</u>	Exposure(\$)	Balance Sheet Conversion Factor (%)	Converted Off-Balance Sheet Exposure
Assets Sales with Recourse	0.00	100	0.00
Commitments with certain drawdown e.g. forward purchases	0.00	100	0.00
Underwriting	0.00	50	0.00
Other commitments which can be unconditionally cancelled at any time	0.00	0	0.00
Items which substitute for loans, including guarantees of indebtedness	0.00	100	0.00
Sale and Repurchase Agreements with recourse to the firm where the credit risk remains with the firm	0.00	100	0.00
Total Converted Off-Balance Sheet Exposures			<u>0.00</u>

**Form CR 3 – Schedule of Risk Weighted On-Balance Sheet Assets**Schedule of Risk Weighted On-Balance Sheet Assets

<b>Asset Class</b>	<b>Asset Value</b>	<b>Risk Weighting</b>	<b>Risk Weighted Asset</b>
Cash and cash equivalents available on demand	0.00	0%	0.00

Statement of Substance And Purpose – Capital Requirement Rules

<b>Asset Class</b>	<b>Asset Value</b>	<b>Risk Weighting</b>	<b>Risk Weighted Asset</b>
Cash and cash equivalents available within three months	0.00	0%	0.00
Amounts owed by clients for sales due within 0-3 days	0.00	0%	0.00
Amounts owed by employees for sales due within 0-3 days	0.00	0%	0.00
Amounts owed by brokers for sales due within 0-3 days	0.00	0%	0.00
Sovereign (GORTT TT\$) Securities	0.00	0%	0.00
Sovereign (GORTT US\$) Securities	0.00	0%	0.00
Sovereign (GORTT Other Currency) Securities	0.00	0%	0.00
Statutory Authorities securities	0.00	0%	0.00
Foreign Government Securities	0.00	0%	0.00
Amounts owed by TTSE and TTCD	0.00	0%	0.00
State Enterprises securities with Government guarantee	0.00	10%	0.00
State Enterprises securities without Government guarantee	0.00	50%	0.00
Current Assets convertible to cash within three (3) months	0.00	10%	0.00
Cash and cash equivalents available within 1 year of the report date	0.00	15%	0.00
Foreign Currency cash balances (USD, GBP, EUR, CDN)	0.00	15%	0.00
Foreign Currency cash balances (Other)	0.00	20%	0.00
Current Assets convertible to cash after three (3) months	0.00	20%	0.00

Statement of Substance And Purpose – Capital Requirement Rules

<b>Asset Class</b>	<b>Asset Value</b>	<b>Risk Weighting</b>	<b>Risk Weighted Asset</b>
Fixed Deposits (Deposits to be held for more than 1 year)	0.00	0%	0.00
Corporate Securities	0.00	25%	0.00
Amounts owed by Brokers outstanding between 4-90 days	0.00	25%	0.00
Amounts owed by clients outstanding between 4-90 days	0.00	25%	0.00
Amounts owed by employees outstanding between 4-90 days	0.00	25%	0.00
Amounts owed by clients outstanding for more than 90 days	0.00	50%	0.00
Amounts owed by employees outstanding for more than 90 days	0.00	50%	0.00
Amounts owed by Brokers outstanding for more than 90 days	0.00	50%	0.00
Repurchase Agreements	0.00	0%	0.00
Non-Investment Grade (Rated) Securities	0.00	100%	0.00
Other/Unrated securities	0.00	100%	0.00
Local Listed Equity Securities	0.00	100%	0.00
Property, Plant and Equipment	0.00	100%	0.00
Amounts owed by directors for sales due within 0-3 days	0.00	0%	0.00
Amounts owed by directors outstanding between 4-90 days	0.00	25%	0.00
Amounts owed by directors outstanding for more than 90 days	0.00	50%	0.00
Payments in advance	0.00	100%	0.00
Taxation Recoverable	0.00	100%	0.00

Statement of Substance And Purpose – Capital Requirement Rules

<i>Asset Class</i>	<i>Asset Value</i>	<i>Risk Weighting</i>	<i>Risk Weighted Asset</i>
Deferred Tax Asset	0.00	100%	0.00
Investments in subsidiary companies	0.00	100%	0.00
Amounts owed by subsidiary companies	0.00	100%	0.00
Other Assets	0.00	100%	0.00
Membership in TTSE	0.00	100%	0.00
<b>Total Risk Weighted Assets</b>	<b>0.00</b>		<b>0.00</b>

**Form CR 4 – Schedule of Risk Weighted Off-Balance Sheet Converted Assets**

<u>Off-Balance Sheet Exposure</u>	Converted(\$) Off Balance Sheet Exposures	Risk Weighting	<i>Risk Weighted</i> Off Balance Sheet Exposures
Assets Sales with Recourse	0.00	--%	0.00
Commitments with certain drawdown e.g. forward purchases	0.00	--%	0.00
Underwriting	0.00	--%	0.00
Other commitments which can be unconditionally cancelled at any time	0.00	--%	0.00
Items which substitute for loans, including guarantees of indebtedness	0.00	--%	0.00
Sale and Repurchase Agreements with recourse to the firm where the credit risk remains with the firm	0.00	--%	0.00
Total Risk Weighted Off-Balance Sheet Exposures			<b>0.00</b>

Form CR 5 – Schedule of Capital Requirements

<b>Schedule of Capital Requirement</b>		
1	Total Risk Weighted On-Balance Sheet Assets	\$0.00
2	Total Risk Weighted Off-Balance Sheet Exposures	\$0.00
3	Total Risk Weighted Assets & Exposures <i>(sum of lines 1 and 2)</i>	\$0.00
<b>Total Capital Requirement</b>		
4	TTSE Capital Requirement – 10 % of Total Risk Weighted Assets & Exposures	\$0.00
5	Securities Act Capital Requirement as per Rule 301(1)(b)	\$0.00
6	Capital Requirement <i>(greater of lines 4 and 5)</i>	\$0.00
7	Tier 1 Capital less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets	\$0.00
8	Tier 2 Capital	\$0.00
9	Total Capital less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets <i>(sum of lines 7 and 8)</i>	\$0.00
10	Surplus/(Deficit) <i>(line 9 less line 6)</i>	\$0.00
<b>Tier 1 Capital Requirement</b>		
11	7% of Total Risk Weighted Assets	\$0.00
12	70% of Securities Act Capital Requirement as per Rule 301(2)(b)	\$0.00
13	Capital Requirement <i>(greater of lines 11 and 12)</i>	\$0.00
14	Tier 1 Capital less investments in amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets	\$0.00
15	Surplus/(Deficit) <i>(line 14 less line 13)</i>	\$0.00

Statement of Substance And Purpose – Capital Requirement Rules

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Senior Officer Certification:

I hereby certify that the Capital Requirement Report was prepared in accordance with TTSE Rule 301 and Appendix VII – Capital Requirements Rule Guidelines and the attending information, schedules and accounts are to the best of my knowledge, a true and fair representation of the company’s position as at the date being the end of the reporting period.

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

Name : \_\_\_\_\_

Position : \_\_\_\_\_

**Off-Balance Sheet Items**

Off-Balance Sheet Items must be included in the determination of Total Risk Weighted Assets after first multiplying the nominal principal amount of each Off Balance Sheet item by the relevant Balance Sheet Conversion Factor to arrive at a Converted On-Balance Sheet Item and then multiplying each Converted On Balance Sheet Item by the relevant Risk Weighting. The relevant Risk Weighting is to be determined by aligning the Converted On Balance Sheet Item with a category selected from the schedule included in the next section “Risk Weightings”

The following is a list of the Off-Balance Sheet Exposures and Balance Sheet Conversion Factors:

<u>Off-Balance Sheet Exposure</u>	<u>Balance Sheet Conversion Factor (%)</u>
Assets Sales with Recourse	100
Commitments with certain drawdown e.g. forward purchases	100
Underwriting	50

## Statement of Substance And Purpose – Capital Requirement Rules

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Other commitments which can be unconditionally cancelled at any time	0
Items which substitute for loans, including guarantees of indebtedness	100
Sale and Repurchase Agreements with recourse to the firm where the credit risk remains with the firm	100

The TTSE must be consulted to determine the conversion factor and risk weights that should be applied to any Off-Balance Sheet Exposures that do not fall into one of the categories above.

### Risk Weightings

- (1) The following risk weights must be applied to the assets owned by a member firm. Each asset will be converted to a risk weighted asset by multiplying the relevant risk weight by the value of the asset as reported on the balance sheet or as determined by conversion of an off-balance sheet item. The TTSE must be consulted to determine the risk weights that should be applied to an asset that is not included in the list below.

<b>Assets</b>	<b>Risk Weights</b>
Cash and cash equivalents available on demand	0%
Cash and cash equivalents available within three months	0%
Amounts owed by clients for sales due within 0-3 days	0%
Amounts owed by employees for sales due within 0-3 days	0%
Amounts owed by broker-dealers~ for sales due within 0-3 days	0%
Sovereign (GORTT TT\$) Securities*	Based on Credit Rating Scale of Issuer
Sovereign (GORTT US\$) Securities*	Based on Credit Rating Scale of Issuer
Sovereign (GORTT Other Currency) Securities*	Based on Credit Rating Scale of Issuer
Statutory Authorities securities*	Based on Credit Rating Scale of Issuer

Statement of Substance And Purpose – Capital Requirement Rules

Foreign Government securities*	Based on Credit Rating Scale of Issuer
Amounts owed by TTSE and TTCD	0%
State Enterprises securities with Government guarantee*	Based on Credit Rating Scale of Issuer
Current Assets convertible to cash within three (3) months	10%
Cash and cash equivalents available within 1 year of the report date	15%
Foreign Currency cash balances (USD, GBP, EUR, CDN)	15%
Foreign Currency cash balances (Other)	20%
Current Assets convertible to cash after three (3) months	20%
Fixed Deposits (Deposits to be held for more than 1 year)**	Based on Credit Rating Scale of Financial Service Provider
Corporate Securities *	Based on Credit Rating Scale of Issuer
Amounts owed by broker-dealers~ outstanding between 4-90 days	25%
Amounts owed by clients outstanding between 4-90 days	25%
Amounts owed by employees outstanding between 4-90 days	25%
Amounts owed by clients outstanding for more than 90 days	50%
Amounts owed by employees outstanding for more than 90 days	50%
Amounts owed by broker-dealers~ outstanding for more than 90 days	50%
State Enterprises securities without Government guarantee*	Based on Credit Rating Scale of Issuer
Repurchase Agreements*^	Based on Credit Rating Scale of Issuer
Non-Investment Grade (Rated) Securities	100%
Other/Unrated securities	100%
Listed Equity Securities	100%
Property, Plant and Equipment	100%
Amounts owed by Directors for sales due within 0-3 days	0%
Amounts owed by Directors outstanding 4-90 days	25%
Amounts owed by Directors outstanding for more than 90 days	50%

Statement of Substance And Purpose – Capital Requirement Rules

Payments in advance	100%
Taxation Recoverable	100%
Deferred Tax Asset	100%
Investments in subsidiary companies	100%
Amounts owed by subsidiary companies	100%
Other Assets	100%
Membership in TTSE	100%

\* The Issuer/Financial Services Provider credit rating scales must be used to determine the risk weight that should be applied to a security issued by a Government or company.

# A risk weight of 100% must be applied to fixed deposits held by an unrated financial institution.

^ The risk weight that must be applied will be the rating of the issuer of the security. Where multiple underlying securities that carry different risk weightings are used the sum of the risk weighted securities based on the rating of the respective issuers must be applied. Where the underlying securities are substituted during the term of the repurchase agreement, the risk weighted securities in the repurchase agreement must be recalculated based on the ratings of the respective issuers. If the issuer is unrated the risk weight for an unrated security must be applied.

~ Broker-dealer shall have the same meaning as applied to it in the Securities Act 2012

Issuer/Financial Services Provider Credit Rating Scale (to be used when there are no IMF and/or other conditionalities)

<b>TTSE Ranking</b>	<b>CariCRIS</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>Risk Weights</b>
1	CariAAA	AAA to A-	Aaa to A3	AAA to A-	0%
2	CariAA+ to CariAA-	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	25%
3	CariA+ to CariA-	BB+ to BB-	Ba1 to BA3	BB+ to BB-	50%
4	CariBBB+ to CariBBB-	B+ to B-	B1 to B3	B+ to B-	75%
5	CariBB+ and below	CCC+ and below	Caa1 and below	CCC+ and below	100%

Issuer/Financial Services Provider Credit Rating Scale (to be used when there are IMF and/or other conditionalities)

Statement of Substance And Purpose – Capital Requirement Rules

<b>TTSE Ranking</b>	<b>CariCRIS</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>Risk Weights</b>
1	CariAAA	AAA to A-	Aaa to A3	AAA to A-	0%
2	CariAA+ to CariAA-	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	35%
3	CariA+ to CariA-	BB+ to BB-	Ba1 to BA3	BB+ to BB-	60%
4	CariBBB+ to CariBBB-	B+ to B-	B1 to B3	B+ to B-	85%
5	CariBB+ and below	CCC+ and below	Caa1 and below	CCC+ and below	110%

Risk weightings carry a 10% premium in addition to the weights used when there are no conditionalities

**Provision for temporary non-compliance**

- (1) On the first occurrence of non-compliance, a member firm must immediately submit a report outlining the reasons for non-compliance and the plans to correct the deficiency within 10 days of the submission of the capital adequacy report to the CEO of the Exchange.
- (2) Should a member firm experience non-compliance in 2 of 3 consecutive review periods, the member firm must immediately submit evidence that adequate capital has been injected into the firm since the date of the report to the CEO of the Exchange.
- (3) The TTSE may take disciplinary action against a member firm for failing to meet the capital requirement rules.

**Evidence of in-house compliance**

- (1) A member firm must establish in-house policies which shall ensure that the TTSE capital requirements are met at all times.
- (2) A member firm must at any time be able to demonstrate to TTSE that these policies are documented and are working effectively.

## **CAPITAL REQUIREMENT REPORT EXAMPLE**

### **Form CR 1 – Schedule of Assets and Schedule of Stockholders' Equity**

#### **Schedule of Assets**

<b>ASSETS</b>	<b>TT (\$)</b>
<b>Cash, cash equivalents and Deposits</b>	
Cash and cash equivalents available on demand	0.00
Cash and cash equivalents available within three months	655,544.00
Cash and cash equivalents available within 1 year of the report date	3,546,004.00
Fixed Deposits (Deposits to be held for more than 1 year)	0.00
<b>Foreign Currency Cash Balances</b>	
Foreign Currency cash balances (USD, GBP, EUR, CDN)	791,410.00
Foreign Currency cash balances (Other)	0.00
<b>Current Assets</b>	
Current Assets convertible to cash within three (3) months	0.00
Current Assets convertible to cash after three (3) months	0.00
<b>Securities</b>	
Sovereign (GORTT TT\$) Securities	73,978.00
Sovereign (GORTT US\$) Securities	0.00
Sovereign (GORTT Other Currency) Securities	0.00
Corporate Securities	1,254,984.00
Listed Equity Securities	8,572,034.00
Repurchase Agreements	0.00
Non-Investment Grade (Rated) Securities	0.00
Other/Unrated securities	0.00
Statutory Authorities securities	0.00
Foreign Government securities	0.00
State Enterprises securities with Government guarantee	0.00
State Enterprises securities without Government guarantee	0.00
<b>Clients</b>	
Amounts owed by clients for sales due within 0-3 days	43,879.00

## Statement of Substance And Purpose – Capital Requirement Rules

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Amounts owed by clients outstanding between 4-90 days	0.00
Amounts owed by clients outstanding for more than 90 days	4,245.00
<b>Employees</b>	
Amounts owed by employees for sales due within 0-3 days	0.00
Amounts owed by employees outstanding between 4-90 days	0.00
Amounts owed by employees outstanding for more than 90 days	0.00
<b>Brokers</b>	
Amounts owed by Brokers for sales due within 0-3 days	1,000,000.00
Amounts owed by Brokers outstanding between 4-90 days	820,746.00
Amounts owed by Brokers outstanding for more than 90 days	0.00
<b>Directors</b>	
Amounts owed by Directors for sales due within 0-3 days	0.00
Amounts owed by Directors outstanding between 4-90 days	0.00
Amounts owed by Directors outstanding for more than 90 days	0.00
Amounts owed by TTSE and TTCD	206,682.00
Property, Plant and Equipment	811,984.00
Payments in advance	142,689.00
Taxation Recoverable	0.00
Deferred Tax Asset	855,822.00
<b>Subsidiary Companies</b>	
Investments in subsidiary companies	1,018.00
Amounts owed by subsidiary companies	22,510.00
<b>TTSE</b>	
Membership in TTSE	4,305,718.00
<b>Other</b>	
Other Assets (please list other Assets)	0.00
<b>TOTAL ASSETS</b>	<b>23,109,247.00</b>

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Statement of Substance And Purpose – Capital Requirement Rules

Schedule of Stockholders' Equity

Preferred Shares	0.00
Common Shares	8,200,280.00
Share Premium - Other Reserves	2,929,313.00
Retained earnings	(3,155,612.00)
Minority Interests	0.00
<b>TOTAL</b>	<b>7,973,981.00</b>

**Form CR2 – Schedule of Off-Balance Sheet Exposures**

<u>Off-Balance Sheet Exposure</u>	Exposure(\$)	Balance Sheet Conversion Factor (%)	Converted Off-Balance Sheet Exposure
Assets Sales with Recourse	0.00	100	0.00
Commitments with certain drawdown e.g. forward purchases	0.00	100	0.00
Underwriting (State Enterprise, Government Guaranteed Bond)	500,000,000.00	50	250,000,000.00
Other commitments which can be unconditionally cancelled at any time	0.00	0	0.00
Items which substitute for loans, including guarantees of indebtedness	0.00	100	0.00
Sale and Repurchase Agreements with recourse to the firm where the credit risk remains with the firm	0.00	100	0.00

Statement of Substance And Purpose – Capital Requirement Rules

Total Converted Off-Balance Sheet Exposures

250,000,000.00

**Form CR 3 – Schedule of Risk Weighted On-Balance Sheet Assets**

Schedule of Risk Weighted On-Balance Sheet Assets

<i>Asset Class</i>	<i>Asset Value</i>	<i>Risk Weighting</i>	<i>Risk Weighted Asset</i>
Cash and cash equivalents available on demand	0.00	0%	0.00
Cash and cash equivalents available within three months	655,544.00	0%	0.00
Amounts owed by clients for sales due within 0-3 days	43,879.00	0%	0.00
Amounts owed by employees for sales due within 0-3 days	0.00	0%	0.00
Amounts owed by brokers for sales due within 0-3 days	1,000,000.00	0%	0.00
Sovereign (GORTT TT\$) Securities	73,978.00	0%	0.00
Sovereign (GORTT US\$) Securities	0.00	0%	0.00
Sovereign (GORTT Other Currency) Securities	0.00	0%	0.00
Statutory Authorities securities	0.00	0%	0.00
Foreign Government Securities	0.00	0%	0.00
Amounts owed by TTSE and TTCD	206,682.00	0%	0.00
State Enterprises securities with Government guarantee	0.00	10%	0.00
State Enterprises securities without Government guarantee	0.00	50%	0.00
Current Assets convertible to cash within three (3) months	0.00	10%	0.00

Statement of Substance And Purpose – Capital Requirement Rules

<b>Asset Class</b>	<b>Asset Value</b>	<b>Risk Weighting</b>	<b>Risk Weighted Asset</b>
Cash and cash equivalents available within 1 year of the report date	3,546,004.00	15%	531,900.60
Foreign Currency cash balances (USD, GBP, EUR, CDN)	791,410.00	15%	118,711.50
Foreign Currency cash balances (Other)	0.00	20%	0.00
Current Assets convertible to cash after three (3) months	0.00	20%	0.00
Fixed Deposits (Deposits to be held for more than 1 year)	0.00	0%	0.00
Corporate Securities	1,254,984.00	25%	313,746.00
Amounts owed by Brokers outstanding between 4-90 days	820,746.00	25%	205,186.50
Amounts owed by clients outstanding between 4-90 days	0.00	25%	0.00
Amounts owed by employees outstanding between 4-90 days	0.00	25%	0.00
Amounts owed by clients outstanding for more than 90 days	4,245.00	50%	2,122.50
Amounts owed by employees outstanding for more than 90 days	0.00	50%	0.00
Amounts owed by Brokers outstanding for more than 90 days	0.00	50%	0.00
Repurchase Agreements	0.00	0%	0.00
Non-Investment Grade (Rated) Securities	0.00	100%	0.00
Other/Unrated securities	0.00	100%	0.00
Local Listed Equity Securities	8,572,034.00	100%	8,572,034.00
Property, Plant and Equipment	811,984.00	100%	811,984.00

Statement of Substance And Purpose – Capital Requirement Rules

<i>Asset Class</i>	<i>Asset Value</i>	<i>Risk Weighting</i>	<i>Risk Weighted Asset</i>
Amounts owed by directors for sales due within 0-3 days	0.00	0%	0.00
Amounts owed by directors outstanding between 4-90 days	0.00	25%	0.00
Amounts owed by directors outstanding for more than 90 days	0.00	50%	0.00
Payments in advance	142,689.00	100%	142,689.00
Taxation Recoverable	0.00	100%	0.00
Deferred Tax Asset	855,822.00	100%	855,822.00
Investments in subsidiary companies	1,018.00	100%	1,018.00
Amounts owed by subsidiary companies	22,510.00	100%	22,510.00
Other Assets	0.00	100%	0.00
Membership in TTSE	4,305,718.00	100%	4,305,718.00

**Form CR 4 – Schedule of Risk Weighted Off-Balance Sheet Converted Assets**

<u>Off-Balance Sheet Exposure</u>	Converted(\$)	Risk Weighting	<i>Risk Weighted</i> Off Balance Sheet Exposures
Assets Sales with Recourse	0.00	--%	0.00
Commitments with certain drawdown e.g. forward purchases	0.00	--%	0.00
Underwriting (State Enterprise, Government Guaranteed Bonds)	250,000,000.00	10.00%	25,000,000.00
Other commitments which can be unconditionally	0.00	--%	0.00

Statement of Substance And Purpose – Capital Requirement Rules

cancelled at any time			
Items which substitute for loans, including guarantees of indebtedness	0.00	--%	0.00
Sale and Repurchase Agreements with recourse to the firm where the credit risk remains with the firm	0.00	--%	0.00
Total Risk Weighted Converted Off-Balance Sheet Exposures			<u>25,000,000.00</u>

Form CR 5 – Schedule of Capital Requirements

Schedule of Capital Requirement		
1	Total Risk Weighted On-Balance Sheet Assets	\$15,883,442.10
2	Total Risk Weighted Off-Balance Sheet Exposures	\$25,000,000.00
3	Total Risk Weighted Assets & Exposures <i>(sum of lines 1 and 2)</i>	\$40,883,442.10
<b>Total Capital Requirement</b>		
4	TTSE Capital Requirement – 10 % of Total Risk Weighted Assets & Exposures	\$4,088,344.21
5	Securities Act Capital Requirement	\$5,000,000.00
6	Capital Requirement <i>(greater of lines 4 and 5)</i>	\$5,000,000.00
7	Tier 1 Capital less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets	\$5,021,140.00
8	Tier 2 Capital	\$2,929,313.00
9	Total Capital less: investments in and amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets <i>(sum of lines 7 and 8)</i>	\$7,950,453.00
10	Surplus/(Deficit) <i>(line 9 less line 6)</i>	\$2,950,453.00
<b>Tier 1 Capital Requirement</b>		
11	7% of Total Risk Weighted Assets	\$2,861,840.95

Statement of Substance And Purpose – Capital Requirement Rules

12	70% of Securities Act Capital Requirement	\$3,500,000.00
13	Capital Requirement ( <i>greater of lines 11 and 12</i> )	\$3,500,000.00
14	Tier 1 Capital less investments in amounts owed by subsidiary, negative fair value reserves, goodwill, start-up expenses and other intangible assets	\$5,021,140.00
15	Surplus/(Deficit) ( <i>line 14 less line 13</i> )	\$1,521,140.00

Senior Officer Certification:

I hereby certify that the Capital Requirement Report was prepared in accordance with TTSE Rule 301 and Appendix VII – Capital Requirements Rule Guidelines and the attending information, schedules and accounts are to the best of my knowledge, a true and fair representation of the company’s position as at the date being the end of the reporting period.

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

Name : \_\_\_\_\_

Position : \_\_\_\_\_