



Compliance Reviews of Registrants - Another Way Investors are Protected

The conduct of compliance reviews (also known as inspections) is one of the mechanisms used by the Trinidad and Tobago Securities and Exchange Commission (TTSEC) for investors to maintain confidence in the local securities market. Investors in the securities market are persons who put their funds into instruments, such as equities, debt securities or mutual funds/collective investment schemes, with the expectation of a future financial reward (in the form of dividends or other forms of income). The Compliance and Inspections Division, of the TTSEC, is responsible for conducting compliance reviews to ensure that registrants are adhering to relevant legislative requirements and issued guidance; so that investors can be assured that firms in the securities industry, have robust policies/procedures and practices that mitigate against the risks that they face, in doing business.

A compliance review of any registrant (i.e. a broker dealer, investment adviser, underwriter) or a self-regulatory organisation will involve determining a registrant's adherence to the provisions of the Securities Act 2012 (the Act), its By-laws, the Proceeds of Crime Act (POCA), and any other written law in relation to the prevention of money laundering and combatting the financing of terrorism. The division uses a number of statutes and regulatory guidelines (issued by the Commission) during the course of its compliance reviews.

Legislation/Guideline	Description
Securities Act, 2012	Legislation that provides protection to investors from unfair, improper or fraudulent practices. The SA 2012 facilitates the Commission's mandate to foster confidence in Trinidad and Tobago's securities markets.
Securities (General) By-laws, 2015	Rules used in conjunction with the SA 2012 to foster confidence in Trinidad and Tobago's securities markets.

Legislation/Guideline	Description
Proceeds of Crime Act	Legislation that establishes the procedure for the confiscation of the proceeds of certain offences and for criminalising of money laundering. The POCA also contains the Financial Obligations Regulations (FORs) which are the regulations for AML/CFT.
The Anti-Terrorism Act	Legislation that criminalises terrorism and provides for the detection, prevention, prosecution, conviction and punishment of terrorist activities and the confiscation, forfeiture and seizure of terrorists' Assets.
AML-CFT Guidelines	Commission issued Guidelines to registrants to support the implementation of AML/CFT requirements.
Collective Investment Schemes (CIS) Guidelines	Commission issued Guidelines that set out the regulatory requirements that apply to a CIS operated and distributed within Trinidad and Tobago.
Repurchase Agreements (Repo) Guidelines	Commission issued Guidelines to govern all Repo sellers operating within Trinidad and Tobago.

In order to make a registrant comply with the Act, a compliance direction can be issued and this requires the registrant to take all measures that are necessary to remedy the highlighted deficiencies. A compliance direction can be issued for the following reasons:

- A registrant is pursuing or is about to pursue any course of conduct, that is an unsafe or unsound¹ practice in conducting the business of securities;
- A registrant is committing, or is about to commit an act, or is pursuing or is about to pursue a course of conduct, that may directly or indirectly be prejudicial to the interest of investors;
- A registrant is contravening or is about to contravene any of the provisions of this Act or Bye-laws or Guidelines made thereunder or the Proceeds of Crime Act, any other written law in relation to the prevention of money laundering and combating the financing of terrorism or any other written law that is administered by the Commission which may be in force from time to time.

¹ "Unsafe or unsound practices" includes without limitation, any action or lack of action that is contrary to generally accepted standards or prudent operation and behaviour, the possible consequences of which, if continued, would be a risk of loss or damage to a registrant or self-regulatory organisation, its investors or the general public.

During a compliance review, members of the Compliance and Inspections Division will gather information through interviews and examine relevant documents. This review will be focused on a registrant's material activities, meaning those that are central to the firm's business operations. The team of officers will assess the adequacy of risk-management systems, internal controls, legislative and regulatory compliance and implementation of relevant anti-money laundering and combating the financing of terrorism (AML/CFT) legislative requirements. All deficiencies arising out of the compliance review are communicated to registrants for their immediate consideration and corrective action, including highlighted contraventions or potential contraventions. Should there be a determination that a firm has been involved in activities that constitute a breach of the laws, there will be consideration for possible enforcement action.

In the main, the role of Compliance and Inspections is to monitor registrants' compliance with relevant legislation and guidelines to ensure that not only are the firms operating within those guidelines, but also to create an environment in which investors feel confident to invest.

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