REPUBLIC OF TRINIDAD AND TOBAGO
THE SECURITIES ACT, CHAP. 83:02

BYE-LAWS

MADE BY THE MINISTER UNDER SECTION 148 OF THE SECURITIES ACT
AND SUBJECT TO NEGATIVE RESOLUTION OF PARLIAMENT

THE RISK –BASED CAPITAL AND LIQUIDITY REQUIREMENTS BYE-LAWS, 2023

PART I

PRELIMINARY

Citation	**1.**	These Bye-laws may be cited as the Risk-Based Capital and Liquidity Requirements Bye-laws, 2023.
Interpretation	**2.**	In these Bye-laws: a. "the Act" means the Securities Act, Chapter 83:02 of the Laws of the Republic of Trinidad and Tobago.
Purpose	**3.**	The purpose of these Bye-laws is to assist the Commission in the discharge of its functions under Section 6(j) and Section 6(l) of the Act by: a. ensuring that entities registered under the Act maintain adequate levels of capital and liquid assets to assist in absorbing some of the costs related to potential losses and risks associated with their business activities; and b. mitigating the impact of the failure of any one firm on clients, other market participants, the securities industry, and the financial system.
Application	**4.**	These Bye-laws apply to all registrants registered under section 51(1) of the Act and self-regulatory organisations registered under part III of the Act.
Relationship to Act; Bye-laws	**5.**	The requirements set out in these Bye-laws apply in addition to any other requirements contained in the Act, any other Bye-laws or any other Guidelines, made thereunder.
Definitions	**6.**	1. For the purposes of these Bye-laws- "capital charge" means the amount of capital that a registrant registered under section 51(1) of the Act or self-regulatory organisation is required to hold under these Bye-laws; "contingent liabilities" means possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity, in accordance with international financial reporting standards. "Central Bank" means the Central Bank of Trinidad and Tobago established under the Central Bank Act, Chapter 79:02; "CIS" means a collective investment scheme; "credit rating" means an opinion or assessment of the creditworthiness of an entity, a credit commitment, a debt-like security or an issuer of such obligations, expressed using the

		Standard and Poor's or equivalent ratings as specified by the Central Bank; "credit rating agency" means an external credit rating agency that is deemed to be eligible for the determination of capital charges by the Central Bank; "credit risk" means the potential that a counterparty will fail to meet its obligations in accordance with agreed terms; "exceptional costs" means unanticipated material expenses which arise from an entity's ordinary business activities; "extraordinary costs" means expenses that arise from activities that are outside the ordinary operations of an entity, and therefore are not expected to reoccur on a regular basis; "equity risk" means the risk of losses arising from changes in the value of that equity investment; "fixed net asset value" or "fixed NAV" means the value of a CIS unit is constant for both subscription and redemption; "fixed NAV CIS Guarantee" means the CIS manager provides a redemption price guarantee regardless of the current net asset value of the CIS; "floating net asset value" or "floating NAV" means the value of a CIS unit fluctuates based on the performance of the pool of the underlying securities; "foreign currency position" means the sum of foreign currency assets less foreign currency liabilities; "foreign currency risk" means the risk that a financial organisation's financial performance or position will be affected by fluctuations in the exchange rates between currencies; "general interest rate risk" means the sensitivity of interest rate bearing instruments to changes in market yields; "haircut" means the percentage discount deducted from the market value of a security that is being offered as collateral in a Repo to determine the capital requirement; "liquid assets" means the liquid assets as set out in Bye-law 8 of these Bye-laws. "specific interest rate risk" means the risk of adverse movements in the price of an individual security arising from factors related to the individual issuer, most specifically changes in the perception of the issuer's ability to pay interest and principal, as represented by the credit rating;

"market risk" means the risk of losses in on- and off-balance sheet positions due to adverse movements in market prices, including interest rates, exchange rates, commodity and equity values;

"modified duration" means the percentage change in the price of an interest rate bearing instrument given a percentage change in interest rates;

"net long foreign currency position" means the foreign currency assets of an entity exceeds its foreign currency liabilities;

"net short foreign currency position" means the foreign currency liabilities of an entity exceeds its foreign currency assets;

"operational expenses" means the expenses shown in the last audited financial statements excluding exceptional and extraordinary costs, tax costs and non-cash expenses such as depreciation and amortisation;

"operational risk" means the risk of loss resulting from inadequate or failed internal processes, systems or people, or external events;

"qualifying capital" means the amount of capital as determined under Part III of these Bye-laws;

"registrant" means a registrant registered under section 51(1) of the Act;

"repurchase agreement" or "Repo" means a financial agreement in which a dealer of securities transfers ownership of securities to another person, or creates a beneficial interest (whether whole or fractional) in securities in favour of another person, with or without provisions allowing for –

a. The substitution of the underlying securities by the dealer; and/or
b. The entitlement of the dealer to the coupon rate on the underlying securities;

in which the parties agree that at an agreed future date the securities will be repurchased by the dealer on the terms and conditions specified in the agreement;

"risk-based capital" means the amount of capital as determined under Part IV of these Bye-laws; and

"self-regulatory organisation" or "SRO" as defined in the Act.

PART II

LIQUIDITY REQUIREMENTS

Liquidity Requirement	**7.**	1. A registrant must have, at all times, liquid assets equivalent to six months operational expenses. 2. A registrant that engages in the sale of repurchase agreements must have additional liquid assets equivalent to fifteen per cent of its current repurchase agreement liabilities, that mature within three months. 3. An SRO must have, at all times, liquid assets equivalent to six months' operational expenses. 4. A registrant and an SRO shall also have, at all times: a. such additional liquid assets as the registrant or SRO deems necessary to ensure it can continue to meets its obligations as they fall due, including in stress scenarios; b. such liquid assets as the Commission may require in accordance with Bye-law 32.
Liquid Assets	**8.**	1. Liquid assets shall comprise- a. cash or cash equivalents held in a financial institution as defined in the Act; b. treasury bonds, notes and bills issued by the Government of the Republic of Trinidad and Tobago; c. bonds, debentures, note or other evidence of indebtedness of other domestic issuers registered with the Commission or listed and traded on the Stock Exchange, with a remaining maturity of up to one year; d. units of regulated floating NAV domestic CISs, up to a ceiling of five per cent of the amount in issuance; e. domestic equities listed and traded on the Stock Exchange, up to a ceiling of five per cent of the amount in issuance; f. sovereign bonds issued by the Organisation for Economic Co-operation and Development countries and listed and traded on regulated markets in these countries; g. corporate bonds, equities and units of regulated CISs listed and traded on regulated markets in the Organisation for Economic Co-operation and Development countries; and h. other assets held in such form as approved by the Commission. 2. For an asset to be considered liquid, the asset must- a. be free and clear of any encumbrance; b. not require any external approval for liquidation; and c. not have any restrictions on transfer. 3. In the case of a CIS, subject to the provisions of paragraph 2, an asset shall be considered liquid if the units of the CIS are redeemable within thirty days of receipt of a request for redemption.

PART III

QUALIFYING CAPITAL

Qualifying Capital	**9.**	Qualifying capital shall be the sum of Tier 1 and Tier 2 capital, as calculated in accordance with this Part, and subject to the prescribed deductions.
Tier 1 Capital	**10.**	For the purposes of these Bye-laws, Tier 1 capital shall comprise the sum of- a. common equity tier 1 capital; and b. fully paid perpetual non-cumulative preference share capital and share premium.
Common Equity Tier 1 Capital	**11.**	Common equity Tier 1 capital shall comprise the sum of- a. fully paid issued ordinary share capital and share premium; b. statutory reserve fund; c. capital reserves, excluding asset revaluation reserves; d. general reserves, excluding those for losses on assets; and e. retained earnings as stated in the last audited financial statements of the entity.
Deductions from Common Equity Tier 1 Capital	**12.**	Common equity Tier 1 capital shall be reduced by the following: a. unappropriated losses (if applicable) for the current financial year and as stated in the interim financial statements of the entity; b. goodwill; and c. other intangible assets.
Tier 2 Capital	**13.**	Tier 2 capital shall comprise the sum of- a. fully paid perpetual cumulative preference shares and share premium; b. limited life redeemable preference shares with an original term to maturity of not less than five years; c. hybrid capital instruments such as bonds convertible to equity at the option of the entity; d. unaudited retained earnings for the current financial year; and e. subordinated term debt.
Subordinated term debt	**14.**	1. In these Bye-laws, “Subordinated term debt” shall- a. be subordinated to all other creditors; b. have an original maturity of at least five years; c. not be redeemable at the discretion of any party without the prior approval of the Commission; and d. include terms that enable the Commission to require that payments of interest and principal be deferred where it considers it helpful for the protection of investors. 2. The value of the subordinated term debt shall be tapered by twenty per cent for every year less than five years to maturity.

PART IV

CAPITAL REQUIREMENTS

Capital Requirement	**15.**	1. A registrant must maintain qualifying capital that is the higher of- a. the minimum capital requirement for its registered business activity as outlined in this Part; b. the risk-based capital requirement as outlined in this Part; or c. such amount as is necessary to enable for prudent management of the risks arising from its business activity. 2. The amount referred to in paragraph 1(c) shall include: a. Such amount higher than the specified minimum or risk-based capital requirements as the registrant deems necessary to ensure it can continue to meets its obligations as they fall due, including in stress scenarios; and b. Any capital add-on specified by the Commission in accordance with Bye-law 32. 3. Notwithstanding paragraph 1, a person seeking to be registered under section 51(1) of the Act must have the minimum qualifying capital, at the time of application for registration, for its registerable business activity. 4. An SRO must maintain qualifying capital equivalent to six months' operational expenses.
Minimum Capital Requirement	**16.**	1. The minimum qualifying capital shall be as follows: a. In the case of a broker-dealer – i. that only conducts the business of effecting transactions in securities for the account of others, a minimum qualifying capital of two million dollars; ii. that conducts the business of effecting transactions in securities for the account of others or buying and selling securities for his own account and who holds himself out as willing to buy and sell securities at prices specified by him, a minimum qualifying capital of five million dollars; iii. that conducts the business of effecting transactions in securities for the account of others and his own account and the activities of an underwriter, a minimum qualifying capital of six million dollars; b. A registrant that conducts the sole business of a CIS Manager must have a minimum qualifying capital of two million dollars. c. A registrant that conducts the sole business of a portfolio manager and i. performs non-discretionary portfolio management activities must have a minimum qualifying capital of seventy-five thousand dollars; or ii. performs discretionary portfolio management activities only or both discretionary and non-discretionary portfolio management activities, the

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<tr><td></td><td></td><td>minimum capital requirement shall be one hundred and twenty-five thousand dollars.
d. In the case of an underwriter, a minimum qualifying capital of five million dollars.
e. In the case of an investment adviser, a minimum qualifying capital of fifty thousand dollars.
2. The capital levels set forth in paragraph 1 are the prescribed levels of capitalisation for the purpose of section 57(1)(f) of the Act.</td></tr>
<tr><td>Risk-Based Capital Requirement</td><td>17.</td><td>The risk-based capital requirement for a registrant shall comprise the sum of-
a. Market risk requirement;
b. Operational risk requirement;
c. Credit risk requirement; and
d. Underwriting risk requirement.</td></tr>
<tr><td>Market Risk Requirement</td><td>18.</td><td>The market risk requirement for a registrant shall be the sum of the-
a. general interest rate risk requirement;
b. specific interest rate risk requirement;
c. foreign currency risk requirement; and
d. equity risk requirement.</td></tr>
<tr><td>Additional Market Risk Requirement for certain Broker-Dealers</td><td>19.</td><td>In the case of a registrant as a broker-dealer that sells Repos, the underlying assets of all Repos must be included in the market risk requirement.</td></tr>
<tr><td>General Interest Rate Risk Requirement</td><td>20.</td><td>1. For the purposes of these Bye-laws, the Standardized Trinidad and Tobago Treasury Yield Curve as prescribed by the Central Bank shall be used in determining the general interest rate risk requirement.
2. The Commission shall be responsible for publishing the maturity bands, modified duration conversion factors and assumed changes in yield by posting on the website of the Commission and in such other manner as the Commission may determine.
3. The capital required against general interest rate risk shall be the product of the following:
a. the total market value of all debt and interest rate bearing securities in a firm’s proprietary book and Repo book (where applicable);
b. the weighted average maturity of all debt and interest rate bearing securities in a firm’s proprietary and Repo books (where applicable);
c. the modified duration conversion factor; and
d. the assumed change in yields.</td></tr>
<tr><td>Specific Interest Rate Risk Requirement</td><td>21.</td><td>1. The specific interest rate risk requirement shall be calculated by multiplying the current market value of debt securities in a firm’s proprietary book and Repo book (where applicable) by their respective weights as follows:
<table>
<tr><th>Category</th><th>Credit Rating</th><th>Interest Rate Risk Charge</th></tr>
<tr><td>Government of the Republic of Trinidad and Tobago TT Securities</td><td>Not Applicable</td><td>0.0%</td></tr>
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<tr><td>Government of the Republic of Trinidad and Tobago Eurobonds</td><td>Not Applicable</td><td>1.6%</td></tr>
<tr><td rowspan="5">Other Domestic Bonds</td><td>AAA to AA-</td><td>0.0%</td></tr>
<tr><td>A+ to BBB-</td><td>1.6%</td></tr>
<tr><td>BB+ to B-</td><td>8.0%</td></tr>
<tr><td>Below B-</td><td>12.0%</td></tr>
<tr><td>Unrated</td><td>8.0%</td></tr>
<tr><td rowspan="5">Foreign Government and Non-Government Securities</td><td>AAA to AA-</td><td>0.0%</td></tr>
<tr><td>A+ to BBB-</td><td>1.6%</td></tr>
<tr><td>BB+ to B-</td><td>8.0%</td></tr>
<tr><td>Below B-</td><td>12.0%</td></tr>
<tr><td>Unrated</td><td>8.0%</td></tr>
</table>
2. The Government of the Republic of Trinidad and Tobago TT Securities category shall include treasury bills, notes and bonds issued by the Government of the Republic of Trinidad and Tobago.
3. The category labelled as “Other Domestic Bonds” include debt securities issued by state agencies and other institutions domiciled and registered with the Government of the Republic of Trinidad and Tobago.
4. In this part-
“Unrated” means a security that is not rated by a credit rating agency.
5. In the instance where a security is rated by more than one credit rating agency and there is a difference in the credit rating by each credit rating agency, the interest rate risk charge for the lower of the credit ratings shall apply.
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<td>Foreign Currency Risk Requirement</td>
<td>22.</td>
<td>1. Capital requirements for foreign currency risk shall be calculated for all assets and liabilities denominated in foreign currencies.
2. The total foreign currency exposure shall be measured as the higher of the net long positions or the net short positions.
3. The capital charge for a net long foreign currency position shall be two per cent (2%).
4. The capital charge for a net short foreign currency position shall be five per cent (5%).
5. The capital required against foreign currency risk shall be the product of the following:
a. the net foreign currency exposure; and
b. the capital charge for foreign currency risk.</td>
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<td>Equity Risk Requirement</td>
<td>23.</td>
<td>1. Equity risk capital requirement shall apply to-
a. ordinary shares;
b. convertible preference shares;
c. convertible bonds that trade like equities;
d. units of a collective investment scheme;
e. exchange-traded funds; and
f. any other financial instruments that exhibit equity-like characteristics and trade like equities.
2. The capital charge for equity risk shall be sixteen per cent (16%).
3. The capital required against equity risk shall be the product of the following:</td>
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		a. the total market value of all equity and equity-like securities in a firm's proprietary and Repo books, (where applicable); and b. the capital charge for equity risk.
Operational Risk Requirement	**24.**	1. The operational risk requirement for a registrant shall be the sum of the capital charges for- a. Risk to client money; b. Risk to client assets under management; and c. Risk to client assets in safekeeping. 2. The operational risk requirement shall apply to – a. a registrant that administers client accounts; and b. a registrant that has direct control over clients' assets.
Capital Charge for the Risk to Client Money	**25.**	1. The capital charge for risk to client money shall be zero point four per cent (0.40%). 2. The capital required against risk to client money shall be the product of the following: a. the capital charge for risk to client money; and b. client money. 3. For the purposes of these Bye-laws, "client money" shall be the value in Trinidad and Tobago Dollars of money held or controlled by a registrant on behalf of clients and any other third parties. It includes a. client money held in cash; and b. client money held in segregated and omnibus accounts. 4. Client money shall include all amounts in Trinidad and Tobago Dollars and in foreign currency. 5. All foreign currency cash and bank balances shall be converted to Trinidad and Tobago Dollars using the effective exchange rate as at the end of the relevant reporting period.
Capital Charge of the Risk to Client Assets Under Management	**26.**	1. The capital charge for risk to client assets under management shall be zero point zero two per cent (0.02%). 2. The capital required against risk to client assets under management shall be the product of the following: a. the capital charge for risk to client assets under management; and b. client assets under management. 3. For the purposes of these Bye-laws, "client assets under management" shall be the value in Trinidad and Tobago Dollars of all investment assets in client accounts including discretionary, advisory and execution-only investment accounts. 4. Client assets under management include accounts for CISs, other funds, and portfolios of corporate and individual clients, but not cash. 5. All investments in foreign currency shall be converted at the exchange rate effective as at the date of the calculation. 6. Repo assets are exempted from the capital charge against risk to client assets under management.
Capital Charge of the Risk to Client Assets in Safekeeping	**27.**	1. The capital charge for risk to client assets in safekeeping shall be zero point zero two per cent (0.02%). 2. The capital required against risk to client assets in safekeeping shall be the product of the following:

<table>
<tr><td></td><td></td><td>a. the capital charge for risk to client assets in safekeeping; and
b. client assets in safekeeping.
3. For the purposes of these Bye-laws, “client assets in safekeeping” shall mean the value in Trinidad and Tobago Dollars of all investment assets held in the custody of or in safekeeping by a registrant .
4. Client assets in safekeeping include-
a. investments held by another party but under instruction from the registrant, rather than from the investor;
b. all investments in Trinidad and Tobago Dollars and in foreign currency, converted at the exchange rate effective as at the date of the calculation;
c. all investments held in Trinidad and Tobago and in foreign custody; and
d. all Repo assets and investment assets held in the Central Depository or a similar custodian on behalf of clients.</td></tr>
<tr><td>Credit Risk Requirement</td><td>28.</td><td>The credit risk shall be the sum of the capital charges for-
a. fixed NAV CISs;
b. client loans; and
c. contingent liabilities.</td></tr>
<tr><td>Fixed NAV CISs</td><td>29.</td><td>1. The capital charge for Fixed NAV CISs shall be calculated using the market risk requirement formula in accordance with Bye-law 18.
2. The capital in respect of each Fixed NAV CIS shall be held separately by a registrant, and all capital so held shall be applied solely for the purposes of the Fixed NAV CIS in respect of which it is held.
3. The Commission may by Order require that the Fixed NAV CIS capital charge referred to in sub-paragraphs (1) and (2) shall be:
a. held only in such instruments;
b. subject to such valuation haircuts
as it may specify from time-to-time.
4. In any Order made under sub-paragraph (3), the Commission may:
a. require the relevant assets to be held in a more restricted list of instruments than that indicated in Bye-law 8;
b. apply different requirements to different fund managers depending on the liquidity profile of the underlying FNAV funds or such other risk-based factors as the Commission may specify.</td></tr>
<tr><td>Client Loans and Contingent Liabilities</td><td>30.</td><td>1. The capital charge for client loans and contingent liabilities shall be ten per cent (10%) of the total credit risk weighted exposure.
2. A registrant shall apply the following credit risk weights to client loans and contingent liabilities to determine the total credit risk weighted exposure:
<table><tr><th>Client Loans and Contingent Liabilities</th><th>Credit Risk Weights</th></tr><tr><td>Cash Collateral</td><td>0.0%</td></tr><tr><td>Other Collateral</td><td>20.0%</td></tr><tr><td>Uncollateralised</td><td>100.0%</td></tr></table></td></tr>
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		Contingent Liabilities | 100.0%
Underwriting Risk Requirement	**31.**	A registrant that conducts security underwriting activities shall maintain, at all times, excess capital equivalent to five per cent (5%) of the value of the underwritten security.
Supervisory review and evaluation process	**32.**	1. The Commission may by Order require registrants to report the method, content and result of the assessment the registrant has carried out to determine whether it needs to hold additional liquid assets in accordance with Bye-law 7(4)(a) or capital in accordance with Bye-law15 (1)(c). 2. In the Order referred to in paragraph 1, the Commission may specify any or all of the following: a. The timing or frequency of such assessments; b. The scope or methodology for the assessments; c. The form in which the report is to be made to the Commission; d. Such other matters as the Commission considers necessary to make the assessment effective. 3. The Commission may, by means of a compliance direction under Section 90 of the Act, require a registrant to hold a risk-based capital add-on in addition to any other capital required to be held under Bye-law15(1). 4. The Commission may require the additional risk-based capital add-on referred to in paragraph 3 where: a. It has reviewed the registrant's assessment of its capital needs made in accordance with paragraphs (1) and (2) and Bye-law 15(1)(c) and considers the scope, methodology or result of the registrant's assessment insufficient; or b. It has not required the registrant to carry out the assessment referred to in paragraphs (1) and (2) but has identified risks through other means which indicate that a capital add-on is appropriate for that registrant. 5. The capital add-on referred to in paragraphs (3) and (4) may take the form of any or all of the following: a. An extra amount of capital which the registrant is required to hold; b. An extra amount or proportion of its capital which it is required to hold as liquid assets within the meaning of Bye-law 8; c. A requirement to hold a specified amount or proportion of its capital in a more restricted list of instruments than that indicated in Bye-law 8. 6. Where the Commission issues a compliance direction in accordance with paragraph (3) it shall, when setting out the facts of the matter as required by Sub-section 3(a) of Section 90 of the Act, include a statement of the risk or risks in relation to which it has determined a capital add-on is appropriate. 7. The Commission may remove any direction imposed in accordance with paragraph (3) where it considers that the capital add-on is no longer warranted by the risk

PART V

OBLIGATION OF REGISTRANTS AND SELF-REGULATORY ORGANISATIONS

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<tr><td>Responsibility</td><td>33.</td><td>The board of directors or chief executive officer or any other individual who performs functions similar to those normally performed by an individual occupying any such office, or an officer duly appointed by the board of directors of an SRO or a registrant, must ensure that the entity holds and maintains qualifying capital and liquid assets that complies with these Bye-laws.</td></tr>
<tr><td>Quarterly Reports</td><td>34.</td><td>An SRO and a registrant shall file within thirty days following the end of each quarterly period in the financial year of such SRO or registrant a report of-
a. its liquidity requirements as determined in accordance with Part II of these Bye-laws;
b. qualifying capital, calculated in accordance with Part III of these Bye-laws; and
c. its capital requirements as determined in accordance with Part IV of these Bye-laws,
in such form as the Commission may determine.</td></tr>
<tr><td>Additional Reporting Requirements</td><td>35.</td><td>1. An SRO and a registrant shall notify the Commission in writing, within thirty (30) days of instances, between the quarterly reports where their qualifying capital fall below one hundred and twenty-five per cent (125%) of the total capital requirement.</td></tr>
<tr><td>Provision of Information</td><td>36.</td><td>An SRO and a registrant shall submit or make available to the Commission upon written request any statement, document, book, record and other information as may be required for the purposes of ensuring conformity and compliance with these Bye-laws.</td></tr>
<tr><td>Risk Management</td><td>37.</td><td>1. An SRO or a registrant must implement policies, procedures and internal controls to mitigate the risks inherent in its business activities.
2. The risk management framework for an SRO and a registrant must incorporate-
a. The responsibilities of the board of directors, which should include:
i. Ensuring that the SRO or registrant has sufficient capital and liquid assets for their business operations;
ii. Ensuring the SRO or registrant complies with their obligations under these Bye-laws; and
iii. Ensuring that the SRO or registrant has an acceptable and feasible contingency plan to obtain additional capital and liquidity liquid assets should the need arise.
b. The processes for monitoring and managing:
i. Risks to the capital of the SRO or registrant;
ii. Liquidity risks; and
iii. Concentration of large exposures on and off the balance sheet, including all exposures to connected parties, whether issuers or counterparties, that are</td></tr>
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		greater than twenty-five per cent (25%) of regulatory or qualifying capital. c. Risk reporting processes which should cover, at a minimum, concentration, liquidity and capital risks. d. The process for considering capital adequacy and liquidity requirements within the strategic planning and budgeting processes. e. The process for considering the capital needs of an SRO or registrant over the foreseeable future when approving interim or final dividends or similar distributions. 3. The risk management framework referred to in paragraph 2 must be documented in the form of written policies and procedures and approved by the board of directors or similar position.
Stress Testing	**38.**	1. An SRO or registrant must conduct stress testing to assess whether its capital and liquid assets are adequate given the risks inherent in its business activities. 2. Stress tests should, at a minimum, be conducted at least annually. 3. The stress tests should, at a minimum: a. be based on severe but plausible stress scenarios that assist with the assessment of the capital and liquidity needs of the registrant; b. consider multiple scenarios; and c. take into consideration the key business risks of the registrant. 4. An SRO or registrant must develop a written stress testing framework which must be approved by the board of directors or similar position. 5. The stress testing framework and stress testing report must be reviewed periodically by the board of directors and senior management of the registrant.

PART VI

EXEMPTIONS

Exemptions for Dual Registrants	**39.**	1. A registrant which is also licensed by the Central Bank under the Financial Institutions Act Chapter 79:09 may make an application to the Commission to be exempted from the provisions of these Bye-laws. 2. The Commission may on such application, grant an exemption from the requirements of some or all of these Bye-laws. 3. In determining whether to grant such exemption, the Commission shall have regard to the following factors: a. the nature of business activities of the registrant; b. the risks associated with the business activities of the registrant; c. the nature of the off-balance sheet assets which includes client money and assets under management; and

		d. any other factors which the Commission may deem relevant. 4. An exemption application must be made in writing to the Commission within sixty days from the coming into force of these Bye-laws or upon a registrant registering with the Commission, specifying the parts of the Bye-laws from which the applicant is seeking exemption. 5. In granting an exemption pursuant to paragraph 2, the Commission may attach such conditions as it deems appropriate. 6. The Commission may grant an extension of time from the period specified in paragraph 4 provided that the registrant makes an application in writing setting out the reasons for the extension within thirty days from the coming into force of these Bye-laws.

PART VII

MICELLANEOUS

Imposition of Penalty	**40.**	Where an SRO or a registrant fails to comply with the requirements of these Bye-laws, the Commission may impose penalties and/ or administrative fines in accordance with the Act.
Other Supervisory Actions	**41**.	1. If the Commission considers it necessary in the performance of its supervisory function under these Bye-laws, it may require an SRO or a registrant to submit an action plan within such time and verified in such manner as it may specify. 2. For the purposes of these Bye-laws, where the Commission determines that there is reasonable cause for concern, the Commission may appoint an independent auditor, at the expense of the respective SRO or registrant, to examine the business operations of the SRO or registrant registered under section 51(1) of the Act.
Transitional Provisions	**42.**	1. Where at the date of the coming into force of these Bye-laws, an SRO or a registrant does not meet the liquidity and capital requirements stipulated in Parts II and IV it shall a. have a transition period of one year from the coming into force of these Bye-laws within which to meet the capital and liquidity requirements; and b. within three months of the coming into force of these Bye-laws, submit a board-approved capital plan to the Commission which details how it intends to meet the capital and liquidity requirements within the period referred to in paragraph 1(a). 2. Notwithstanding paragraph 1, a registrant registered under section 51(1) of the Act shall maintain the relevant minimum capital requirements stipulated in Bye-law 16(2) during the transitional period referred to in paragraph 1(a). 3. During the transitional period referred to in paragraph 1(a) a registrant shall file with the Commission within thirty days

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following the end of each quarterly period in the calendar year-
a. a statement–
i. setting forth the capital levels of the registrant as at the last day of the end of such quarterly period; and
ii. setting forth the calculation utilised to determine the capital levels disclosed in paragraph 3(a)(i);
b. an attestation from a senior officer of the registrant confirming the accuracy of the statement required by paragraph 3(a);
c. a statement of any additions or withdrawals of equity capital within the quarterly period.
4. The capital requirement for Fixed NAV CISs will be introduced over three years, with the requirement being imposed as follows:
<table>
<tr><td>Date</td><td>Percentage of Capital Requirement</td></tr>
<tr><td>Coming into force of these Bye-laws</td><td>25%</td></tr>
<tr><td>12 months after effective date of Bye-laws</td><td>50%</td></tr>
<tr><td>24 months after effective date of Bye-laws</td><td>75%</td></tr>
<tr><td>36 months after effective date of Bye-laws</td><td>100%</td></tr>
</table>
5. Where an SRO or a registrant is unable to comply with the transition period referred to in paragraph 1(a) as a result of external unforeseeable circumstances beyond reasonable control including but not limited to the occurrence of any natural disaster, industrial unrest, public disorder, epidemic or the like, the Commission may extend the transition period by up to one year as it considers necessary.
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