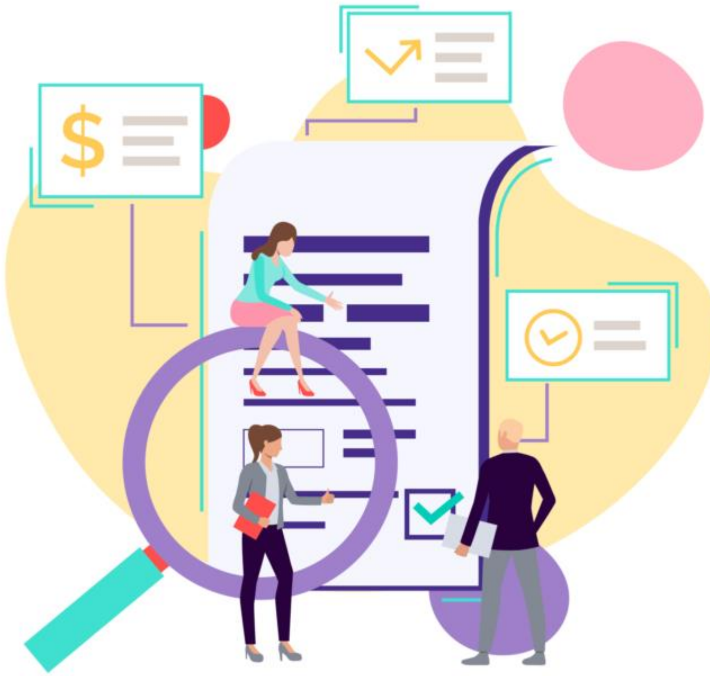
Importance of Continuous Disclosure Filings by Registrants

//Trinidad and Tobago Securities and Exchange Commission

The Trinidad and Tobago Securities and Exchange Commission (TTSEC), as the regulator of the securities industry, utilises various mechanisms in discharging its statutory mandate to protect the rights and interests of investors.

Among the mechanisms employed by the TTSEC to promote investor protection, is by ensuring registrants disclose all relevant information necessary for investors to make the investment decision that best serves their needs and risk appetite. This is referred to as a disclosure-based system of regulation. In a disclosure-based system of regulation, the regulator attempts to ensure that investors are provided with the necessary information about the products and players in the market; in order to make an informed investment decision. It is important to note that the TTSEC does not attempt to tell investors whether an investment opportunity is good or bad for them.

Under the TTSEC's disclosure-based regulatory framework, all registrants are required to comply with certain continuous disclosure requirements as outlined in the Securities Act Chapter 83:02 (SA) and its related By-Laws. Compliance with these requirements ensures that registrants file certain disclosure documents with the TTSEC, as well as make these available to their investors, within specified time periods. The information contained in these continuous disclosure documents is often critical to ensuring that investors have relevant and accurate information when deciding on the investments best suited to their needs.



The following table outlines some of the more common continuous disclosure documents that registrants are required to file with the TTSEC, as well as the timeframes within which these documents ought to be filed with the TTSEC under the SA:

Table 1 – Types of Continuous Disclosure Filing Obligations under the SA

Type of Registrant	Documents Due	Description of Document	Time Period for Submission
Reporting Issuers	Interim Financial Statements	Interim financial statements are prepared for a period that is less than a year.	60 days after the end of each quarter
	Comparative Financial Statements	Comparative financial statements are generally prepared in respect of a full year of performance.	90 days after the end of financial year
	Annual Reports	Annual reports include the company's comparative financial statements as well as a discussion and analysis from management of the company in respect of the company's performance.	120 days after the end of financial year
	Revised Registration Statements	These are annual updates that Reporting Issuers file with the TTSEC re their registration as Reporting Issuers.	14 days after the end of financial year

Type of Registrant	Documents Due	Description of Document	Time Period for Submission
	Material Change Reports	These reports provide updates to the public about changes in the business, operations, assets or ownership of a reporting issuer where that change may be considered important to an investor in making an investment decision.	3 days after change for submission of a report to the TTSEC and 7 days after change for publication of an advertisement in respect of the change
Broker - Dealers, Investment Advisers, Underwriters	Interim Financial Statements	Interim financial statements are prepared for a period that is less than a year.	60 days after the end of half year
	Comparative Financial Statements	Comparative financial statements are generally prepared in respect of a full year of performance.	90 days after the end of financial year

Several of the documents, outlined in the table above, contain the financial statements of the registrant. The financial statements are a very important source of information and are essentially reports that are prepared by management of a company which present information on how a company has performed. There are four main statements that are included in a company's financial statements:

(1) Balance Sheet or Statement of Financial Position - the balance sheet identifies a company's assets, its liabilities and the share capital of the company. To put it simply, the balance sheet shows what a company owns and what it owes, as at the date that the balance sheet was prepared;

(2) Profit and Loss Statement or Income Statement - these statements display the company's total income, total costs (the amounts paid to produce its products or provide its services), total expenses (what it paid in overhead type expense), and net income for any given time period. In summary, these statements identify how much money a company made and spent over a period of time;

(3) Cash Flow Statement or Statement of Cash Flows - cash flow statements report on the exchange of money between a company and the outside world over a period of time. i.e., it shows how much cash is entering and leaving the company; and

(4) Statement of Changes in Shareholders' Equity - this statement shows changes in the company's share capital, reserves and retained earnings over time.

The information in financial statements can be used by investors to assess various aspects of the company's performance such as its profitability[1], liquidity[2], solvency[3] and efficiency[4]. These all affect the ability of the company and its investors to earn a return on their investments.

Other valuable information about reporting issuers are included in material change reports. These are reports that are filed with the TTSEC and published in the newspapers when there is a change in the business, operations, assets or ownership of a reporting issuer where that change may be considered important to an investor in making an investment decision. By definition therefore, material change reports include information that investors should take stock of with a view to determining whether to buy, hold or sell investments in a particular company.

Furthermore, continuous disclosure documents provide investors with valuable information about a company and, by extension, their investments in that company. These documents should be reviewed by investors in making their investment decisions. They form a critical part of the regulatory framework and if a registrant does not meet a continuous disclosure filing requirement, this constitutes a contravention of the SA. Consequently, the TTSEC can pursue enforcement action against that registrant in accordance with Section 156(2) of the SA. This section states, inter alia that:

> *"…person who is in breach of this Act solely by reason of his failure to file or publish a document or instrument required under this Act or the By-laws within the period prescribed shall be liable to pay an administrative fine of one thousand dollars per day for each day that the document or instrument remains outstanding after the expiration of the time prescribed."*

In essence, Section 156(2) makes a registrant liable to pay an administrative fine of TT$1,000.00, for each day that it does not file a document required under the legislation within the prescribed time, inclusive of continuous disclosure documents.

While we continue to work towards building a more effective and efficient regulatory framework, registrants are reminded that it is critical to not only prepare, but also to file these continuous disclosure documents in a timely manner. Investors are encouraged to utilise these documents prior to making investment decisions.

For more information on the securities market and the role and functions of the TTSEC, please visit our corporate website at www.ttsec.org.tt. To become a smart investor, check out our investor education website, www.investucatett.com and download our Investor Protection Mobile Application via the Google Play and Apple Store. You can also take the online course, and test your knowledge in our interactive investing game InvestorQuestTT

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[1] Profitability in this context refers to the ability of a company to earn profits from its operations.
[2] Liquidity assesses the ability of a company to convert it assets into cash.
[3] Solvency refers to the ability of a company to meet its long-term debts and financial obligations.
[4] Efficiency in this context refers to a measure that is used to assess how well a company uses it assets and liabilities.

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