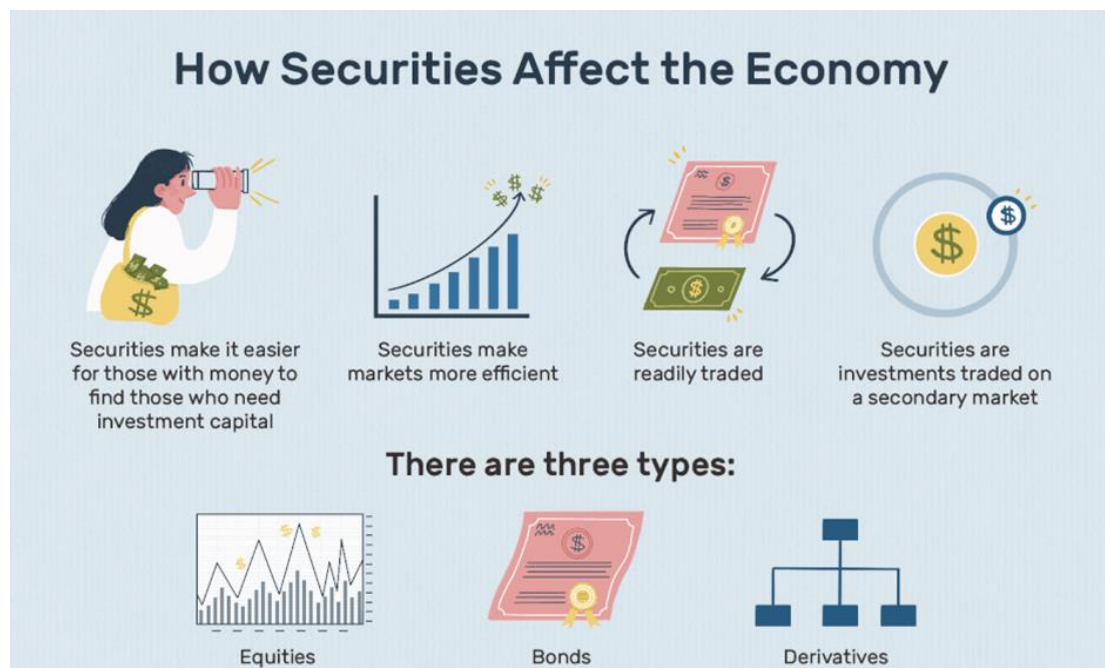




Importance of the Securities Market

This week's article focuses on the importance of the securities market to investors, businesses and the economy. The securities market is a subset of the financial sector in Trinidad and Tobago, and it is instrumental in channelling funds between “savers” (individuals, companies, and governments) who have money to invest, and “spenders” (governments, companies, small and micro enterprises) who need money to finance businesses and projects. Spenders include companies who wish to utilise capital to facilitate the expansion of their business or governments for infrastructural development.



How the Securities Market Fosters Economic Growth?

The securities market contributes to the efficient allocation of capital resources in the economy. Without the securities market, savers/investors may spend significant resources searching for individuals, companies, and governments offering suitable investment opportunities. Similarly, spenders or users of capital would have to spend significant resources seeking sources of capital rather than considering its best application. The following lists some functions of the securities market.

- **Providing Information** - the securities market plays an important role in providing and processing information. It helps investors collect and analyse data about the economy and investment opportunities. It also assists investors in determining the value of securities.

- **Packaging of Investment Opportunities** - the securities market allows the packaging of investment opportunities to satisfy the needs of investors. In particular, the investment industry offers a wide range of services and products that make it easier for savers to invest. These include the offering of equity, debt, mutual funds and other forms of securities and services.
- **Providing Liquidity** - the securities market facilitates liquidity. For the purpose of this article liquidity refers to the ease of buying or selling a security without affecting its price. Some securities are inherently illiquid, while others are very easy to buy or sell.

How Investors Benefit from having a Securities Market?

In a well-functioning securities market, investors are treated fairly and honestly. Because of this, investors will have confidence to commit their hard-earned money or savings to investments. Investment service providers in the securities market would compete in a fair and orderly manner for investors' business. These investment service providers are appropriately regulated and are trusted to provide the services required by investors. The following are some benefits investors derive from a securities market.

- Availability of a **broad range of investment opportunities** that meet investors' needs. Within the securities market of Trinidad and Tobago investors can invest in equities, mutual funds, debt securities and repurchase agreements, among other things.
- Access to a **broad range of investment services** that can assist investors in making better investment decisions. The securities market offers investment advisory, brokerage and wealth management services. Investors have a responsibility to ensure that they interact with service providers who are registered with the Trinidad and Tobago Securities and Exchange Commission (TTSEC).
- **The securities market assists investors in managing their risk.** Risk refers to the effect of uncertainty and is an inherent element of investing. Investors should always consider both return and risk when they make investment decisions since they are both correlated.
- **Lower transaction costs due to a liquid securities market.** Transaction costs are the costs associated with trading and transacting in the securities market. Transaction costs tend to reduce the return investors make on their investments, the lower the transaction costs, the better.
- **Fair prices due to a competitive security market.** A competitive securities market ensures that buyers pay and sellers receive a reasonable and satisfactory price.
- **Timely information that allows investors to make sound financial decisions.** It should be noted that the timeliness of this information is very critical to investors since securities prices may change quickly in response to regularly changing information.

Some Key Forces Driving the Securities Market

The securities market is not static. It is constantly changing to meet new needs and the evolution of the financial market. Some of these changes are driven by the following:

- **Regulation** - Robust regulation is a fundamental requirement for the financial services industry, and this includes the securities market. International co-operation among regulators is of paramount importance as it allows for the continuous raising of global standards of securities regulation.
- **Technology** – Changes in technology has dramatically decreased operating and processing costs and has increased investment providers processing capacity. It has also spurred the development of innovative financial technology products and services in the securities market.
- **Globalisation** – Some investors tend to look at the international market to diversify their investments and generate higher returns.

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