



Media Release

TTSEC to introduce new Reporting Framework to mitigate systemic risk

Mitigating and managing systemic risk is critical in securing our nation's securities industry. As regulator for the securities industry, responsible for managing and mitigating such systemic risk, the Trinidad and Tobago Securities and Exchange Commission (TTSEC) hosted a market sensitisation and consultation session on the introduction of its newly developed Micro/Macro Prudential Reporting Framework for the securities industry, on April 8, 2016.

This Reporting Framework is intended to measure and monitor the level of systemic risk existing within our securities industry. By collecting and analysing information from its registrants, the Commission would be better placed to identify and address common exposures, risk concentrations, linkages, and interdependencies that are sources of contagion and spill-over risk that may jeopardise the functioning of the securities industry as a whole. Introduction of this framework is therefore essential for promoting and ensuring financial stability in both the securities as well as the overall financial sector.

According to Mr. C. Wainwright Iton, Chief Executive Officer, TTSEC, "This is a major step forward for the Commission towards improving and understanding systemic risk, strengthening its ability to detect risk and devising tools to mitigate risk. This approach focuses on the system as a whole and requires the market's input to be successful."

The International Organization of Securities Commissions (IOSCO) has identified the reduction of systemic risk as one of three main objectives of securities regulation. In 2010, IOSCO introduced Principle 6, which states that: *"The Regulator should have or contribute to, a process to monitor, mitigate and manage systemic risk appropriate to its mandate."*

As a signatory to IOSCO's Multilateral Memorandum of Understanding (IOSCO MMoU), the Commission has adopted this objective into its amended legislation. Section 6 of the Securities Act 2012, charges the Commission with the responsibility for *"assessing, measuring and evaluating risk exposure in the securities industry"*.

Implementation of a Micro/Macro Prudential Framework for the securities industry will therefore set the Commission on course to effectively fulfil this responsibility to assess systemic risk and vulnerabilities within the securities industry.

The Commission engaged the Caribbean Technical Assistance Centre (CARTAC), a division of the International Monetary Fund (IMF), to assist in developing a framework capable of identifying trends, potential risks and other vulnerabilities at both the firm and system-wide levels.

“This Reporting Framework will significantly improve the data analysis for our securities industry. Through the feedback and support from our market stakeholders, we will be able to develop a framework that best meets the requirements of the Commission in effectively overseeing the securities industry in Trinidad and Tobago”, said Mr. Iton.

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