



TTSEC responses to comments from the First Round of Public Consultations (August 10th 2023, to September 22nd, 2023)
Draft Risk-Based Capital and Liquidity Requirements Bye-Laws, 2023

| No | Bye - Law Number | Bye-Law Name | Market's Comments and Proposed Revisions | TTSEC Responses/Comments |
|----|------------------|-------------------------------|--|---|
| 1. | 2 | Interpretation | The Securities (General) Bye-Laws, 2015 are referred to in this Bye-law, but not used again in the document. | STAFF AGREED - These Bye-laws will be amended accordingly. |
| 2. | 2 | Interpretation | Bye-laws (2) and (6), Interpretation and Definitions respectively, should be merged as they appear to be one and the same. | The TTSEC will defer to the Chief Parliamentary Council as it pertains to this suggestion. The Bye-laws were organised in a similar fashion to the most recently approved Bye-laws. |
| 3. | 3 | Purpose | The specific subsection(s) under Section 6 of the Securities Act, Chap. 83:02 (the "Act"), should be cited. | STAFF AGREED- Bye-law 3 will be amended to make reference to Section 6(l) and Section 6(j) of the Act. |
| 4. | 4 | Application | Should the term "Registrant" be used, as that term is already defined under the Act? Moreover, should the requirements of the Draft Risk Based Capital and Liquidity Requirements (the "Draft RBCAL") Bye-laws, 2023, also be imposed on applicants seeking to become Registrants? This would ensure that the capital and liquidity requirements are considered by the TTSEC during the application process of a proposed Registrant. If this is the intention, it is not clear, for example, from a reading of Bye-law 4 vis a vis Bye-law 15(2). | STAFF AGREED – For the purposes of these Bye-laws the term "Registrant" has been defined in Bye-law 4 to mean " <i>a Registrant registered under section 51(1) of the Act</i> ". |
| 5. | 5 | Relationship to Act; Bye-laws | In the event of inconsistency between other Bye-laws or any other Guidelines, should the Draft RBCAL Bye-laws take precedent over the others in relation to risk-based capital and liquidity requirements? Notably, since the Bye-laws are made under the Act, it would follow that the Act cannot be subject to the | Bye-law 5 is not intended to imply that the Draft RBCAL Bye-laws will take precedent over the Act. These Bye-laws were drafted in accordance with the Act and consideration was given to other approved and proposed Bye-laws. References to capital and liquidity requirements that currently exist in the |



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| | | | provisions of the Bye-laws, in the event of inconsistency. | Securities (General) Bye-laws, 2015 will be amended or revoked accordingly. |
| 6. | 6(1) | Definitions | In Bye-law 6(1), what is the "all other legislation made therefrom"? If this is meant to indicate other Bye-Laws under the Act, this should be stated clearly and care should be taken to ensure that definitions, not defined under the Draft RBCAL Bye-laws but defined under other Bye -laws, are applicable and intended. | STAFF AMENDED – Bye-law 6(1) has been removed |
| 7. | 6(2) | Definitions | We recommend the following re-wording: “ credit rating ” means a company that issues credit ratings and is deemed to be eligible for the determination of capital charges in accordance with a guideline issued by the Central Bank; | For consistency, these definitions were taken from the Financial Institutions (Capital Adequacy) Regulations, 2020 and can be used without reference to its source For the term “ credit rating agency ” the phrase “ <i>in accordance with a guideline issued by the Central Bank</i> ” was removed |
| 8. | 6(2) | Definitions | We recommend the following re-wording: “ credit rating agency ” means a company that issues credit ratings and is deemed to be eligible for the determination of capital charges in accordance with a guideline issued by the Central Bank; a. If this is a reference to the Central Bank’s Guideline for the Use of Credit Ratings, this should be clear. b. The Guideline for the Use of Credit Ratings refers to recognized credit rating agencies or the | |



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| | | | <p>recognition of such agencies, not 'eligible' credit rating agencies.</p> <p>c. The use of the term "an external credit rating agency" is not clear.</p> <p>d. It should be noted that a credit rating agency could be de-recognised or suspended by the Central Bank.</p> | |
| 9. | 6(2) | Definitions | <p>We recommend the following re-wording:</p> <p>"equity risk" means the risk of losses arising from changes in the value of an equity investment.</p> | |
| 10. | 6(2) | Definitions | <p>We recommend the following re-wording:</p> <p>"operational risk" means the risk of loss resulting from inadequate or failed internal processes and controls, systems or people, or external events which can disrupt the functioning of business operations;</p> | |
| 11. | 6(2) | Definitions | <p>We recommend the following re-wording:</p> <p>"haircut" or margin 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;</p> | The definition for "haircut" is consistent with the Sale and Repurchase Agreements Guidelines, 2018. |
| 12. | 6(2) | Definitions | <p>"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</p> | For consistency the definition for "Repo" is consistent with the Sale and Repurchase Agreements Guidelines, 2018. |



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| | | | 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; | |
| 13. | 6(2) | Definitions | "CIS" is already defined under the Securities (Collective Investment Schemes) Bye-Laws, 2023 as "CIS" means a collective investment scheme as defined in the Act. Given Bye-law 6(1) of the Draft RBCAL Bye-law, it may not be necessary to define "CIS" again or, in the alternative if it is necessary, the definition should be exactly the same as under the Securities (Collective Investment Schemes) Bye-Laws, 2023 | The definition of a CIS was included (although already defined in the Act) as a precursor to three new definitions in these Bye-laws, i.e NAV, Fixed NAV CIS Guarantee and Floating NAV. |
| 14. | 6(2) | Definitions | To introduce definition for liquid assets or advise to see item 8, which follows where it is first mentioned under item 7, or simply include in accordance with the classification as detailed in this Part. | STAFF AGREED – The definition of liquid assets under Bye -law 6 was amended as follows <i>“liquid assets means the liquid assets as set out in Bye-law 8 of these Bye-laws”</i> |
| 15. | 6(2) | Definitions | Introduce definition for contingent liability | STAFF AGREED – |



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| | | | | <p>Inclusion made</p> <p>A definition of contingent liability has been included as follows "<i>contingent liability 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.</i>"</p> |
| 16. | 6(2) | Definitions | Request for more clarity with the "operational expenses" definition with respect to CIS as a Fund is treated as its own entity distinct from the Corporation's operational expenses. | These Bye-laws do not consider operational expenses for CISs. |
| 17. | 7 | Liquidity Requirement | Was consideration given to the liquidity requirements for a new member firm versus a member firm already established in the market? As a Registrant in its embryonic stages of becoming a member firm may not be able to meet the liquidity requirements as prescribed. | In establishing the Risk-Based Capital and Liquidity Requirements Framework, consideration was given to new and existing Registrants. |
| 18. | 7(1) | Liquidity Requirement | The recognition that a CIS' operational expenses may differ from that of a company. | The operational expenses referenced in Bye-law 7 (1) pertains to that of a Registrant registered under section 51(1) of the SA 2012 and not a CIS. |
| 19. | 7(3) | Liquidity Requirement | Please provide the rationale utilized for arriving at a twelve-month period for SRO | <p>STAFF AMENDED</p> <p>Bye law 7(3) was amended to reflect a 6-month period.</p> |



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| | | | | The capital and liquidity requirements for an SRO was derived from International Organization of Securities Commissions (IOSCO's) Principles for Financial Market Infrastructure (PFMIs), more specifically Principle 15. |
| 20. | 7 (4) | Liquidity Requirement | <p>Consider including the following:</p> <p>A Registrant registered under Section 51(1) of the Act and an Self Regulatory Organisation (SRO) shall also have, at all times:</p> <p>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</p> <p>b. such liquid assets as the TTSEC may require in accordance with Regulation 31 (a)</p> | <p>STAFF AMENDED</p> <p>Bye-law 7(4) has been included</p> |
| 21. | 8 (1) (c) | Liquid Assets | Clarifications requested on Bonds of other domestic issuers | <p>STAFF AMENDED</p> <p>Bye-law 8 (1)(c) was amended to include “ <i>Any bonds, debentures, notes or other evidence of indebtedness of other domestic issuers registered with the TTSEC or traded on the TTSE, with a remaining maturity of up to 1 year</i>”</p> |
| 22. | 8 (1)(d) | Liquid Assets | Consider making part specific to Floating NAV funds; | <p>STAFF AMENDED</p> <p>Included liquid assets to be specific to Floating NAV</p> |



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| 23. | 8 (1) (f) | Liquid Assets | Consider omitting since Repo Assets are not free of encumbrances | STAFF AMENDED Repo Assets has been removed from the list of Liquid Assets since it is not free of encumbrances. |
| 24. | 8 (1) (g) | Liquid Assets | Clarifications requested on Organisation for Economic Co-operation and Development (OECD) list of other countries | OECD countries are developed countries, and their exchanges are highly regulated. A link to the list of OECD countries will be provided in the online instructions for the Risk-Based Capital and Liquidity Requirements Reporting Forms. |
| 25. | 8(1)(i) | Liquid Assets | We are unsure the process for approval of "other assets" by the TTSEC and in fact why the necessity of this clause. | The TTSEC reserves the right to designate assets other than those listed in Bye-law 8(1)(a) - (h) as liquid assets via order of the Board of Commissioners. |
| 26. | 8(1)(i) | Liquid Assets | Clarification requested on further expansion of liquid assets | Liquid assets have generally been classified as cash and cash equivalents. However, the TTSEC has expanded this list. |
| 27. | 8 (2)(a) | Liquid Assets | Clarification requested on assets that are free and clear of encumbrances | For an asset to be considered liquid, it must free of any encumbrance and its sale must not require any approval from persons outside of the entity's portfolio managers/ board of directors/ investment committee. Assets held in escrow or trust would not be considered liquid |
| 28. | 8 (2) (b) | Liquid Assets | “not require any external approval for liquidation;” - Please specify what external means in this context. | For an asset to be considered liquid, the sale of such asset must not require any approval from persons outside of the entity's portfolio managers/ board of directors/ investment committee. |



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| 29. | 11 | Common Equity Tier 1 Capital | A clear distinction needs to be made in the Draft RBCAL Bye-Laws as to any imposition of a statutory reserve fund for Registrants that are registered solely under 51(1) of the Act as compared to Registrants who are dually registered under the Act as well as the Financial Institution Act Chap. 79:09. | If an entity is not registered or required to be registered under the Financial Institutions Act Chapter 79:09, the statutory reserve fund would not be applicable. |
| 30. | 12 | Deductions from Common Equity Tier 1 Capital | not in agreement with the deduction of goodwill. Goodwill forms a legitimate asset of a company and is subjected to annual impairment test under current IAS | Goodwill is an intangible asset and is also excluded from Tier 1 Capital under the Basel Approach. |
| 31. | 12 | Deductions from Common Equity Tier 1 Capital | Provide a definition for "unappropriated losses" | Unappropriated losses has a common understanding throughout the industry. Registrants should rely on definitions of Generally Accepted Accounting Practises for definitions such as these. |
| 32. | 14(1) | Subordinated term debt | We are not in agreement that subordinated debt should be qualified by these clauses | The intention of Bye-law 14(1) is to specify the restrictions on subordinate term debt as it pertains to determining regulatory capital. These restrictions are consistent with the Basel Framework. |
| 33. | 15(1) | Capital Requirement | Consider the following inclusion: 1. A Registrant registered under Section 51(1) of the Act must maintain qualifying capital that is the higher of- 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: | STAFF AMENDED Inclusion made |



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| | | | <p>a. Such amount higher than the specified minimum or risk-based capital requirements as the Registrant deems necessary to ensure it can continue to meet its obligations as they fall due, including in stress scenarios; and</p> <p>b. Any capital add-on specified by the TTSEC in accordance with regulation 31 (a)</p> | |
| 34. | | | | |
| 35. | | | | |
| 36. | 15 (2) | Capital Requirement | Was consideration given to the capital requirements for a new member firm versus a member firm already established in the market? | Consideration was given to new Registrants in the drafting of these Bye-laws. |
| 37. | 15 (3) | Capital Requirement | Please provide the rationale utilized for arriving at a twelve-month period for SRO | <p>STAFF AMENDED</p> <p>The TTSEC amended to 6 month.</p> <p>The 12-month capital requirement for SRO was based on Principle 15 of IOSCO's Principles for Market Infrastructures (PFMIs).</p> |
| 38. | 15 (1) | Capital Requirement | Consider amending to replace the words “initial and minimum capital requirement for its registered business” with the words “minimum qualifying capital” to achieve clarity and consistency with Bye-laws 15(2) and 16(1) | STAFF AMENDED |
| 39. | 15(1) | Capital Requirement | Clarity is sought on whether the requirements in Bye-laws 15 to 17 (minimum qualifying capital and risk-based capital requirement) of the Bye-laws are meant | Bye-laws 27 and 28 of the Securities (General) Bye-Laws, 2015 are to be revoked and replaced by these Bye-laws. |



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| | | | to replace the capital requirements in Bye-laws 27 and 28 of the Securities (General) Bye-Laws. | |
| 40. | 16(1) | Minimum Capital Requirement | The designation of classes of persons registered does not appear to match on all fours with the listing in Bye-law 27 of the General Bye-Laws. In particular, "underwriter" was addressed separate under Byelaw 27(1)(c) of the General Byelaws, whereas, in Bye-law 16, it is addressed individually under 1(d) (minimum qualifying capital of five million dollars) and conjunctively in (1)(a)(iii) as a sub-class of broker-dealer conducting the business of effecting transactions in securities for the account of others and his own account. | Bye-law 16(1)(a)(iii) prescribes minimum capital requirements for a broker-dealer that conducts transactions for clients as well as its own account and also conducts underwriting activities. This is consistent with Bye-law 27(1)(b) of the Securities (General) Bye-laws, 2015. |
| 41. | 16(1) | Minimum Capital Requirement | The terms CIS Manager and portfolio manager do not seem to appear in either the Act or the Securities (General) Bye-laws, 2015 . Consideration may be given to defining these terms and whether and how the General Bye-Laws are intended to apply to these new categories of persons. | The term CIS Manager is defined in the Securities (Collective Investment Schemes) Bye-Laws, 2023. The term Portfolio Manager is defined in the Draft Portfolio Manager Bye-Laws, 2021. |
| 42. | 20 | General Interest Rate Risk Requirement | Can Registrants continue to use their own internal yield curves to determine the market value of assets or is the CBTT yield curve now mandated? | The TTSEC would utilise the Central Bank of Trinidad and Tobago ("CBTT") Standardized Trinidad and Tobago Treasury Yield Curve to determine the modified duration conversion factors used in the calculation of the general interest rate risk charge. The TTSEC would include these factors in the Risk-Based Capital and Liquidity Requirements Reporting Forms. |



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| | | | | <p>This has no impact on how Registrants determine the market value of their assets.</p> <p>In accordance with Bye-law 20(2), the TTSEC will provide the factors in the reporting forms to be published on the TTSEC website for Registrants use.</p> |
| 43. | 21 | Specific Interest Rate Risk Requirement | We are not in agreement with the interest rate risk charge as stated. We are of the opinion that "Unrated" securities should carry a higher charge than securities that carries a non-defaulted credit rating, or credit rating buckets be disaggregated | The TTSEC has attempted, where possible, to maintain consistency with the Financial Institutions (Capital Adequacy) Regulations, 2020 which align with the Basel Approach |
| 44. | 21 | Specific Interest Rate Risk Requirement | Are government guaranteed bonds classified as "Government of the Republic of Trinidad and Tobago Eurobonds" or "Other domestic bonds" | Government guaranteed bonds are classified as either GORTT or GORTT Euro. Bonds issued by state agencies fall under the category of "Other Domestic Bonds". |
| 45. | 21 | Specific Interest Rate Risk Requirement | Clarifications was requested on where State Agencies should be classified | Bonds issued by state agencies will fall under the "Other Domestic Bonds" categories, as referenced in Bye-law 21(3) |
| 46. | 21 | Specific Interest Rate Risk Requirement | Confirmation is sought on how loans and loan notes shall be treated. | Client loans or loan notes will be treated in accordance with Bye-law 28. |
| 47. | 22 | Foreign Currency Risk Requirement | Consider whether the foreign exchange long position is based on hard currency which would incur a zero charge versus a soft foreign currency which would incur the 2%. | The foreign exchange risk capital charge is consistent with international standards and is intended to capture the risk inherent in holding currencies that may fluctuate relative to the domestic currency. |



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| 48. | 23 (1)(d) | Equity Risk Requirement | The capital charge should apply to collective investment schemes that focus on equity investment. As it currently stands, money market CISS would be subject to an equity risk capital requirement which we do not believe is appropriate. | For the purposes of the equity risk requirement, all CISs on a firm's proprietary and Repo books are treated as equity-like instrument as unitholders have shareholder rights as it pertains to the CIS. |
| 49. | 23 (2) | Equity Risk Requirement | No guidance provided as to how/when these charges may be altered. | The 16% equity risk charge applies to all types of CISs. |
| 50. | 23 (2) | Equity Risk Requirement | The capital charge for equity appears in excess of international standards. Consideration should also be given to the impact that such a high capital charge may have on the domestic equity market given its nuances | A capital charge of 8% each for specific risk and general market risk (totaling 16%) is to be applied to equity positions. These risk charges are consistent with the Basel Approach and that outline in the Financial Institutions (Capital Adequacy) Regulations, 2020. It is the US Dollar mid-rate as at the end of the reporting quarter as published by the Central Bank of Trinidad and Tobago on its website. |
| 51. | 23 (2) | Equity Risk Requirement | Consideration should be given to the weighted average risk rating of the portfolio in the application of a capital charge whereby a lower risk weighting will incur a lower capital charge accordingly. | A capital charge of 8% each for specific risk and general market risk (totaling 16%) is to be applied to equity positions. These risk charges are consistent with the Basel Approach and that outline in the Financial Institutions (Capital Adequacy) Regulations, 2020. |
| 52. | 23 (2) | Equity Risk Requirement | Does the 16% charge apply to Fixed NAV and/or Floating NAV money-market Collective Investment Schemes? Proposed Amendment for more guidance | 1. 1. The 16% equity risk charge applies to all types of CISs. 2. Changes to the charges would require amendments to the Bye-laws which must be approved by Parliament. The TTSEC, as is customary, will consult |



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| | | | | with stakeholders prior to suggesting any amendments to these Bye-laws. |
| 53. | 23 (3) | Equity Risk Requirement | Clarification is sought as to what is the "firm's proprietary and Repo book"? | Firms may hold securities for their own account (proprietary book) or as collateral for Repos sold to clients (Repo book). |
| 54. | 23 | Equity Risk Requirement | The Effective Exchange Rate should be defined. Registrant's that are also Banks would have foreign exchange rates that differ. It is also noted that US\$ to TT\$ accounting conversion is usually done at a Mid-Rate. | The effective exchange rate is defined in the instructions to the reporting forms for these Bye-laws. |
| 55. | 24 (1) | Operational Risk Requirement | Given the same assets are included in forms PR08 and PR09, clarification is needed on the rationale for TTSEC's imposition of separate capital charges for the same. | Investment management activity is susceptible to operational risk and this can directly impact the interests, rights and assets of clients, and for which a firm will be liable. A separate risk also arises when a firm has direct control over client assets held in custody or safekeeping. |
| 56. | 24 (2) | Operational Risk Requirement | It is not abundantly clear whether the operational risk requirement applies only to Registrants that administer client accounts or have direct control over clients' assets. | The operational risk requirement applies to firms that administer client accounts as well as those that have direct control over clients' assets. |
| 57. | 25 | Capital Charge for the Risk to Client Money | We are unclear as to how this definition of "Client Money" will affect holdings of securities held by the Trinidad and Tobago Central Depository (TTCD) linked to a Broker-Dealer who is a member of the Trinidad and Tobago Stock Exchange. Clarification is sought from the TTSEC. | Client money does not include securities held by the Trinidad and Tobago Central Depository. Clients' money are often times not maintained in a separate bank account from that of the firm; they remain under the direct control of the firm and are included in the firm's cash or bank balances reported on its balance sheet. In accordance with the European Banking |



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| | | | | Authority Approach, the approach after which the operational risk capital requirement is modelled, the TTSEC is applying a capital charge to cover the operational risk related to handling clients' money. |
| 58. | 25 | Capital Charge for the Risk to Client Money | There is no consideration for the credit quality of the counterparties at which customers funds are held. Would the TTSEC consider? Also, does the charge also apply to cash held with central banks? | 1. This charge seeks to cover the operational risk related to the handling of clients' monies and is consistent with the approach espoused by the European Banking Authority. 2. This charge applies to all cash held on behalf of clients." |
| 59. | 25 | Capital Charge for the Risk to Client Money | Who establishes the "effective exchange rate"? | The effective exchange rate is defined in the instructions to the reporting forms for these Bye-laws. It is the US Dollar mid-rate as at the end of the reporting quarter as published by the Central Bank of Trinidad and Tobago on its website. |
| 60. | 26 | Capital Charge of the Risk to Client Assets Under Management | This should only apply to client accounts that the Registrant has full discretion over. The risk to advisory and execution accounts is covered under the Capital Charge of the Risk to Client Assets in Safekeeping. We do not believe that this charge should apply to funds held in Trust; in particular for Pension and Savings plans already regulated by the CBTT. | Investment management activity (whether it be for a pension plan, savings plan or CIS) is susceptible to operational risk and this can directly impact the interests, rights and assets of clients, and for which a firm will be liable. A separate risk also arises when a firm has direct control over client assets held in custody or safekeeping. The capital charge of the risk to client assets in safekeeping would not apply to firms that do not have discretionary control over client assets in custody. |



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| 61. | 28 | Credit Risk Requirement | We are of the view that any change to a Registrant's qualifying capital and liquidity should not be classified as a 'Material Change' | The TTSEC does consider Bye-law 29 (2) to be a material change. |
| 62. | 29 | Fixed NAV CISs | Consider including the following: 1. The TTSEC may by Order require that the Fixed NAV CIS capital charge referred to in subparagraphs (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. 2. In any Order made under subparagraph (3), the TTSEC may: a. require the relevant assets to be held in a more restricted list of instruments than that indicated in Regulation 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 TTSEC may specify | STAFF AMENDED Inclusion made |
| 63. | 29 | Fixed NAV CISs | 1. Kindly clarify, which specific Registrant in respect of the CIS do these requirements apply to i.e. is it the Responsible person, CIS Manager etc.? 2. Kindly provide guidance on how this capital is to be held solely for the purpose of the Fixed NAV CIS. | 1. The capital charge for Fixed NAV CISs shall apply to the CIS Manager who effectively is exposed to the market risk of the fund. 2. The capital in respect to Fixed NAV CISs shall be held in a separate capital reserve account. |
| 64. | 29 | Fixed NAV CISs | With respect to Fixed NAV Collective Investment Schemes (CIS), there is a general concern of the quantum of capital that may be required to continue | The TTSEC notes the concerns raised on the CIS capital charges, which were stated during initial consultation. No further adjustment is being |



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|-----|------------------|---|---|--|
| | | | offering these CIS structures. To meet the capital requirements, CIS may be required to: <ul style="list-style-type: none"> o Further reduce portfolio duration, which could render the CIS uneconomical. o Invest solely in Government of Trinidad & Tobago (GORTT) securities or higher-credit quality securities, which would also reduce investment yield and risk making the CIS uneconomical. o Increasing the capital base of the CIS manager in a phased manner, which may require a longer adjustment runway for CIS managers | considered at this time due to the risk posed by Fixed NAV CISs to financial stability. |
| 65. | 29 (2) | Fixed NAV CISs | Kindly clarify whether this means that the capital charge for the Fixed NAV funds is to be held as a separate reserve by the Registrant. If this is the case, we recommend that the Registrant hold a % of the amount as reserves, but not 100%, as this may not be the most optimal use of capital. | The entire capital in respect to Fixed NAV CISs shall be held in a separate capital reserve account. |
| 66. | 31 | Underwriting Risk Requirement | Please clarify if the charge applied is on the total position underwritten or solely on uncommitted portion of the exposure. | The charge is to be applied to the total value of the underwritten security. |
| 67. | 31 (a) | Supervisory review and evaluation process | Consider the inclusion of this section: 1. The TTSEC 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-law 15 (1)(c). | STAFF AMENDED Inclusion made |



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|----|------------------|--------------|---|--------------------------|
| | | | <p>2. In the Order referred to in paragraph 1, the TTSEC may specify any or all of the following:</p> <ul style="list-style-type: none"> 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 TTSEC; d. Such other matters as the TTSEC considers necessary to make the assessment effective. <p>3. The TTSEC 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).</p> <p>4. The TTSEC may require the additional risk-based capital add-on referred to in paragraph 3 where:</p> <ul style="list-style-type: none"> 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. | |



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|-----|------------------|-------------------|--|--|
| | | | <p>5. The capital add-on referred to in paragraphs (3) and (4) may take the form of any or all of the following:</p> <p>a. An extra amount of capital which the Registrant is required to hold;</p> <p>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;</p> <p>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.</p> <p>6. Where the TTSEC issues a compliance direction in accordance with Bye-law (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.</p> <p>7. The TTSEC 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.</p> | |
| 68. | 33 (a) | Quarterly Reports | For purposes of clarification, it should be outlined whether Bye-law 33(a) of the Draft RBCAL Bye-Laws would be superseding the Liquidity Return as required by Rule 310 of the Stock Exchange rules, as well as the Capital Report as required by Section 28(1) of the Securities (General) Bye-Laws 2015. | The TTSEC will be providing Registrants with the quarterly Risk-Based Capital and Liquidity Requirements Reporting Forms and Instructions. These forms will replace the current Capital Report, i.e. Form 24, as required by Bye-law 28(1) of the Securities (General) Bye-laws, 2015. |



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| 69. | 34 | Additional Reporting Requirements | <p>The requirement for immediate notification by Registrants should their qualifying Capital fall below the 125% threshold implies that Capital levels should be monitored on a daily basis as compared to the requirement for quarterly reporting of same. Registrants should be given a minimum of three business days to notify the TTSEC of any changes to their qualifying Capital thereby giving them sufficient time to bring their Capital levels up to the required threshold. In addition, there is no provision for the rounding up or down of the Capital count in the event that a Registrant's Capital is 124.95% nor is there any format provided to submit the change in a Registrant's Capital and Liquidity requirements to the TTSEC</p> <p>. Accordingly, consideration should be given by the TTSEC to rectify what appears to be anomalies as stated immediately hereinabove.</p> | <p>1. Registrants are expected to monitor their capital and liquidity requirements outside of the quarterly filing requirement, which may not necessarily be on a daily basis. Immediate notification refers to the time in which it has become apparent to a Registrant that it has breached / has fallen short of the threshold. The TTSEC anticipates that it will liaise with the Registrant, once notified of the breach / short fall, as it pertains to bringing their capital level up to the requirement.</p> <p>2. The Bye-laws were amended to include the period notification of capital levels below 125%</p> |
| 70. | 34 | Additional Reporting Requirements | <p>Consider including the following:</p> <p>2. The TTSEC may require an SRO or a Registrant registered under section 51(1) of the Act to submit the reports referred to in regulation 33 more frequently where it has a risk-based reason to do so.</p> <p>3. The may apply the more frequent reporting referred to in paragraph (2) to an individual SRO or Registrant or to a sub-set of the population of SROs or Registrants having a common risk characteristic.</p> | <p>TTSEC Amended</p> <p>Inclusion made</p> |



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| 71. | 34 | Additional Reporting Requirements | Is notification to be via a Form 6 or will another notification method apply? | The TTSEC will advise firms as to the notification method |
| 72. | 36 | Risk Management | Should the TTSEC receive a SRO or Registrant's risk management framework to ensure proper supervision? | It is the responsibility of the Registrant or SRO to ensure it has a robust Risk Management Framework. The TTSEC's responsibility includes inspecting a SRO or Registrant's risk management framework as part of its supervisory and examination function in accordance with Section 6(e) of the Act. |
| 73. | 36 (2) | Risk Management | Acceptable and feasible contingency plans may vary from organization to organization. Exposures need to be defined as it is ambiguous. For example, does exposure refer to only credit exposures? Does a large exposure include liabilities? Also should there be exemption from this exposure level? For example if a Company is issuing Repos, most of the collateral security would be Government of Trinidad & Tobago | The Board of Directors are responsible for ensuring that a firm has a feasible contingency plan for additional capital and liquid assets. The TTSEC in accordance with Section 6(e) of the Act, can review a firm's contingency plan as it deems necessary |
| 74. | 37 | Stress Testing | This item falls under the SRO portion. All other items in this segment refer to "An SRO and a Registrant registered", yet for Stress Testing it reads "a Registrant registered". If this item refers to both, | STAFF AMENDED Inclusion made; the SROs will be required to conduct Stress Testing. |



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| | | | then it is recommended not to be included under the SRO section | |
| 75. | 37 | Stress Testing | Should the TTSEC receive a SRO or Registrant's stress testing report(s) to ensure proper supervision? | If needed, the TTSEC will request and review the stress testing results of a SRO or Registrant. |
| 76. | 38 | Exemptions for Dual Registrants | Suggestion to include procedure for Registrant challenge/review if request is not granted. | The TTSEC will advise of the exemption process. |
| 77. | 38 | Exemptions for Dual Registrants | Is the reference to a Registrant "subjected to section 9(4) of the Financial Institutions Act" inclusive of the entities listed under section 9(4) of the FIA which are not licensees or financial holding companies? | The intention of Bye-law 38 is to provide an exemption for Registrants registered under section 51(1) of the Act that are also licensed and supervised by the Central Bank of Trinidad and Tobago. The TTSEC has amended Bye-law 38(1) to be more specific. |
| 78. | 38 | Exemptions for Dual Registrants | "An exemption application must be made in writing to the TTSEC within sixty days from the coming into force of these Bye-laws." If this refers to existing Registrants, what about new Registrants in the future? | The TTSEC has amended Bye-law 38(4) to cater for new Registrants. An entity can make a request for exemption with the TTSEC upon Registration. |
| 79. | 39 | Imposition of Penalty | Kindly provide details as to the imposition of penalties and fines for SROs and Registrants registered under section 51(1) of the Act. Would the penalties be administered similarly for all infractions or would it vary depending on the requirements breached and the parties who committed the breach | The penalty and/ or administrative fines would be administered similarly to all infractions stated in the Act. |
| 80. | 40 (2) | Other Supervisory Actions | Kindly provide clarification for the term 'reasonable cause for concern'." | The TTSEC intends to monitor firms' capital and liquidity positions and will not wait until requirements are breached before it takes appropriate action to |



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| | | | | safeguard investors and to mitigate systemic risk. Where the TTSEC sees a deterioration of a firms capital and liquidity positions and a failure of a firm to take remedial actions, the TTSEC can explore its supervisory actions which includes appointing an independent auditor. |
| 81. | 41(1) | Transitional Provisions | It is recommended that the transition period of one year be extended. The TTSEC would want to ensure that the RBCAL Bye-laws and in particular the new capital charge requirement is not so punitive that it causes relatively small Registrants to exit the securities market or limit their services to only brokerage; that would not attract capital charges or additional liquidity coverage. | The TTSEC has conducted a quantitative impact study and is confident that a transition period of 1 year is adequate for all Registrants registered under section 51(1) of the Act. |
| 82. | 41(2) | Transitional Provisions | Is the imposition of a penalty the only consequence for a Registrant not maintaining the relevant minimum capital requirements? Also, it is not clear whether Byelaw 41 (2) is applicable to a SRO as a SRO is not mentioned there but is mentioned in Bye-law 41 (5). | 1. The imposition of a penalty is not the only option available to the TTSEC. 2. Bye-law 41(2) refers only to Registrants registered under section 51(1) of the Act and is not applicable to an SRO." |
| 83. | 41 (4) | Transitional Provisions | We are proposing an adjusted phase-in period of five (5) years, starting at 20% in year 1 and increasing in equal annual increments thereafter. | The TTSEC has increased the transition period from 2 years to 3 years. No further adjustment is being considered at this time as the quantitative impact study indicated that CIS Managers can support the additional risk charge. |