



NEWSLETTER

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YOU INVEST. WE PROTECT. EVERYONE BENEFITS!



TTSEC's USSEC/TTSEC CMD Workshop Pg.6

Role of the TTSEC

To protect our investors and create a safe securities market in Trinidad and Tobago



www.ttsec.org.tt



FOREWORD

Dear Valued Stakeholder,

I am pleased to invite you to peruse the 13th issue of the Commission's external communiqué. As we aim to inform you about the work of the Commission and other related matters within the securities industry, we hope that you use the information to make more informed decisions and follow the rule of law as it pertains to your involvement within the industry.

In this issue, the first for 2016, you will find an industry update from our Chief Executive Officer, Mr. C. Wainwright Iton and a message from our Deputy Chief Executive Officer, Ms. Lystra Lucillio, which focuses on the role of the TTSEC in protecting our investors. Other articles include: the Commission's collaboration with the United States Securities and Exchange Commission for industry training; core Registration Requirements; Equity Crowdfunding, information on our redesigned website and much more.

We hope that you enjoy this edition of our newsletter and thank you for taking the time to read our publication.

Patrick K. Watson

Chairman

CEO's Report

Mr. C. Wainwright Iton
Chief Executive Officer

The final quarter of calendar 2015 was full of activity for the Commission and the industry. Some of the more interesting developments included:

- (a) The Trinidad and Tobago National Gas Company's Initial Public Offering (IPO) which opened on August 10, 2015 and closed on September 9, 2015. On offer was 75,852,000 class B shares at twenty dollars (\$20.00) per share. The offer was oversubscribed and listed on the Trinidad and Tobago Stock Exchange (TTSE) on October 19, 2015.
- (b) The Trinidad and Tobago Unit Trust Corporation's Calypso Macro Index Fund Initial Public Offer (IPO), an Exchange Traded Fund (ETF), invited the public to subscribe for 20,200,000 units at twenty-five dollars (\$25.00) per unit. The offer was fully subscribed and closed on December 18, 2015.
- Both of these events constitute real development for our capital market. A vibrant market requires continual new issues coming to market.
- (c) In collaboration with the United States Securities and Exchange Commission (USSEC), the Trinidad and Tobago Securities and Exchange Commission (TTSEC) hosted its seventh (7th) training programme 'Capital Market Oversight and Development in the Caribbean'. There were fifty (50) participants representing Regulators and market actors from eight (8) Caribbean jurisdictions. The event was a huge success.

Continuous Disclosure Obligations of Registrants

The Commission is aware, that a number of registrants have in the past, failed to honour their continuous disclosure obligations under the Securities Act, 2012 (SA2012) with impunity. This breach of SA 2012 impedes the development of the market and negatively impacts investor trust and confidence. We encourage all registrants to faithfully honour their obligations.

By letter dated November 9, 2015, we advised each registrant of his/her obligations under SA 2012 and emphasised that as of January 01, 2016, the provisions of SA 2012 would be rigidly enforced. Section 156(2) of SA 2012 states:

"Notwithstanding subsection (1), a 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 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"



The table below outlines the obligations of different registrants. Please assist us in making our markets fair, efficient and transparent.

Table 1 – Types of Continuous Disclosure Filing Obligations under the SA 2012 by Category of Registrant

TYPE OF REGISTRANT	DOCUMENTS TO BE FILED	TIMEFRAME FOR SUBMISSION TO THE COMMISSION
Reporting Issuers	Interim Financials Comparative Financial Statements Annual Reports Revised Registration Statement	60 days after the end of each quarter 90 days after the end of the financial year 120 days after the end of the financial year 14 days after the end of the financial year
Broker-Dealers, Investment Advisers, Underwriters	Half Yearly Interim Financial Statements Comparative Financial Statements	60 days after the end of half year 90 days after the end of the financial year

CONCLUSION

I conclude with a comment on Enforcement. In June 2015 the International Organisation of Securities Commissions (IOSCO) published a landmark report 'Credible Deterrence in the Enforcement of Securities Regulation'. I highlight three (3) critical findings for your consideration, viz:

- (i) "Misconduct in Securities and Investment markets has profound and far-reaching consequences for all levels of society. Consumers, investors, capital markets, institutions, national economies and global financial systems are all impacted when the integrity of securities and investment markets are undermined by misconduct."
- (ii) "Deterrence is credible when would-be wrongdoers perceive that the risks of engaging in misconduct outweigh the rewards and when non-compliant attitudes and behaviours are discouraged. Deterrence occurs when persons who are contemplating engaging in misconduct are dissuaded from doing so because they have an expectation of detection and that detection will be rigorously investigated, vigorously prosecuted and punished with robust and proportionate sanctions."
- (iii) "Strong regulation that holds individuals and entities accountable and deters misconduct promotes public confidence in financial services and is a key factor in the development of efficient markets, financial services and economies."

Wishing you all a bountiful 2016.

¹ Interim Financial Statements must be prepared on a quarterly basis for the Reporting Issuer's first three financial quarters of each year.

² Where a Broker-Dealer, Investment Adviser or Underwriter is also registered as a Reporting Issuer, its half yearly interim financial statement filing will be automatically satisfied once it files the 2nd Quarter Interim Financial Statement that reporting issuers are required to file with the Commission.



The role of the TTSEC in protecting our investors and creating a well-regulated securities market in Trinidad and Tobago

*Ms. Lystra Lucillio
Deputy Chief Executive Officer*

When the Trinidad and Tobago Securities and Exchange Commission was formally established in 1997, the Securities Industry Act 1995 cited the protection of investors as the basis for numerous regulatory requirements resulting in the TTSEC's role being largely focused on disclosure and enforcement based activities. Although these requirements remain crucial, there has been an enhancement of the role of regulator in its duty to protect investors by expanding investor education initiatives over the years.

With the passage of the Securities Act 2012 (SA 2012) as amended, the functions of the TTSEC were enhanced and in particular Section 6 (g) of the Act indicated the following as a 'Function of the Commission':

(g) educate and promote an understanding by the public of the securities industry and the benefits, risks, and liabilities associated with investing in securities;

In 2013 the International Organization of Securities Commissions (IOSCO) cited that in addition to promoting fair and efficient markets and reducing systemic risk, the role of the securities regulator should include investor education as a primary focus in order to "ensure that globally investors are confident and informed". Although appropriate regulation lays the foundation for a fair and efficient market, and by extension investor confidence, there is evidence that a better understanding of instruments, associated risks and general disclosure requirements, tend to promote a greater understanding and enlightened participation by retail investors in the securities market.

The TTSEC's Strategic Plan 2014-2018 incorporated this need for enhanced investor education initiatives. In engagements with internal and external stakeholders during the development of the Commission's strategic plan, it was noted that generally investors and potential investors were largely unaware of the TTSEC, its mandate and its role and function.

Strategic objectives were therefore included in the strategic plan to address this, specifically:

- **The creation of a greater awareness of the Commission, its mandate and associated activities;**
- **The education and empowerment of investors in order to facilitate greater participation in the securities market;**

Associated strategic activities included:

- **The conduct of in-depth research to determine the educational needs/requirements of citizens;**
- **Development of a robust investor education programme which incorporates new and existing media platforms and approaches;**
- **Collaborations with stakeholder and financial education institutions to finalise an investor education policy framework;**
- **Partnerships to promote financial/investor education initiatives;**

The financial industry's landscape in Trinidad and Tobago has evolved somewhat in line with the changing attitudes, investment behaviours of the citizenry, the rise in the use of technology and the expansion of the internet. Generally, persons are more aware of various investment vehicles but tend not to perform the necessary due diligence when actually investing.

More than ever, investor education, the ability of persons to generally gather sufficient and accurate information, as well as an understanding of their rights as investors help to increase retail investor activity with a concomitant reduction in the instances of fraud. Increased investments can foster the growth of a thriving financial market which in turn aids in the development of a strong economy that redounds to improved lifestyles for all citizens.

You Invest. We Protect. Everyone Benefits!

MR&S: Investor Protection

- THE COMPLAINTS PROCESS



The Trinidad and Tobago Securities and Exchange Commission's (the Commission's) mission is to protect investors, to promote and enable the growth and development of the securities industry by nurturing fair, efficient and transparent securities markets, and to mitigate systemic risks.

Investor protection is a primary focal point in the Commission's mandate because it serves to propagate an environment that fosters the growth of the securities market. When investors have confidence in the effective functioning of a market, there is greater participation at all levels, which leads to the sustainable development of the market. In that regard, one of the ways in which confidence is attained is by establishing objective, independent mechanisms to protect the rights of investors and to address their concerns.

At the Commission, the Division of Market Regulation and Surveillance, with the assistance of the Commission's Enforcement Unit, is responsible for conducting inquiries into complaints received from investors who have been aggrieved by the activities of persons required to be registered under the Securities Act, 2012, as amended (the Act), and for making recommendations for enforcement action, where applicable.

In conducting inquiries into said complaints, the Staff of the Commission is guided by the powers granted to it under Section 49 of the Act which states that:

"(1) Subject to subsection (4), any person who is aggrieved by any act or omission of a self-regulatory organisation, the board or a member of a self-regulatory organisation, or any other person required to be registered pursuant to this Act, may lodge a written complaint in respect thereof with the Commission.

(2) The Commission may investigate and adjudicate upon the complaint lodged pursuant to subsection (1).

(3) Section 150 shall have effect in relation to any investigation and adjudication conducted by the Commission pursuant to subsection (2).

(4) The Commission may, following receipt of a complaint made under subsection (1), make such order as it thinks just, including an order for the payment by the self-regulatory organisation, the member of the self-regulatory organisation or the person required to be registered pursuant to this Act, as the case may be, of any sum by way of restitution or as compensation for any loss suffered by the complainant."

Section 49(1) of the Act empowers the Commission to review complaints into matters related to the securities business of persons registered under the Act as well as those who have not completed the registration process, but are nonetheless conducting business of a securities nature (e.g. issuing securities to the public, providing investment advice, underwriting securities or conducting transactions on behalf of others).

In addition to Section 49 of the Act, investors are also provided with another avenue for recourse where there is an issue involving a registrant. Aggrieved investors may lodge a complaint directly with the registrant in question. In accordance with By-Law 65 of the Securities (General) By-Laws, 2015, registrants are required to establish effective complaints handling systems and procedures to ensure that all complaints are responded to, in writing, within a

reasonable timeframe and that reasonable efforts are undertaken to ensure that each complaint is effectively and fairly resolved. The registrant's complaints handling systems and procedures are subject to the Commission's review and oversight.

Accordingly, before a complaint is filed with the Commission, depending on the nature of the complaint, an aggrieved person should firstly seek to resolve the matter with the subject(s) of the complaint. Said person should submit, in a timely manner, a written complaint to the subject(s) of the complaint, outlining the issues which gave rise to the complaint and the desired outcome. The aggrieved person should also request a response to the complaint within a reasonable, specified timeframe.

If no response or redress is forthcoming and/or the aggrieved person is dissatisfied with the response received from the subject of the complaint, said person may then consider filing the complaint with the Commission by any one or a combination of the avenues below:

- 1. Completing the Commission's Complaint Form and submitting same to the Commission's offices via facsimile, regular or registered post, or through the Commission's website. The Commission's Complaint Form can be accessed via the Commission's website (<http://ttsec.org.tt/wp-content/uploads/TTSEC-Complaint-form-fillable.pdf>) or a copy can be obtained at the Commission's offices.**
- 2. Contacting one of the Commission's Officers via the Commission's Complaints Hotline (at 868-624-2991; Option #3) or in person at the Commission's offices. The receiving Officer will accept any preliminary statements and provide further instructions in relation to the filing of the complaint.**
- 3. Lodging with the Commission a written statement of complaint inclusive of contact information, the issues giving rise to the Complaint, the desired outcome and any actions taken in respect of the complaint to date.**

Once a complaint has been filed with the Commission, the Staff of the Commission shall objectively review and gather relevant information in order to make a determination as to whether the securities laws have been breached, and make recommendations for intervention and/or enforcement action, where applicable. Persons can refer to the article titled 'Enforcement Pursuant to Section 150 of the Securities Act 2012', which was published in the tenth edition of our Newsletter, for further information on the Commission's investigation and enforcement processes. At the conclusion of the review, the Commission's findings and or decision(s) shall be communicated to the complainant(s) accordingly.

In closing, current and potential investors are reminded that the Commission is mandated to protect them from fraudulent activities and violations of the Act and other securities laws. Given that complaints form a critical foundation for the investigation of potential legislative violations, investors are urged to bring such matters to the Commission's attention so that it can utilise its regulatory powers to ensure that the integrity of the securities market is preserved, thereby fostering stronger investor confidence. Registrants are encouraged to treat with investor complaints with the strictest of importance, urgency and confidentiality. Finally, investors are encouraged to conduct independent due diligence on persons with whom they intend to conduct securities business, including the securities on offer, as a critical element of the investment process. Investor protection is everyone's responsibility.

¹ Persons who are registered to conduct business of a securities nature under the Act are termed "registrants" and persons who are conducting business of a securities nature without having completed the registration process required under the Act are termed "non-registrants".

TTSEC at the Inter-American Regional Committee (IARC) and Council of Securities Regulators of the Americas (COSRA) Meeting



The TTSEC's Chairman, Professor Patrick Watson and its Chief Executive Officer, Mr. C. Wainwright Iton, represented the Trinidad and Tobago Securities and Exchange Commission (TTSEC) at the Inter-American Regional Committee (IARC) and Council of Securities Regulators of the Americas (COSRA) Meetings in Kingston, Jamaica from November 12-13, 2015. The Conference topics centred on recent developments in financial markets such as Robo Advisors and Crypto-Currencies.

The Rise of Robo Advisors

The term Robo Advisors applies to a range of online advice providers whose services are initiated by an investor filling in an on-line questionnaire. Services include:

- A risk profile that is determined based on an algorithm processing of the responses to the questionnaire;
- An asset allocation which is recommended based on the risk profile
- A portfolio of low-cost exchange-traded funds and mutual funds which are recommended to meet the asset allocation;
- The investor often having access to a human via telephone, web chat, or video chat; and
- An automatically rebalanced portfolio.

As technology becomes more sophisticated, particularly over the last five to seven years, there has been a shift towards the use of self-directed, online execution-only platforms. Several other factors contribute to the continued growth in Robo Advice:

- Lower costs (0.25%-0.05% AUM) compared to traditional advisors (0.75%-1.5% AUM);
- Distrust of traditional advisors after the financial crisis;
- Low or no minimum investment;
- Simplified language and graphics on advice platforms; and
- Passive investments seen to obtain the same or better outcomes than actively managed investment.

Digitisation and Innovation in Capital Markets

The impact of digitisation and innovation in financial markets, such as the advent of Robo Advisors, is also a topic being researched by IOSCO's Digitisation in Capital Markets Working Group, of which the Commission is a member. Digitisation brings new challenges to securities regulators, including striking a balance between facilitating positive innovation and growth in the capital market, while ensuring that potential risks arising from such innovation are appropriately managed.

Further, the increase in substitutes for traditional capital market activities and products, require regulators to review the existing regulatory perimeter, and to assess whether the current regulatory and supervisory framework adequately addresses new or emerging technology risks. As such, the Working Group's aim is to gain a better understanding of areas in relation to the impact of digitisation and innovation, including the impact on regulation, supervision and market surveillance, in addition to data quality and management.

UPCOMING MEETINGS:

- GEM Committee and Conference 20th – 22nd January 2015
- IOSCO Board and Pre-meetings 16th – 18th February 2015



DR&CF | Common Issues Regarding the Submission of Registration and Disclosure Documents

The Securities (General) By-Laws, 2015 (the By-Laws) were passed in April of this year. Subsequent to the passage of the By-Laws, some registrants were required to submit applications for regularisation of their registration with the Commission. The bulk influx of applications, coupled with the normal and constant stream of applications for the registration of persons and securities, meant that 2015 was a very busy year for the Division of Disclosure, Registration and Corporate Finance (DR&CF). During the course of our work, we came across questions from registrants and noticed common issues with the submission of applications and other documentation. Thus, as 2015 closed, we took the opportunity to inform registrants of certain issues that can assist in facilitating a more efficient review of their documentation. Below are some of the more common issues that we encountered:

The Commission intends to move toward electronic submission of continuous disclosure documents which are required to be filed by registered Broker-Dealers, Investment Advisers, Underwriters and Reporting Issuers. In this regard, we are requesting that all registrants begin submitting their continuous disclosure documents via electronic mail (in PDF format) to the Commission's general mailbox: tfsec@tfsec.org.ft. This electronic submission should be followed by a hard copy of the same document. The Commission also considers electronic submissions when determining whether the required disclosure documents were submitted in accordance with the Securities Act 2012 (SA 2012) and the By-Laws. These continuous disclosure documents include, but are not limited to:

Unaudited Interim Financial Statements under Section 66 of the SA 2012 and By-Law 40 of the By-Laws;
Audited Annual Comparative Financial Statements under Section 65 of the SA 2012 and By-Law 39 of the By-Laws;
Annual Reports under Section 63 of the SA 2012 and By-Law 47 of the By-Laws;
Quarterly calculation of Capital Requirements under By-Law 28 of the By-Laws; and
Revised Registration Statements under Section 61(2) of the SA 2012.

a. Submission of Financial Statement Certification

Please note that all financial statements submitted to the Commission must be accompanied by a duly signed and dated Form 11 – Financial Statement Certification;

b. Conflict of Interest Rules Statement for persons registered under Section 51(1)

All persons registered under Section 51(1) of the SA 2012, that is Broker-Dealers, Investment Advisers and Underwriters, will be required under By-Law 67(1) of the By-Laws to file a current Form 23 – Conflict of Interest Rules Statement on an annual basis. Given the provisions of By-law 67, the Conflict of Interest Rules Statement must be filed when these registrants submit their audited financial statements to the Commission.

Please ensure that all submissions to the Commission are accompanied by an appropriate cover letter which details the nature and purpose of the submission, regardless of whether the submission is in respect of continuous disclosure documents, applications for registration, the payment of fees, or general filings. Among other things, this greatly helps us in determining what the submission is in respect of, who the submission pertains to, how the submission should be processed and which department in the Commission needs to process the submission.

In short, the inclusion of the cover letter will assist us in processing matters more expediently.

We ask that you ensure, where a single cheque is being submitted for multiple fees, a schedule of the fees being paid and the amount of each fee either be included in the body of the covering letter or attached to the same. Not only will this help us in processing your applications more expediently, but we believe it will also help each registrant to ensure that they are submitting the correct fees in the correct amounts.

b. Market Access Fees for Open-Ended Collective Investment Schemes

Managers of open-ended Collective Investment Schemes (CIS) should be aware of the Commission's requirement to submit market access fees each year. There is, however, no stipulation in the law outlining the timeframe within which these fees must be paid. The fees are calculated based on the gross subscriptions to the CIS in the previous financial year, and the Commission uses the CIS' audited financial statements to ensure that the correct fees are paid. As such, we cannot process these fees without the audited financial statements of the CIS. To this end we have been requesting and continue to request that CIS' audited financial statements be submitted together with the fees.

5. Forms

a. Forms are available in a fillable PDF Format

All the Commission's forms for registration and filing of continuous disclosure requirements can now be found on our website in fillable PDF format. Please note that the forms cannot be saved with completed information and will need to be printed in order to be signed.

b. Completion of Forms

When completing the "Registration and Disciplinary History" section on the Commission's registration forms, where the applicant answers "Yes" to any question, please ensure that full details regarding the response are included in an attachment to the form. This will allow for applications to be processed much more expediently.

c. Forms for Registration of Registered Representatives

The Commission has moved to a passive process with regard to the registration of Registered Representatives. We are aware that this is a marked change from the previous way in which we registered persons wishing to be Registered Representatives. With our new process, there are two forms which are required to be completed:

1. **Form 3A** which is to be completed and submitted to the Commission by the company applying for the registration of the Registered Representative, that is, the Broker-Dealer, Investment Adviser or Underwriter sponsoring the Registered Representative's registration (the Sponsoring Intermediary); and
2. **Form 3B** which is to be completed by the applicant for registration as a Registered Representative and does not need to be submitted to the Commission. The Form 3B should be kept on file by the Sponsoring Intermediary. The Sponsoring Intermediary is also required to have on file, the supporting documentation which evidences the representative's suitability for registration in the relevant category.

Should you have questions, concerns or need clarification regarding the SA 2012, the By-Laws, and any of our Guidelines or Policies, we encourage you to submit your queries to the Commission using the mailbox: sa2012@tfsec.org.ft.



TTSEC & USSEC Collaborate to Host Capital Market Development Conference

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) in collaboration with the United States Securities and Exchange Commission (USSEC) hosted its seventh successful training programme on 'Capital Market Oversight and Development in the Caribbean'. The four-day training seminar which ran from November 16-19, was held at the Movie Towne Banquet and Conference Centre, and targeted approximately 50 participants inclusive of market actors and regulators from Trinidad and Tobago, and across the region.



The programme delved into the issues and challenges currently facing regulators locally and regionally, and also covered best practices in the oversight of capital markets to maximise both investor protection and market development. Speaking at the opening ceremony Mr. Wainwright Iton, Chief Executive Officer at the TTSEC, publicly endorsed this long-established collaboration between the two regulators for the provision of training for regulators within the financial services industry. He added that, "the hosting of an in-house Capital Market Development program represents the TTSEC's commitment to the continuous training and development of its staff".

The programme featured a USSEC team of high-powered and experienced presenters who emphasised practical solutions to common market problems and abuses, and also highlighted several case studies. The USSEC facilitators involved in this year's programme were: Erin McCartney, Senior Special Counsel in the Office of International Affairs, Mr. Matthew Greiner, Branch Chief in the SEC's Office of International Affairs, Mr. Jim Reese, Assistant Director for the Office of Risk Analysis and Surveillance within the Office of Compliance Inspections and Examinations and Mr. Larry Spigel, Assistant Director in the Division of Corporate Finance.



◀ FROM LEFT TO RIGHT:
 Mr Wainwright Iton, CEO, TTSEC; Mr. Matthew Greiner, Branch Chief in the SEC's Office of International Affairs, USSEC; Ms. Erin McCartney, Senior Special Counsel in the Office of International Affairs, USSEC; Ms. Lystra Lucillio, Deputy Chief Executive Officer, TTSEC; Mr. Larry Spirgel, Assistant Director in the Division of Corporate Finance, USSEC; and Mr. Jim Reese, Assistant Director for the Office of Risk Analysis and Surveillance within the Office of Compliance Inspections and Examinations, USSEC.



Some of the topics covered in the interactive training sessions included: *Insider Trading, Broker Dealer Enforcement, Disclosure Obligations for Stock Issuing Companies, Investigating Financial Fraud, Money Laundering and the Securities Industry, among other key subject matters.*

These sessions provide exceptional training and development opportunities for all Regulators, in the financial sector. "The overwhelming response from our fellow Regulators for consideration to have their staff attend, bears testimony to the importance that we all ascribe to the programme", said Mr. Iton.

He continued saying that the Commission as a regulator is a learning organisation, keen on developing the capacity of its staff and the securities industry, toward better serving the investors and by extension helping to develop our economy. Training sessions such as these equip the TTSEC with the knowledge, skills and capabilities to treat with pertinent securities matters in accordance with international best practices; provide a platform to exchange information across borders, and the opportunity to maintain positive relations with our long-standing partners in the regulatory industry.

TTSEC Unveils Redesigned Corporate Website

Want to learn more about **Investing?**

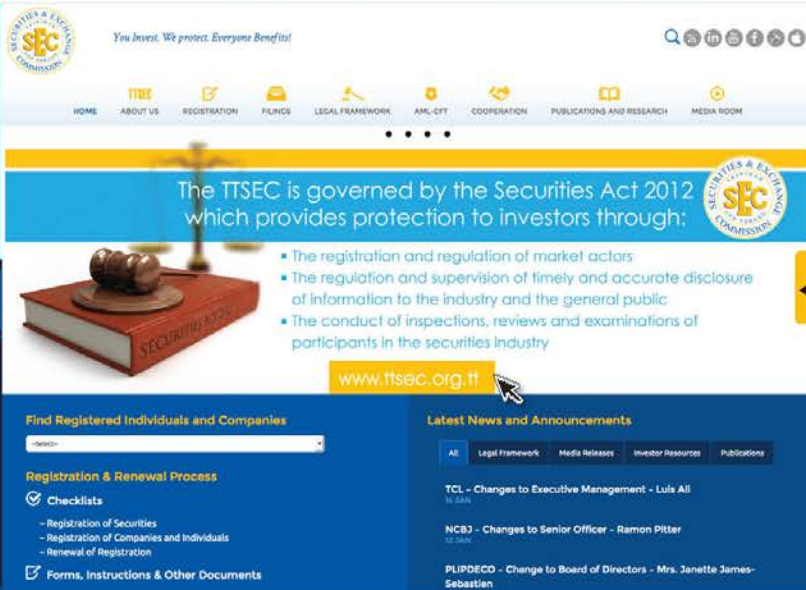


Visit our new investor Education Website:
www.investucateff.com

YOU INVEST. WE PROTECT. EVERYONE BENEFITS!

DOWNLOAD OUR MOBILE APP
TTSEC

App Store
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The TTSEC is governed by the Securities Act 2012 which provides protection to investors through:

- The registration and regulation of market actors
- The regulation and supervision of timely and accurate disclosure of information to the industry and the general public
- The conduct of inspections, reviews and examinations of participants in the securities industry

www.ttsec.org.tt

Find Registered Individuals and Companies

Registration & Renewal Process

Checklists

- Registration of Securities
- Registration of Companies and Individuals
- Renewal of Registration

Forms, Instructions & Other Documents

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TCL - Changes to Executive Management - Lulu All
19.12.15

NCBJ - Changes to Senior Officer - Ramon Pitter
12.12.15

PLIPDECO - Change to Board of Directors - Mrs. Janette James-Sebastian
19.12.15

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) launched its redesigned corporate website on, December 18, 2015 using its original address www.ttsec.org.tt. The new design is aimed at improving its online communication with its stakeholders while ensuring that information is easily accessible and appealing to all its audiences.

As part of the Commission's mandate to educate and promote a sound understanding of the securities industry, the Commission has redesigned its website to meet the many functional needs of its users. Its renewed, contemporary and practical design, makes this new website an effective tool for investors and market actors in the industry.

The main focus of the redesign was to create a modern and dynamic information portal for stakeholders, through which they can easily locate the information they require among the vast document repositories that make up the website.

Some of the new features include:

- An updated Registrant searchable-database which allows persons to search for registrants by various criteria (Name, Role, Register Date, and Expiry Date or Submit Date) and export search results in an MS Excel file for future use
- A dynamic and fully searchable interface for the filing of Material Changes. Material Changes are now fully databased and searchable by Category, Date and Name.
- A full device responsive website which adapts to and can be viewed on any device or platform, Tablet, PC or Laptop.
- A dynamic information search and layout that allows information to be easily searchable throughout the website and displayed in an easy-to-read, user-friendly format.
- A fully integrated media room section that incorporates, video galleries and photo galleries. The media room has been re-engineered into a multimedia-rich online component, fully searchable and reorganised to ease navigation, foster discovery and increase retention.

Earlier this year the TTSEC successfully launched its Investor Education website, www.investucateff.com, and also launched its mobile application. This advancement across these technological platforms is indicative of the TTSEC's thrust in capitalising on the benefits of multipurpose platforms in promoting the work of the Commission.

According to Mr. C. Wainwright Iton, CEO, TTSEC, 'the main focus of the redesigned corporate website is to create a modern, dynamic, information portal for stakeholders, where they can easily access information related to the Commission and the securities industry'. He continued saying that, 'We must keep reinventing ourselves. In a time when we are bombarded by an increasing rate of advancement in technology, we must effectively leverage the available technology in order to be visible, relevant and easily accessible to our core target audiences as we aim to work with all market actors and investors towards protecting and boosting our economy'.

We invite you to visit our redesigned website at www.ttsec.org.tt and encourage you to provide us with feedback at ccei@ttsec.org.tt.



C&I: Compliance & Inspections Division

- THE COMPLIANCE REVIEWS



The Securities Act 2012 (the Act) was passed in Parliament on December 28, 2012 and came into force on December 31, 2012. One of the major provisions of the legislation was the introduction of compliance reviews (on-site inspections) of Self-Regulatory Organisations and persons registered under Part IV of the Act, including inter alia broker-dealers, investment advisers, underwriters and reporting issuers. This article provides information to help registrants understand the rationale for the conduct of compliance reviews by the Trinidad and Tobago Securities and Exchange Commission (the Commission) and further highlights the ways in which these reviews help to protect investors and ensure a well regulated market.

I. Purpose of Compliance Reviews

In accordance with Section 89 of the SA 2012, the Commission is permitted to review the books, records and other documents that are required to be kept by market intermediaries or self-regulatory organisations under section 87, for purposes of determining compliance with the provisions of the Act, the Proceeds of Crime Act, or, any other written law in relation to the prevention of money laundering and combatting the financing of terrorism, or any other law administered by the Commission.

The main purposes of compliance reviews are to:

- Ensure that registrants are operating in compliance with the legislation;
- Help identify compliance problems and areas of emerging risk, which if they occur, can adversely affect investors; and
- Review allegations of improper practices.

Compliance reviews include interviews with key management and operational personnel. The review will encompass an analysis of corporate governance, securities related activities, and anti-money laundering and combatting the financing of terrorism (AML/CFT) compliance. As such various documents are requested at the start of and during the inspection. The on-site component of a compliance review would normally be undertaken within three weeks and is dependent on the size and complexity of operations of the registrant. At the end of the on-site inspection, registrants receive a final report, which is intended to assist the registrant in improving any areas of deficiencies identified.

II. Types of compliance reviews

The Division of Compliance and Inspections (C&I) has adopted a risk based approach to its on-site inspections, the types of which can vary based on the specific risks identified within an entity.

Based on the risks identified, some entities will require more frequent dialogue and interaction to obtain a detailed understanding of their current and potential areas of risk. Once the risks are identified, the Commission can undertake various types of on-site inspections, as follows:

- Limited Scope – conducted to highlight the strengths and vulnerabilities of the firm and assess different areas of the firm, including but not limited to compliance with legislation and guidelines.
- Thematic/Sweep – conducted when industry-wide risks are detected.
- Half Day Reviews – performed on those registrants that have been ranked as low risk and have not previously been subject to an inspection.
- Desk Based – conducted in cases where registrants have already been subject to on-site examinations. These are follow-up examinations after an initial assessment has been conducted.
- For cause – conducted where a particular risk arises within a firm, for which urgent intervention is required.

III. Benefits of Compliance Reviews to the investor and market

Essential to the economic development of any country is the development of its capital market. Some of the benefits (both to investors and the market) to be derived from compliance reviews include:

- Protection of investor funds and improving investor confidence.
- Facilitation of development and greater confidence in the capital market.
- Ensuring compliance with AML/CFT laws and regulations.
- Reduction in the flow of illegal funds within the T&T economy.
- Identification of market manipulation offences.
- Improvement of registrants' operations.
- Mitigation of legal and reputational risk.
- Overall improvement in registrants' risk management processes.

If you have any questions, comments or concerns, either during the inspection or after it is completed, it is important to raise them with the inspection team or with the team's liaison. Most questions and issues can be resolved by discussing them with members of the inspection team. You can also direct comments or queries to Ms. Rosalind King, Director, Compliance and Inspections Division, at 624-2991 or rosalindk@tsec.org.tt.



MMPRF

Micro and Macro Prudential Reporting Framework

In its last Newsletter #12, the Commission indicated its intention to develop and establish a Micro and Macro Prudential Reporting Framework (MMPRF) for the securities industry. This framework entails the introduction of 11 reporting forms which will be integral to calculation of micro, macro and financial soundness indicators and will enhance the Commission's ability to monitor potential pressures, vulnerabilities and inter-connectedness, that is, systemic risks within the securities industry. The forms are currently in draft and once finalized will be incorporated into the Commission's reporting requirements framework.

A Pilot Project consisting of 2 Phases was launched in the third and fourth quarters of 2015 to test the usability of the reporting forms. Phase I was launched on August 5, 2015 (introduction of 5 forms) and Phase II on November 13, 2015 (introduction of remaining 6 forms) to a selected group of registrants, who were asked to complete them and submit feedback within a stipulated timeframe. The draft forms were subsequently amended to include the registrants' initial feedback.

The Commission, within the next few months, intends to introduce the framework to all persons registered under Section 51(1) of the Securities Act 2012, i.e. broker-dealers, investment advisers, underwriters and self-regulatory organizations. The introduction of this framework will involve wider market consultation and engagement, during which time, registrants will be given the opportunity to view/interact with the forms and provide comments, in preparation for the official commencement of the reporting framework towards the fourth quarter of 2016.

We will be communicating further with you on this matter and look forward to your active participation in this very crucial venture.



DIVISIONAL spotlight

Disclosure, Registration and Corporate Finance Division (DR&CF)

The Securities Act 2012 (the Act) entrusts the Commission with the responsibility to ensure that the requirements of Section 62(1) of the Act are duly executed and that “no security shall be distributed or listed with any self-regulatory organisation unless it is registered with the Commission”. DR&CF is responsible for the registration of all self-regulatory organisations, broker-dealers, underwriters, reporting issuers and investment advisers, as well as the securities that they issue.

THIS DIVISION:

- Reviews and processes applications of registrants and self-regulatory organizations;
- Reviews documentation to ensure compliance with the law and best practice;
- Approves the contents of prospectuses, offering circulars or any form of solicitation; advertisement or announcement by which securities are offered for sale to the public;
- Reviews filings by all registrants and self-regulatory organisations and assesses among other things the financial solvency of registrants and self-regulatory organisations;
- Maintains a register of securities registered by the Commission;
- Makes recommendations to the Commission for the suspension/revocation of registration when persons no longer satisfy the registration requirements;
- Identifies trends and issues that are likely to have an impact on the securities industry and makes appropriate policy recommendations.

Legal/Advisory Mandate



The Legal Advisory and Enforcement (LA&E) Division is mandated to provide legal support to all of the Divisions of the Commission by way of advice and opinions, as well as participation in several cross-divisional teams.

During the year 2015, the Securities (General) By-Laws came into force. The By-laws are interpretive tools that outline the application of the primary legislation. The By-laws outline the obligations of market actors, contain prescribed forms and provide guidance, which will allow them to meet their obligations.

When the 2015 By-Laws came into effect, pre-existing registrants were afforded a transitional period in which to apply for the regularisation of their registration status under the new By-Laws. This transitional period expired on June 29, 2015. All investment advisers, broker-dealers and underwriters who were registered under the SA 2012 were given until April 28, 2016 to regularise their registration status under the new By-Laws. With the introduction of the By-Laws a number of registrants sought guidance or clarification from the Commission regarding their obligations. The LA&E Division provided the legal advice and support that enabled the Commission's personnel to respond to these information requests.

The implementation of the By-Laws also created the need for greater awareness on the part of the Staff of the Commission, with respect to the resulting changes in their roles and duties. To this end, the LA&E Division embarked on a continuous legislative awareness series for the various Divisions of the Commission.

Enforcement Actions Completed

The LA&E Division also undertook enforcement action against a Trinidad and Tobago company as a result of its violations of the Securities Industry (Take-over) By-Laws. The company sought to take-over a publicly listed company in a fashion that contravened the Take-Over By-laws. As a consequence of the contraventions, an Order for the payment of fines was imposed by the Commission.

Details of the Order can be viewed on the Commission's website at www.ttsec.org.tt. The Commission also directed the offending party to undertake measures to correct its failures in the interest of investors.

Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT)

Members of the Division of LA&E represented the Commission in Trinidad and Tobago's recent mutual evaluation by the Caribbean Financial Action Task Force (the CFATF). As the Supervisory Authority for the nation's securities sector, the Commission was evaluated on its effectiveness in fulfilling its mandate to prevent money-laundering and terrorist financing in the sector. The Commission worked alongside Trinidad and Tobago's other supervisory authorities and national institutions towards ensuring that the extent of our efforts in building an effective AML/CFT regime within our sector and the country as a whole, was systematically and fairly assessed for reflection in the CFATF report.

The Commission's AML/CFT Guidelines and Financial Obligations Regulations require that each Registrant has a Compliance Officer that is approved by the Commission. In seeking to accomplish sector-wide compliance with these requirements, the Commission, via the LA&E Division, accelerated the Commission's AML/CFT compliance initiatives during this quarter. This resulted in the issuing of warning letters to Registrants that were overdue with applications for approval of their Compliance Officers. Due to these efforts the Commission's Registrants, with few exceptions, have made applications for the approval of compliance officers.

The Commission has also been partnering with the other Supervisory Authorities i.e. the Central Bank of Trinidad and Tobago and the Financial Intelligence Unit in furthering AML/CFT supervision nationwide. By coordinating our efforts we have reduced duplication in the Compliance Officer Approval process, and facilitated the administration of quarterly Terrorist Financing reporting requirements to the FIU.

Equity Crowdfunding

Policy, Research and Planning Division

IN TRINIDAD AND TOBAGO



In a 2014 'Journal of Business Venturing' article, Ethan Mollick defined Crowdfunding as "a novel method for funding a variety of new ventures, allowing individual founders of for-profit, cultural, or social projects to request funding from many individuals, often in return for future products or equity." The concept of crowdfunding has deep international roots as it was used to finance books in Europe in the seventeenth century as well as to bankroll musical concerts in the 1700s. The recent proliferation of crowdfunding platforms has been facilitated through the increased internet usage that has been promulgated globally throughout the last decade. Currently, the most visible of the Crowdfunding portals can be classified under the reward models as Kickstarter, Rockethub and Indiegogo.

Katherine Noyes stated in her April 2014 article for 'Fortune Magazine' that crowdfunding platforms have raised approximately US\$2.7 billion and successfully funded more than a million campaigns in 2012. She also noted that a 2013 study commissioned by the World Bank had estimated that the global crowdfunding market could reach between US\$90 billion and US\$96 billion by 2025. There has been growing pressure on regulators to develop frameworks for Equity Crowdfunding as well as to provide some guidance on the operations of these electronic platforms. Recently, the U.S. Securities and Exchange Commission, as well as the Ontario Securities Commission, separately announced new rules under which they both seek to regulate crowdfunding. However, there is a need to understand what crowdfunding is, what its associated models are and what are the implications for the local capital market.

There are five basic types of crowdfunding, which are the donation model, the reward model, the pre-purchase model, the interest on debt (peer-to-peer lending) model and the equity model. Under the donation model, individuals give capital to a start-up, small business or charity with no expectation of repayment in any form. Under the reward model, investors make capital contributions in return for a token of appreciation, which may include any commodity, service, or even mere recognition.

Under the pre-purchase model, investors make a capital contribution in exchange for a product that is under development. The product is received if and when the start-up company developing the product successfully launches. If the project fails, then investors do not get the product and might even lose their investment.

There is also the interest on debt model or peer-to-peer lending (P2PL). It represents the practice of lending money to unrelated individuals, or "peers", without going through a financial intermediary such as a bank or other traditional financial institution. This lending takes place online on peer-to-peer lending companies' websites using various lending platforms and credit checking tools. The final model, Equity Crowdfunding gives equity ownership in a business in exchange for capital contributions. In essence, any individual can become an owner of the firms that are seeking to finance their operations via Equity Crowdfunding. These ownership stakes would be classified as securities and hence would need to be regulated by Securities Regulators.

The primary objective of the U.S. and Canadian regulatory frameworks was the establishment of investment limits both as a method of control as well as to mitigate risks. The U.S. Securities and Exchange Commission adopted the final Crowdfunding rules on October 30th, 2015. Dubbed "Regulation Crowdfunding," it allows individuals to invest in securities-based crowdfunding transactions subject to certain investment limits. Individual investors with either an annual income or net worth less than US\$100,000 can, over a twelve-month period, invest in crowdfunding offerings up to the greater of US\$2,000 or 5 percent of the lesser of their annual income or net worth. Those with an annual income and net worth equal to or more than US\$100,000 can, over a twelve-month period, invest in crowdfunding offerings up to 10 percent of the lesser of their annual income or net worth. Notwithstanding, the aggregate amount of crowdfunding-based securities sold to an investor during the twelve-month period may not exceed US\$100,000.

The rules also permitted a company to raise a maximum aggregate amount of US\$1 million through crowdfunding offerings in a twelve-month period. Ineligible companies would include:

- non-U.S. companies,
- Exchange Act reporting companies,
- Certain investment companies,

- Companies that are subject to disqualification under Regulation Crowdfunding,
- Companies that have failed to comply with the annual reporting requirements under Regulation Crowdfunding during the two years immediately preceding the filing of the offering statement, and
- Companies that have no specific business plan or have indicated that their business plan is to engage in a merger or acquisition with an unidentified company or companies.

The Ontario Securities Commission published its notice of Multilateral Instrument 45-108 (MI 45-108) on November 5th, 2015. The Rule includes a crowdfunding prospectus exemption as well as a registration framework for funding portals. Issuers under the regime are allowed to offer non-complex securities only. Issuers are also required to prepare an offering document that contains all of the information about the issuer and its business that an investor should know before purchasing the issuer's securities. The rule also provides a limit of CAD\$1.5 million on the aggregate amount that could be raised by an issuer group under the crowdfunding exemption. With respect to investors, they must complete a Risk Acknowledgement Form requiring them to confirm having read and understood the risk warnings and information in the crowdfunding offering document before they can enter into an agreement to purchase securities. The MI 45-108 also placed investment limits for potential investors. Under the rule, an investor who does not qualify as an accredited investor is only allowed to invest CAD\$2,500 per investment. In Ontario, the aggregate amount of crowdfunding-based securities sold to this class of investor during the twelve-month period may not exceed CAD\$10,000.

An accredited investor, other than a permitted client, is allowed to invest CAD\$25,000 per investment. In Ontario, the aggregate amount of crowdfunding-based securities sold to this class of investor during the twelve-month period may not exceed CAD\$50,000. There are no investment limits for a permitted client in Ontario. It is important to note that securities regulators would be primarily concerned with Equity Crowdfunding alone. Thus, the primary focus of the new rules promulgated by both the U.S. Securities and Exchange Commission and the Ontario Securities Exchange Commission is the regulation of Equity Crowdfunding.

The core principle of Equity Crowdfunding is that it provides all interested entities, especially small and medium enterprises (SMEs), with access to much needed capital without incurring the onerous financial burden associated with debt financing. Crowdfunding provides a unique source of capital to start-up companies and small businesses, which otherwise face difficulty obtaining capital investments from traditional lenders due to their heightened risk or uniqueness.

Investors would benefit from Equity Crowdfunding as investors would be able to invest in firms with the possibility of earning higher returns. This is due to the risky nature of the business models of these start-up companies. The risks of the investment are dispersed amongst a larger pool of financiers that reduce the inherent systemic risks. Each investor can own a small portion of equity, and this prevents one or a few investors from controlling the majority share of ownership. In the case of risks, these are divided among a larger number of people.

The process is facilitated via funding portals that operate via the websites on the Internet. Firms agree to place their investment offering with a particular funding portal. Investors then sign up as members with the same portals and become eligible to invest in any offering that piques their interest. It is important to note the regulatory developments in mature markets as these frameworks will guide the progression of our local regulatory framework for Equity Crowdfunding. The Trinidad and Tobago Securities and Exchange Commission would play an active role in the formulation of any regulatory framework for Equity Crowdfunding in Trinidad and Tobago.

In conclusion, Equity Crowdfunding presents numerous opportunities for new businesses and investors alike. New start-up businesses will be able to access previously, difficult to obtain capital funding, that they require due to their high inherent risk of failure. In return, investors may be able to achieve higher rates of return on their investments in these firms as a result of the high risk of these types of investments. The Trinidad and Tobago Securities and Exchange Commission stands ready to provide the necessary rules and guidance regarding any innovation within our local market and to ensure that the market operates in a manner that is both orderly and efficient.



Public Education and Communication

The Corporate Communications, Education and Information (CCEI) Division has been engaged in a number of projects both in relation to our investor education programme and corporate communications roles. Here is an overview of some of the Division's outreach activities for the last quarter.

The Commission developed its annual informative calendars which were distributed to our key stakeholders and via a flyer format to over 81,000 persons. The Commission also hosted its fifth webinar titled "**Getting Financially Fit**" which is in keeping with the theme for our 2016 calendars. The webinar was aired live on December 9, 2015. The video is available on our YouTube page or you can access it from our websites at www.ttsec.org.tt, www.investucatett.com or via Facebook. Feel free to share this informative webinar with your friends and family.

A Christmas tips campaign titled "Gift Yourself with Savings this Christmas" was also published via the print media, aired on several radio stations and also shared via social media (Facebook and LinkedIn). This campaign ran from November 25, 2015 to December 24, 2015.

The CCEI Division is continuously seeking resourceful

ways of raising awareness of investor education and promoting the work of the Commission. As such its public education sessions on Investor Education continued with a group of Life Skills Tutors and a YTEPP Group at the YMCA building in Port of Spain. The team also engaged the Tobago House of Assembly and The Office of the Prime Minister, Tobago Affairs Division and in this year, we will be having discussions with these parties to host Investor Education sessions in Tobago. We will also be conducting more regional sessions in East, West and Central Trinidad.

The Commission is also pleased to announce that it has installed a TTSEC Banner at the ANR Robinson International Airport which will target all domestic flights arriving at the airport. The CCEI also posted several articles to its blog such as 'Getting Financially Fit for 2016', 'Roadmap to Financial Security' and 'Financial Fraud'. These articles can be viewed at our Investor Education Website at www.investucatett.com or at www.ttsec.wordpress.com.

The CCEI is always open to your feedback on our public outreach initiatives and activities, and we invite you to share your comments at ccei@ttsec.org.tt.

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