



Trinidad & Tobago  
**Stock Exchange**  
*Creating Opportunities*

# STATEMENT OF SUBSTANCE AND PURPOSE

Amendment to Proposed TTSE Rule 400(2)  
Special Market Listing Requirement Rule in  
respect of the Small and Medium Enterprise  
Market

June 2023

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## **BACKGROUND**

In accordance with Section 35 of the Securities Act Ch 83:02, the Trinidad and Tobago Stock Exchange Limited (TTSE) hereby proposes to amend the Listing Requirements relative to the Small and Medium Enterprise Market (SME) Rules for approval by the Trinidad and Tobago Securities and Exchange Commission (TTSEC).

The TTSE previously submitted to the TTSEC in late 2022, the proposed TTSE Rule Book, which contained a version of the SME Rules for approval. For background purposes, in efforts to develop the Small and Medium Enterprise Market (SME), the TTSE is seeking to introduce a new level of public float to make the entry point for SMEs more attainable while maintaining regional and international standards.

By ORDER of August 29<sup>th</sup> 2022, the Commission approved an amendment to TTSE Rule Book in respect of the SME Market Listing Rule whereby the company, trust, entity or body corporate is required to have a minimum of twenty-five (25) unconnected shareholders owning a total of at least thirty per cent (30%) of the total issued share capital.

The TTSE is now requesting that this particular section be amended to a minimum of twenty-five (25) unconnected shareholders owning a total of at least **twenty percent (20%)** of the total issued share capital or such other amounts as determined by the Exchange and approved by the Commission with a discretionary rule whereby the TTSE Board of Directors maintains its discretion in the listing of any securities with the Trinidad and Tobago Stock Exchange. This further amendment is required since market perception is that the required level of public float is too high and that the thirty percent (30%) threshold is deemed as restrictive.

After consideration, the TTSE has now deemed it imperative for the reasons set out in this Statement of Substance and Purpose that the rule in respect of the Special Market Listing- Small and Medium Enterprise, namely, the current proposed TTSE Rule 400 (2) be expeditiously updated. For clarification purposes, the amended Rule 400(2) will be titled, *Special Market Listing Requirements under the heading Small and Medium Enterprise Market*.

For ease of reference, we now enclose at “**Appendix 1**” the marked-up version showing the said proposed changes.

### **Note**

**The existing TTSE Rules are currently being revised. As a result, the number for the proposed Special Market Listing Requirements, Small and Medium Enterprise Market and references made to same within the Proposed TTSE Body of Rules is subject to change.**

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We now outline the following:

1. Existing Rule 400 (2) – Special Market Listing Requirements, Small and Medium Enterprise Market – to be amended and replaced.
2. Proposed amended Rule 400 (2) (i) and (ii).

**EXISTING RULE 400 (2)**

The existing rule of the TTSE Rule Book which outlines the Special Market Listing Requirements relative to the Small and Medium Enterprise Market is presented below.

**Existing Rule – 400 (2) - Special Market Listing Requirements, Small and Medium Enterprise Market**

- (i) Any company, trust, entity or body corporate in order to have its Securities listed on the Small and Medium Enterprise Market shall:
    - (a) be a limited liability company incorporated, registered or established under the laws of Trinidad and Tobago or in any CARICOM country;
    - (b) not have or have had its Securities listed with the Exchange or with any other securities exchange;
    - (c) not be associated or affiliated with any company listed with the Exchange or with any other securities exchange;
    - (d) raise capital from the public through an initial public offering subject to an approved prospectus seeking a minimum or maximum distribution of new shares or sale of existing shares in such amounts as the Exchange may, from time to time, prescribe;
    - (e) The stipulated minimum or maximum distribution of new shares or sale of existing shares referred to in subsection (d) shall be communicated by the Exchange to the Commission and to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange;
    - (f) ensure that in the case of newly issued shares or by way of the offer of sale of existing shares, a minimum of Five Million Trinidad and Tobago Dollars (TT\$5,000,000.00) or, in the case of a combined offering, a minimum of fifty percent (50%) of the funds raised shall be directed for the benefit of the Eligible Company.
    - (g) have a minimum of twenty-five unconnected shareholders owning a total of at least thirty per cent of the total issued share capital of the company;
    - (h) list all Securities of a particular class (inclusive of previously issued Securities) with the Exchange no
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more than sixty days after allotment of the issue;

- (i) have a minimum number of shareholders or unitholders holding their issued Securities as the Exchange shall, from time to time, determine and such information shall be communicated in writing to the Commission, to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange; and
- (j) have a board of Directors which consists of no fewer than three (3) Directors, at least two (2) of which shall be non-executive Directors.

**PROPOSED AMENDED RULE 400 (2)**

The proposed Rule 400 (2) is outlined below for review and approval.

**Proposed Rule 400 (2) - Special Market Listing Requirements, Small and Medium Enterprise Market**

- (i) Any company, trust, entity or body corporate in order to have its Securities listed on the Small and Medium Enterprise Market shall:
  - (a) be a limited liability company incorporated, registered or established under the laws of Trinidad and Tobago or in any CARICOM country;
  - (b) not have or have had its Securities listed with the Exchange or with any other securities exchange;
  - (c) not be associated or affiliated with any company listed with the Exchange or with any other securities exchange;
  - (d) raise capital from the public through an initial public offering subject to an approved prospectus seeking a minimum or maximum distribution of new shares or sale of existing shares in such amounts as the Exchange may, from time to time, prescribe;
  - (e) The stipulated minimum or maximum distribution of new shares or sale of existing shares referred to in subsection (d) shall be communicated by the Exchange to the Commission and to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange;
  - (f) ensure that in the case of newly issued shares or by way of the offer of sale of existing shares, a minimum of Five Million Trinidad and Tobago Dollars (TT\$5,000,000.00) or, in the case of a combined offering, a minimum of fifty percent (50%) of the funds raised shall be directed for the benefit of the Eligible Company.
  - (g) have a minimum of twenty-five (25) unconnected shareholders owning a total of at least twenty per cent (20%) of the total issued share capital of the company or such other amounts as determined by the Exchange and approved by the Commission;
  - (h) list all Securities of a particular class (inclusive of previously issued Securities) with the Exchange no more than sixty (60) days after allotment of the issue;
  - (i) have a minimum number of shareholders or unitholders holding their issued Securities as the Exchange shall, from time to time, determine and such information shall be communicated in writing to the Commission, to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange; and

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- (j) have a board of Directors which consists of no fewer than three (3) Directors, at least two (2) of which shall be non-executive Directors.
  
- (ii) In accordance with TTSE Rule 400 (1), The TTSE Board of Directors maintains its discretion in the listing of any securities with the Trinidad and Tobago Stock Exchange.

## **SUMMARY OF CHANGES**

The following is a summary of the material amendments made.

### **Rule 400 (2) (i)- Special Market Listing Requirements, Small and Medium Enterprise Market**

#### **(g) Public Ownership of Share Capital of the Company**

Proposed Rule 400(2)(i)(g) provides a requirement for a minimum of twenty-five (25) unconnected shareholders to own a total of at least twenty per cent (20%) of the total issued share capital of the company or other such amounts as determined by the Exchange and approved by the Commission, for any company, trust, entity or body corporate to have its securities listed on the Small and Medium Enterprise Market.

### **Rule 400 (2) (ii)- Special Market Listing Requirements, Small and Medium Enterprise Market**

#### **(ii) TTSE Board Discretion**

Proposed Rule 400(2)(ii) provides the TTSE Board with the power to exercise discretion in the listing of any securities with the Trinidad and Tobago Stock Exchange in accordance with TTSE Rule 400 (1).



## **STATEMENT OF SUBSTANCE AND PURPOSE**

The TTSE is in the process of proposing changes to its current proposed Rule 400 (2) relative to the requirement of a company, trust, entity or body corporate to have a minimum of twenty-five (25) unconnected shareholders owning a total of at least thirty per cent (30%) of the total issued share capital of the Company for initial admission for SME Market Listing to a requirement of a minimum of twenty-five (25) unconnected shareholders owning a total of at least twenty per cent (20%) of the total issued share capital of the Company or other such amounts as determined by the Exchange and approved by the Commission, for initial admission for SME Market Listing.

The TTSE also proposes an additional discretionary rule at 400(2)(ii) whereby the TTSE's Board of Directors shall exercise discretion in the listing of any securities with the TTSE in accordance with TTSE Rule 400 (1) as this will account for any subsequent issues associated with this required level of public float or any other listing irregularities. This proposed rule was revised in August 2022 and was previously submitted to the TTSEC for its review within the body of the full TTSE Rule Book. This proposed rule was drafted pursuant to the Corporation Tax Act Ch 75:02 and was designed to ensure that the system allowing for tax leniency was not being abused by those applying to list on the SME Market.

Whilst the TTSE has noted an increased level of interest from the number of SME's towards listing, based on market feedback, there is a general perception that the required level of public float is too high and that the 30% level was deemed as too wide and restrictive, resulting in uncomfortable levels in loss of control of the respective companies, triggering an unwillingness to list. As such, since the launch of the SME Market in 2012, there have only been two listings to date.

The TTSE is proposing the amendments to Rule 400(2) (i) (g) and Rule 400 (2) (ii) on the basis that that the reduced level of public float requirement will be more enabling as an entry point for SMEs and will provide adequate room for subsequent issues without the SME having to give up majority control. Additionally, this proposed level of public float aligns with similar requirements in other Regional Exchanges whose required public float levels range between 10%-15%.

In light of the aforementioned, the TTSE is humbly seeking the expedited approval of the proposed amendments to Rule 400 (2) by the Commission.

## APPENDIX I

### **Proposed Amended Rule 400 (2)- Special Market Listing Requirements, Small and Medium Enterprise Market**

- (i) Any company, trust, entity or body corporate in order to have its Securities listed on the Small and Medium Enterprise Market shall:
    - (a) be a limited liability company incorporated, registered or established under the laws of Trinidad and Tobago or in any CARICOM country;
    - (b) not have or have had its Securities listed with the Exchange or with any other securities exchange;
    - (c) not be associated or affiliated with any company listed with the Exchange or with any other securities exchange;
    - (d) raise capital from the public through an initial public offering subject to an approved prospectus seeking a minimum or maximum distribution of new shares or sale of existing shares in such amounts as the Exchange may, from time to time, prescribe;
    - (e) The stipulated minimum or maximum distribution of new shares or sale of existing shares referred to in subsection (d) shall be communicated by the Exchange to the Commission and to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange;
    - (f) ensure that in the case of newly issued shares or by way of the offer of sale of existing shares, a minimum of Five Million Trinidad and Tobago Dollars (TT\$5,000,000.00) or, in the case of a combined offering, a minimum of fifty percent (50%) of the funds raised shall be directed for the benefit of the Eligible Company.
    - (g) have a minimum of twenty-five (25) unconnected shareholders owning a total of at least ~~thirty~~ twenty per cent (20%) of the total issued share capital of the company or such other amounts as determined by the Exchange and approved by the Commission;
    - (h) list all Securities of a particular class (inclusive of previously issued Securities) with the Exchange no more than sixty (60) days after allotment of the issue;
    - (i) have a minimum number of shareholders or unitholders holding their issued Securities as the Exchange shall, from time to time, determine and such information shall be communicated in writing to the Commission, to Member Firms via electronic mail and to the market via a notice posted on the website of the Exchange; and
    - (j) have a board of Directors which consists of no fewer than three (3) Directors, at least two (2) of which shall be non-executive Directors.
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- (ii) In accordance with TTSE Rule 400 (1), The TTSE Board of Directors maintains its discretion in the listing of any securities with the Trinidad and Tobago Stock Exchange.

**\*END OF DOCUMENT\***