

SECURITIES MARKET BULLETIN

An overview of the securities market for the first half of the year
2023

A PUBLICATION BY THE TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE
COMMISSION

Level 22-23, Tower D, International Waterfront Centre, 1 Wrightson Road, Port of Spain

APRIL 2024

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List of Abbreviations and Acronyms

| | |
|----------------------------|---|
| Act | Securities Act Chapter 83:02 of the Laws of the Republic of Trinidad and Tobago |
| AUM | Assets Under Management |
| CBTT | The Central Bank of Trinidad and Tobago |
| CIS | Collective Investment Scheme |
| Draft RBCAL By-Laws | Draft Risk Based Capital and Liquidity Requirements Byelaws 2023 |
| MMRF | Micro and Macro-Prudential Reporting Framework |
| Qtr | Quarter |
| RBS | Risk-Based Supervision |
| Repo | Repurchase Agreement |
| SRO | Self-Regulatory Organisation |
| The Exchange | The Trinidad and Tobago Stock Exchange |
| TTSEC | Trinidad and Tobago Securities and Exchange Commission |

Introduction

In 2023, the Trinidad and Tobago Securities and Exchange Commission (TTSEC) implemented its new strategic plan, 2022-2026, a four-year plan that will provide a blueprint to address the existing and future needs of the industry. As a supervisory authority in Trinidad and Tobago, the TTSEC remains committed to instilling confidence in the securities market by protecting investors, promoting sustainable market growth, and reducing systemic risk, through collaboration and innovation.

In accordance with Section 6(l) of the Securities Act Chapter 83:02 of the Laws of the Republic of Trinidad and Tobago (Act), the TTSEC is mandated to “assess, measure and evaluate risk exposure in the securities industry”. We are empowered under Section 7(i)(l) of the Act to “monitor the risk exposure of Registrants and Self Regulatory Organisations (“SROs”) and take measures to protect the interest of investors, clients, members and the securities industry”.

To fulfil this mandate, the Micro and Macro Prudential Reporting Framework (MMRF) was launched in 2016 with the primary goal of collecting financial and statistical data from registered entities under Section 51(1) of the Act, SROs under Section 36 of the Act and the Central Bank of Trinidad and Tobago (“CBTT”). Eight years and 11 Securities Market Bulletin (SMB) publications later; the MMRF continues to provide a foundation for the prudential oversight of the industry and is used as a main input for our systemic risk monitoring frameworks.

The 11th issue of the SMB discusses the outputs of Registrant’s MMRF submissions for the first half of 2023. Over the six month period, ending June 2023, the market reported reduced numbers as there was negative growth in most business activities. During this time, the capital market had to navigate economic uncertainties, market volatility, tightening monetary policy to curb inflation and geopolitical instability. When comparing the average performance of the first half of 2023 to Qtr4 2022, there were declines in Private Placements by **TT\$266.07Mn (55.7percent)**, Over the Counter transactions by **TT\$223.87Mn (5.8 percent)**, Repo Liabilities by **TT\$197.86Mn (3.7percent)**, and the Client Assets Managed by Investment Advisers of **TT\$2.08Mn (2.9 percent)**. During the same period, the Client Assets Managed by Broker Dealers grew by

TT\$9,042.52Mn (8.8 percent) and Assets under Management by Collective Investment Schemes by **TT\$146.83Mn (0.2 percent)**.

This publication provides insights into the following business activities as well as their interconnections over the period:

- *Investment Advising;*
- *Broker Dealing;*
- *CIS Management;*
- *Repo Selling; and*
- *Structuring and Distributing Securities: Over the Counter (“OTC”) and Private Placements.*

Significant Activities

Entities registered under Section 51(1) of the Act are required to submit MMRF data on a quarterly basis. As at Qtr2 2023, there were **54¹** entities, which comprised of **43** Broker-Dealers, **10** Investment Advisers (**7** Corporate and **3** Individuals) and **1** Underwriter. It should be noted that there were no changes to the number of Broker-Dealers, Investment Advisers and Underwriters registered with the TTSEC during the first half of 2023.

In Trinidad and Tobago, some of the activities performed by entities registered under Section 51(1) of the Act include:

- **Investment Advising:** advising a person as to buying, selling, or holding a security only.
- **Broker Dealing:** executing trades on behalf of clients and the company’s own account as principal.
- **CIS Management:** managing securities or a portfolio of securities belonging to a CIS.
- **Portfolio Management:** managing securities or a portfolio of securities belonging to another person (excluding CISs) in circumstances involving the exercise of discretion.
- **Repo Selling:** creating and selling Repos based on proprietary holdings.
- **Structuring and Distributing Securities:** structuring and issuing of securities and or underwriting securities on a best-efforts or firm commitment bases.

¹ The number of entities under 51(1) of the Act registered with the TTSEC and reported under MMRF differ due to timing of the data.

The TTSEC amended the Clients Assets Managed fields of the MMRF forms for the Qtr2 2023 reporting period. These changes were necessary to provide a clear distinction between Client Assets managed on behalf of Collective Investment Schemes, Private Wealth Clients, and Other Clients in the securities market.

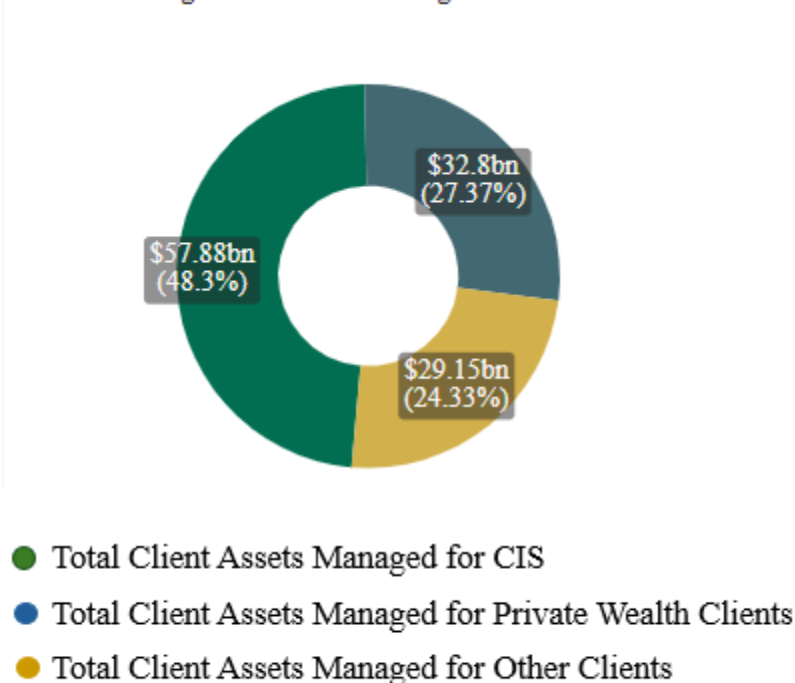
Figure 1: Client Assets Managed-Investor Advising and Broker-Dealing Entities.



Figure 1 shows that in Qtr2 2023, Total Clients Assets Managed for entities conducting Investment Advising and Broker Dealing were **TT\$0.07Bn** and **TT\$119.84Bn**, respectively. When broken down, the assets managed on behalf of entities conducting Investment Advising constituted of only Other Clients such as pension funds.

Figure 2: Client Assets Managed-Investor Advising and Broker-Dealing.

Broker Dealing - Client Asset Managed Breakdown



For Client Assets managed by entities conducting Broker Dealing, the **TT\$119.84Bn** comprised of **TT\$57.88Bn² (48.30 percent)** for CISs, **TT\$32.80Bn (27.37 percent)** for Private wealth clients and **TT\$29.15Bn (24.33 percent)** for Other Clients as at Qtr2 2023 (**Figure 2**). On an annualised basis, the Client Assets Managed for Investment Advising decreased by approximately **TT\$2.57Mn (3.65 percent)** while Client Assets Managed for Broker Dealing increased by approximately **TT\$8.65Bn (7.78 percent)** respectively.

For Qtr2 2023, the Assets Under Management (“AUM”) for entities conducting CIS Management was **TT\$62.63Bn**, the Repo Obligations/Liabilities for Repo Selling was **TT\$5.13Bn** and the value of Over the Counter (OTC) and Private Placements transactions for Structuring and Distributing Securities were **TT\$3.93Bn** and **TT\$0.06Bn**, respectively. When compared to Qtr2 2022, the AUM for CIS Management increased by approximately **TT\$294.76Mn (0.47 percent)** and the transaction values of the OTC market by **TT\$467.36Mn (13.51 percent)**. The value of Repo

² The Commission does not receive MMRF reports from unregistered CIS Managers as such their Client Assets Managed would not be accounted for in this total.

Liabilities and Private Placements decreased by **TT\$3.52Bn (40.69 percent)** and **TT\$39.52Mn (41.60 percent)**, respectively (*Table 1*).

Table 1: Significant Activities - Y-O-Y Change

| Activity | Qtr 2 2022 (TT\$Bn) | Qtr2 2023 (TT\$Bn) | Change (TT\$Bn) | % Change |
|---------------------|------------------------|-----------------------|--------------------|----------------|
| Investment Advising | 0.07 | 0.07 | -0.00 | -3.65% |
| Broker Dealing | 111.18 | 119.83 | 8.65 | 7.78% |
| CIS Management | 62.33 | 62.63 | 0.29 | 0.47% |
| Repo Selling | 8.65 | 5.13 | -3.52 | -40.69% |
| Over the Counter | 3.46 | 3.93 | 0.47 | 13.51% |
| Private Placement | 0.09 | 0.06 | -0.04 | -41.60% |

Entities are mainly categorised into three group affiliations: Bank Group, Financial Group and Independent. For Qtr 2 2023, companies within the Financial Group accounted for most of the AUM for CIS Management and the value of Repo Liabilities. However, the Bank Group accounted for Client Assets Managed for Broker Dealers and most of the transactions in the OTC market. It should be noted that only one Investment Adviser, which was within the Independent Group, managed assets of clients in Qtr2 2023 (*Figure 3*). The data showed that the Registrants within the Bank and Financial Group did not participate in Private Placements for both periods.

Figure 3: Significant Activities by Group Affiliation as at Qtr2 2023 (TT\$)

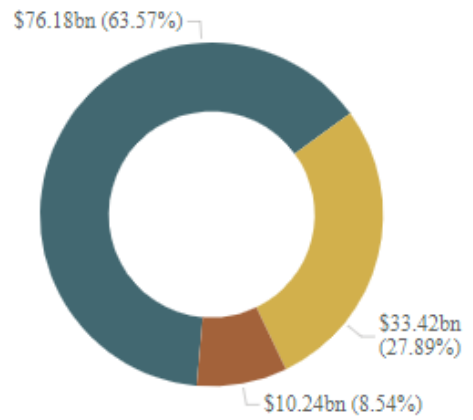
Investment Advising - Client Assets Managed

● Financial Group ● Independent



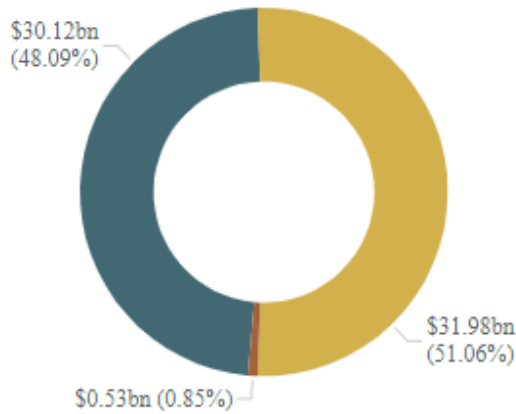
Broker Dealing - Client Asset Managed

● Bank Group ● Financial Group ● Independent



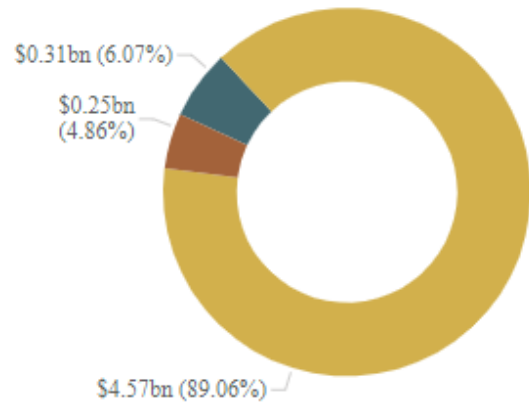
CIS Management

● Bank Group ● Financial Group ● Independent



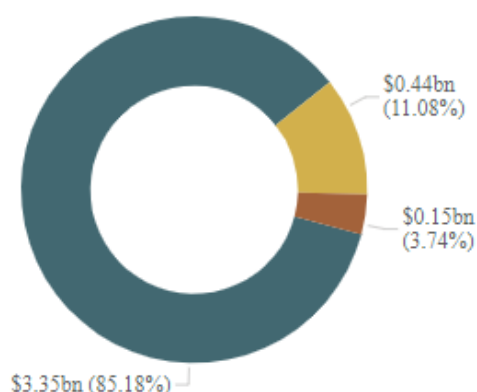
Repo Selling

● Bank Group ● Financial Group ● Independent



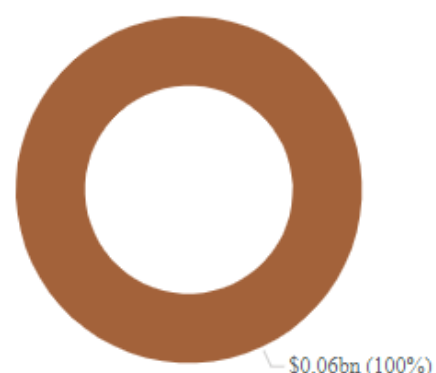
Over-the-Counter

● Bank Group ● Financial Group ● Independent



Private Placements

● Independent



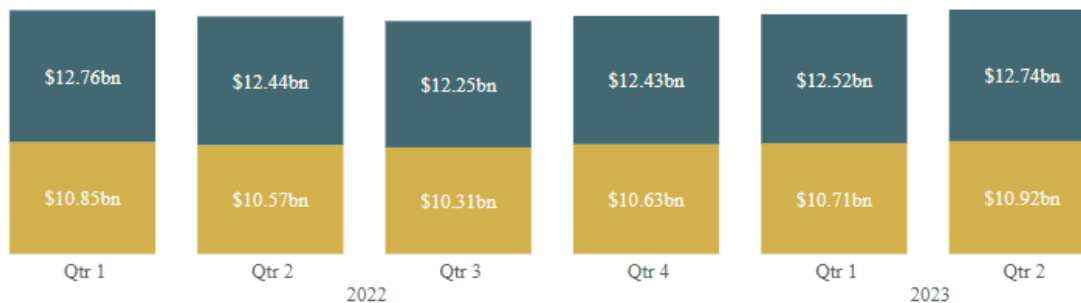
Investment Advising

While there were **10** Investment Advisers (**7** Corporate and **3** Individuals) in Qtr2 2023, it should be noted that Broker-Dealers can also provide investment advice in the market. In the first half of 2023, the average values for Assets and Liabilities of Investment Advisers were approximately **TT\$12.63Bn** and **TT\$10.82Bn**, respectively. When compared to the corresponding period in the previous year, the average values of Assets increased by approximately **0.24 percent** while Liabilities also increased by just over **1 percent** (*Figure 4*).

Figure 4: Investment Advisers' Assets and Liabilities Composition (TT\$)

Investment Advisers

● Assets ● Liabilities



In Qtr2 2023, Investment Advisers had **1,005** clients with **TT\$0.07Bn** of Client Assets Managed; an increase in clients by **0.40 percent** with no increase in Client Assets Managed when compared to Qtr4 2022. It should be noted, however, that only one Investment Adviser has Total Assets of approximately **TT\$12.19Bn** (**95.68 percent**) of the industry's total for Qtr2 2023. Currently, the

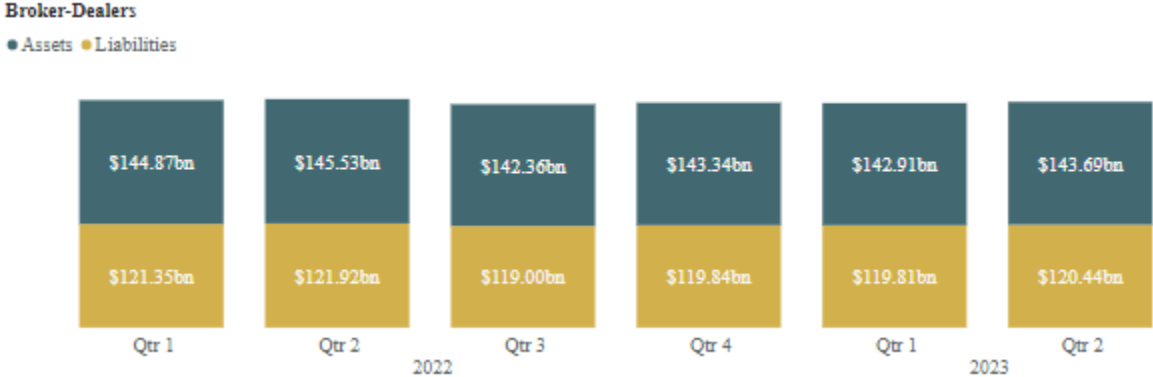
legislation only permits Investment Advisers to provide investment advice; however, the TTSEC is in the process of creating Portfolio Managers Bye-laws which permit the management of clients' accounts.

Broker Dealing

In Qtr2 2023, there were **43** Broker Dealers, who collectively had **2.37Mn** clients (exclusive of Private Wealth Clients) and managed **TT\$119.83Bn** in client Assets. The number of Clients and the Client Asset Managed increased by **6.28 percent** and **7.78 percent**, respectively from Qtr2 2022. It should be noted that approximately **27.37 percent** of total Client Assets are managed on behalf of **6,511** Private Wealth Clients whose assets were valued at **TT\$32.80Bn**

In the first half of 2023, the average values for Assets and Liabilities of Broker Dealers were approximately **TT\$143.30Bn** and **TT\$120.13Bn**, respectively. When analysing the comparative period last year, the average values of Assets and Liabilities decreased by approximately **TT\$1.90Bn (1.31 percent)** and **TT\$1.51Bn (1.24 percent)**, respectively (*Figure 5*).

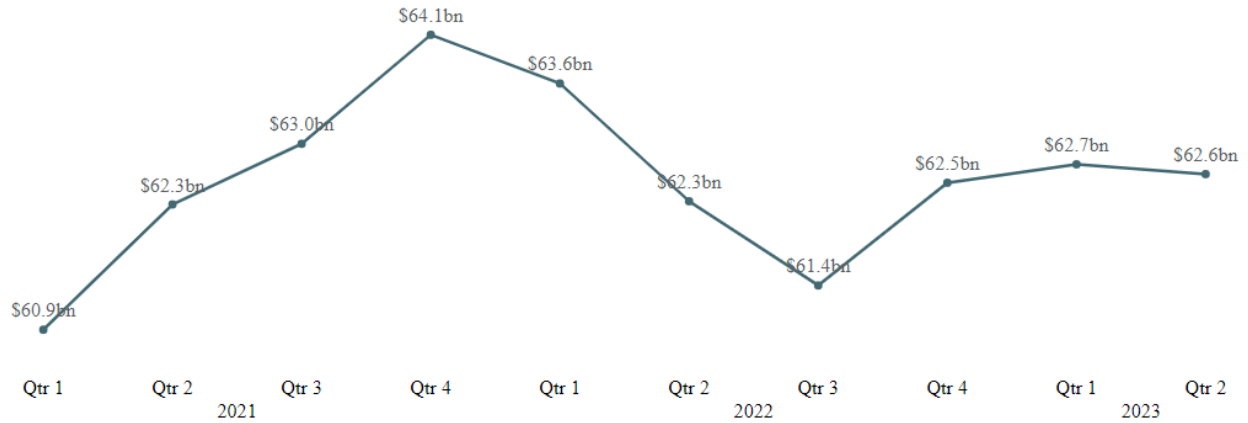
Figure 5: Broker-Dealers' Assets and Liabilities Composition (TT\$)



Of the total Broker-Dealers, there were **8** on the Trinidad and Tobago Stock Exchange (“the Exchange”) as at Qtr2 2023. In total, Broker-Dealers on the Exchange had **76,459** clients with **TT\$24.02Bn** Clients Assets Managed. When compared with Qtr2 2022, both variables increased by **8.79 percent** and **11.38 percent** respectively.

CIS Management

Figure 6: CIS AUM (TT\$)



In Qtr2 2023, **17** Broker-Dealers managed **80** Funds, valuing **TT\$62.6Bn** (*Figure 6*). Since the decline in Qtr3 2022, both the number of funds as well as the AUM has been relatively stable ranging between **TT\$62.5Bn** and **TT\$62.7Bn**. The market continues to be dominated by **14** Fixed Net Asset Value (“NAV”) Funds, accounting for an average of approximately **57 percent** of total AUM in Qtr2 2023 (*Figure 7*). Most CISs are denominated in TTD currency (*Figure 8*).

Figure 7: CIS AUM Breakdown by NAV Type

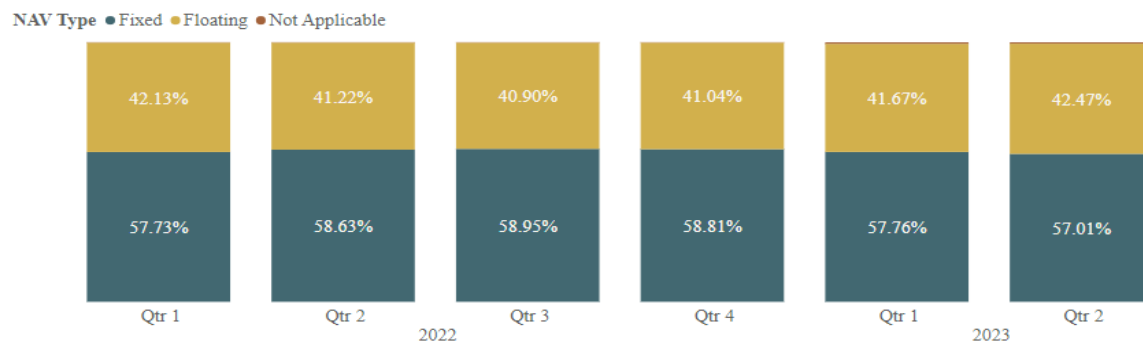
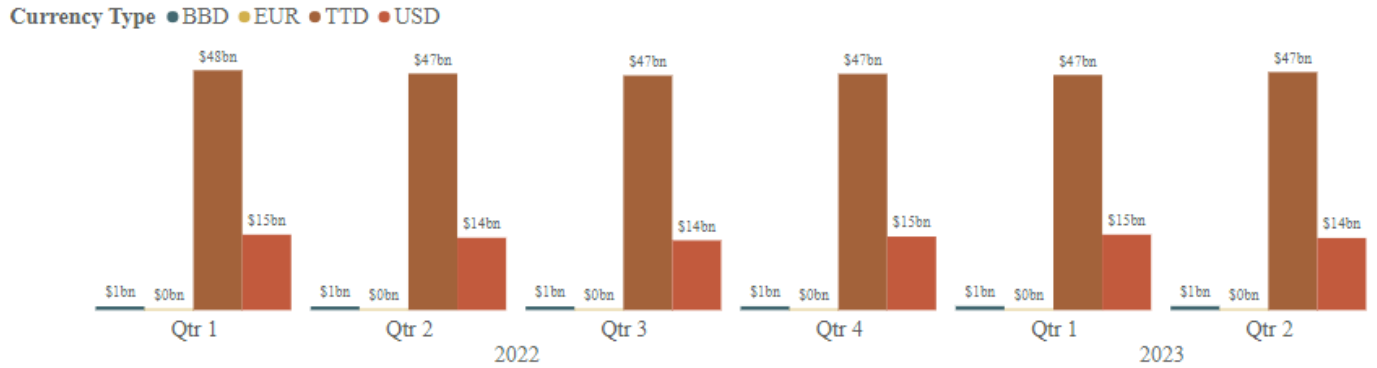


Figure 8: CIS AUM Breakdown by Currency



In Qtr2 2023, there were **35** Fixed Income CISs which accounted for **81.53 percent** of the market’s AUM (**Figure 9**), and TT Individuals continued to have the largest investments in CISs (**Figure 10**).

Figure 9: Types of CISs as at Qtr2 2023

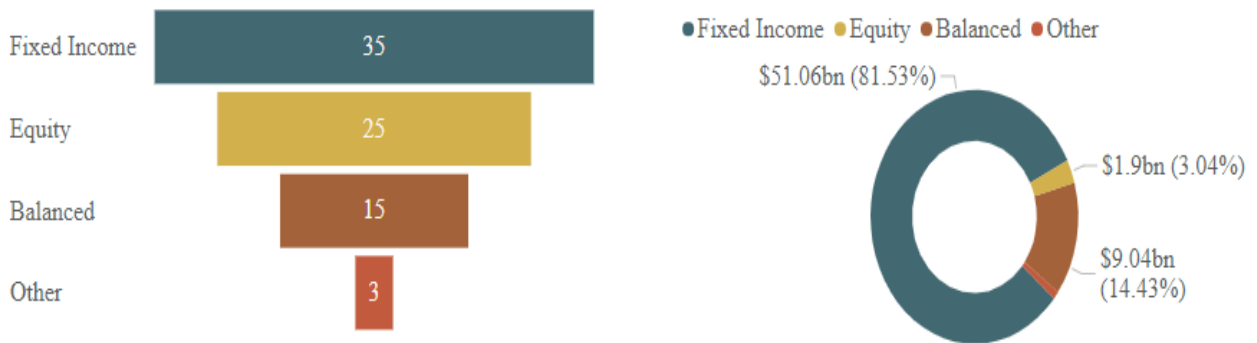
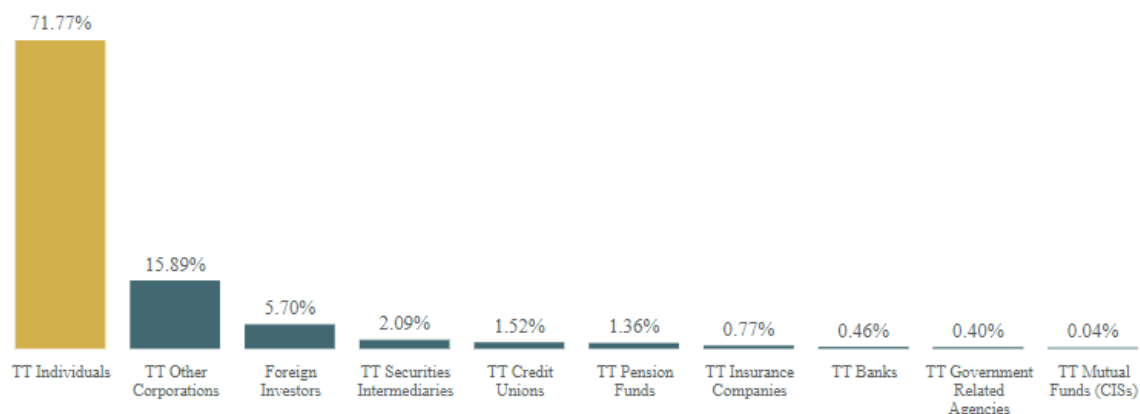
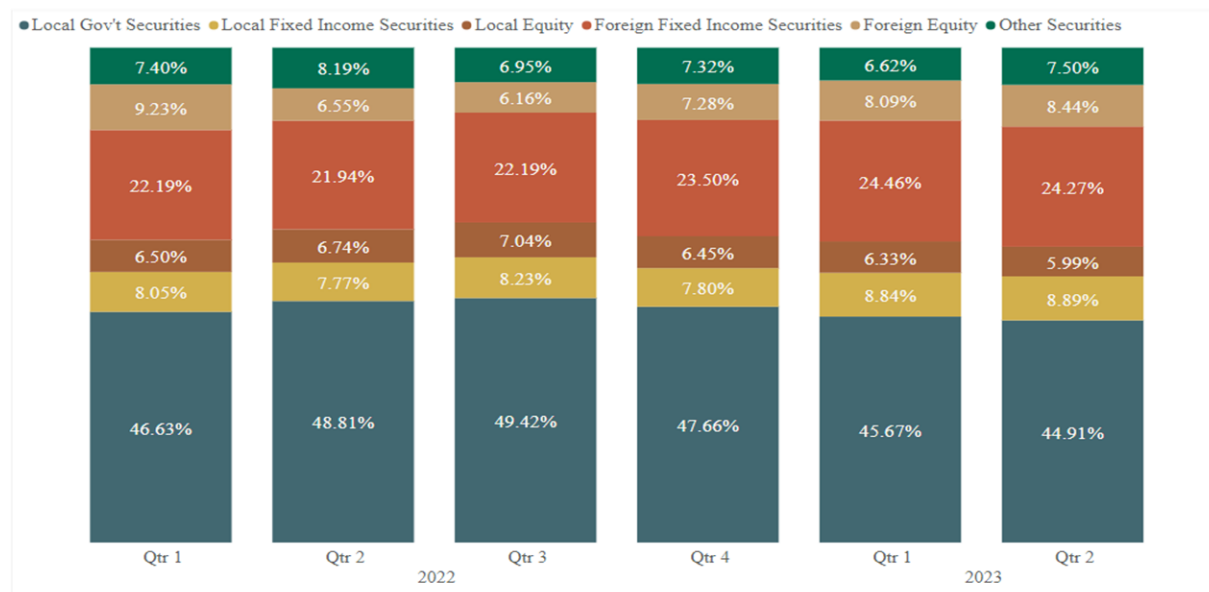


Figure 10: Types of Investors in CISs as at Qtr2 2023



CIS portfolios continue to be mainly comprised of Local Government Securities. In 2022, these investments were approximately **48 percent**, on average. When compared to Qtr2 2023, investments in Local Government Securities decreased to approximately **45 percent**, on average (*Figure 11*).

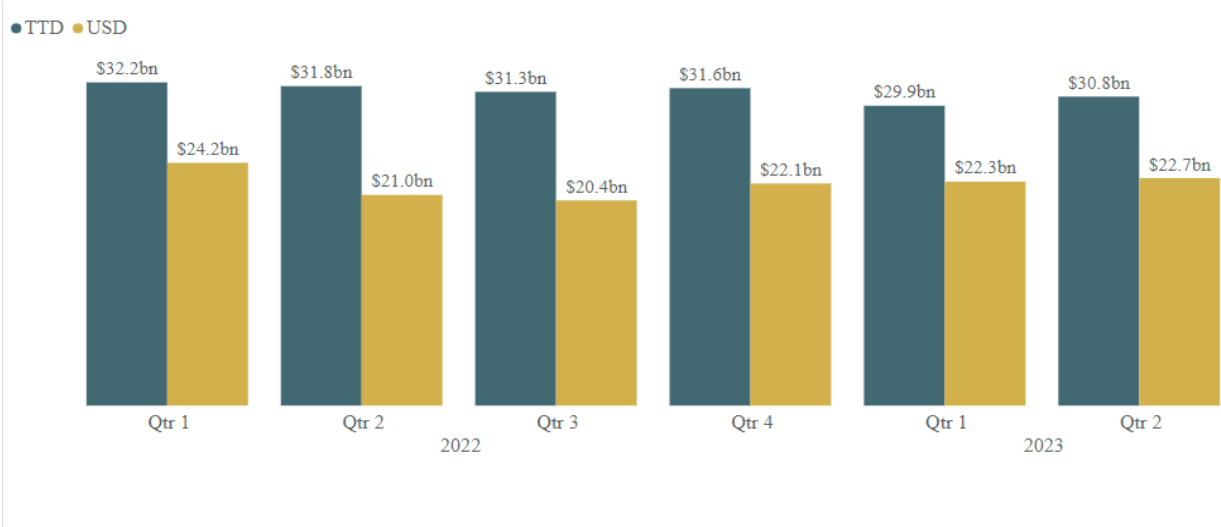
Figure 11: CIS Portfolio Composition³ by Type



³ The following definitions pertain to asset categories for portfolios in this report. Local Government Securities include TT Government Securities, TT Financial State Agencies, TT Non-Financial State Agencies and TT Eurobonds. Local Fixed Income Securities include TT Bonds Financial Sector and TT Other Corporate Bonds. Local Equity includes TT CISs and TT Equity. Foreign Fixed Income Securities include Foreign Government Securities and Foreign Non-Government Securities. Foreign Equity includes Foreign CISs and Foreign Equity. Other Securities include Real Estate, Repurchase Agreements and Other Assets.

While CIS portfolios continue to be mainly denominated in TTD, it should be noted that there were significant declines in both the TTD and USD portfolio compositions of **TT\$1.0Bn (3.14 percent)** and **TT\$1.70Bn (8.10 percent)** from Qtr2 2022. However, these losses are less somewhat mitigated when the Qtr4 2022 figures are used for comparison as the TTD composition fell by **TT\$0.80Bn (2.53 percent)** while the USD composition increased by **TT\$0.6Bn (2.71 percent)** (*Figure 12*).

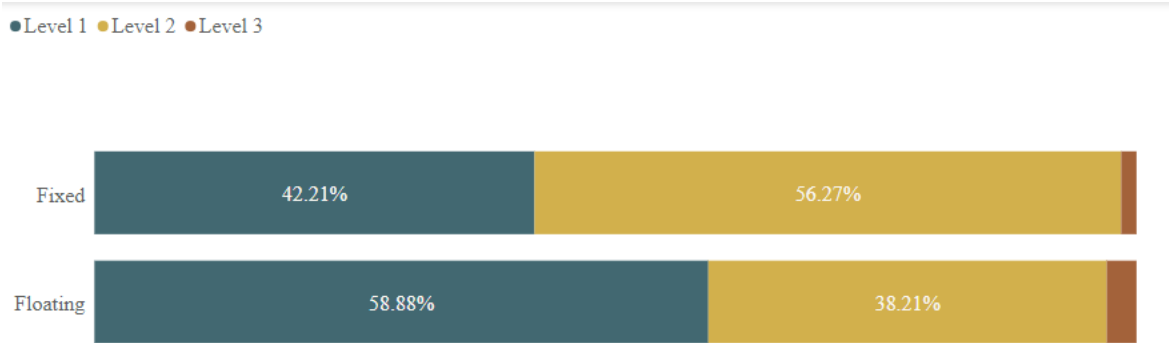
Figure 12: CIS Portfolio Composition by Currency



A closer inspection of the CIS Portfolios for Qtr2 2023 revealed that a significant portion of Floating NAV CISs (**58.88 percent**) contained securities that were classified as Level 1, whilst the corresponding portion for Fixed NAV CISs was **42.21 percent**. This indicated that the prices of these securities can be easily quoted on an organised exchange (*Figure 13*).

As at Qtr2 2023, securities with classification of Level 2 and 3 represented approximately **57.79 percent** of securities contained within the portfolios of Fixed NAV CISs and **41.12 percent** within those of Floating NAV CISs. (*Figure 13*).

Figure 13: CIS Asset Level Classification as at Qtr2 2023



Floating NAV CISs generally provided higher yields for its investors (*Figure 14* and *15* respectively). It is noted that Floating NAV CISs had a negative average yield of **-1.53 percent** and **1.52 percent** for Fixed NAV CISs as at the end of Qtr2 2022. However, the average yield for Floating NAV CISs as at the end of Qtr2 2023 increased to **2.39 percent** while the average yield for Fixed NAV CISs was **1.65 percent**.

Figure 14: Average Yield by NAV Type Comparison (Qtr4 2022 & Qtr2 2023)

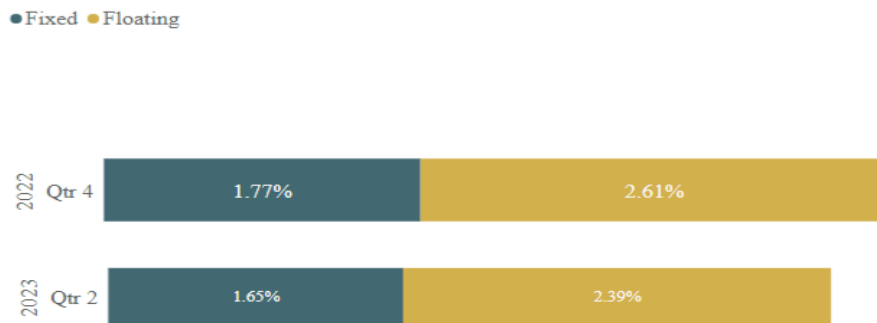
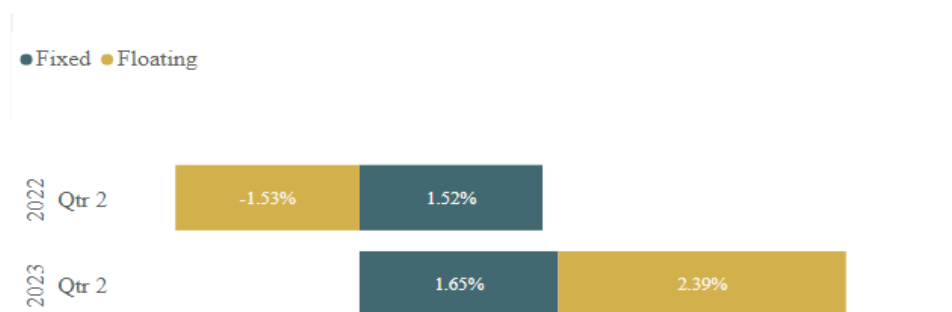


Figure 15: Average Yield by NAV Type Comparison (Qtr2: Year-on-Year)



It was observed that the maturities of Fixed Income securities within the market were influenced by the NAV of the CIS. There has been no change from our last publication as the Local Fixed Income securities held within Fixed NAV CISs had a longer time to maturity than its Foreign counterpart. When compared to the same period last year, local Fixed Income securities for Floating NAV CISs had the longer time to maturity. This can be attributable to portfolio restructuring and maturities in securities occurring. The data also showed that the maturities for Local Fixed Income securities increased in Qtr2 2023 when compared to Qtr2 2022 while those for Foreign Fixed Income securities decreased (*Table 2*).

Table 2: Weighted Average Maturities as at Qtr2 2023 (years)

| NAV Type | Fixed Income Type | Qtr 2 2022 | Qtr 2 2023 |
|-----------------|-------------------|------------|------------|
| Fixed | Local | 3.88 | 4.05 |
| | Foreign | 2.76 | 1.81 |
| Floating | Local | 2.64 | 4.77 |
| | Foreign | 6.00 | 2.85 |

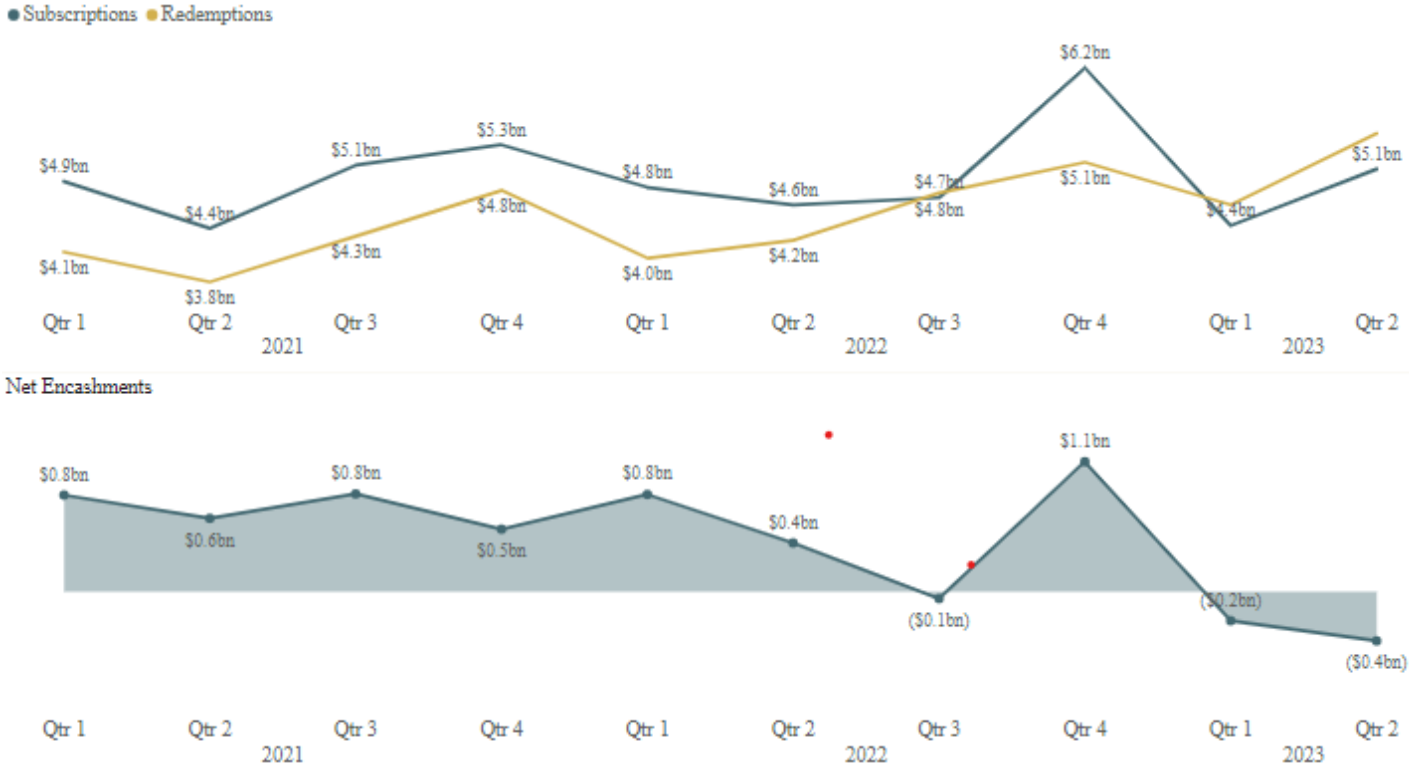
In Qtr2 2023, the data showed that most Local Fixed Income securities (**60.15 percent**) for Floating NAV CISs had maturities of less than one year whilst for Fixed NAV CISs, Foreign Fixed Income securities (**60.33 percent**) had maturities of between 1 to 5 years (**Table 3**).

Table 3: Weighted Average Maturities by Portfolio Composition as at Qtr2 2023

| NAV Type | Fixed Income Type | < 1 yr | 1 – 5 yrs | > 5 yrs |
|----------|-------------------|--------|-----------|---------|
| Fixed | Local | 24.23% | 43.09% | 32.69% |
| | Foreign | 31.83% | 60.33% | 7.85% |
| Floating | Local | 60.15% | 22.61% | 17.25% |
| | Foreign | 39.99% | 24.17% | 35.84% |

The fluctuations that categorised Subscriptions and Redemptions in 2022 continued into the first half of 2023. However, Subscriptions were 0.6 times less than Redemptions in the first half of 2023 where the market recorded Net Redemptions in both quarters of **TT\$0.2Bn** and **TT\$0.4Bn** respectively (*Figure 16*).

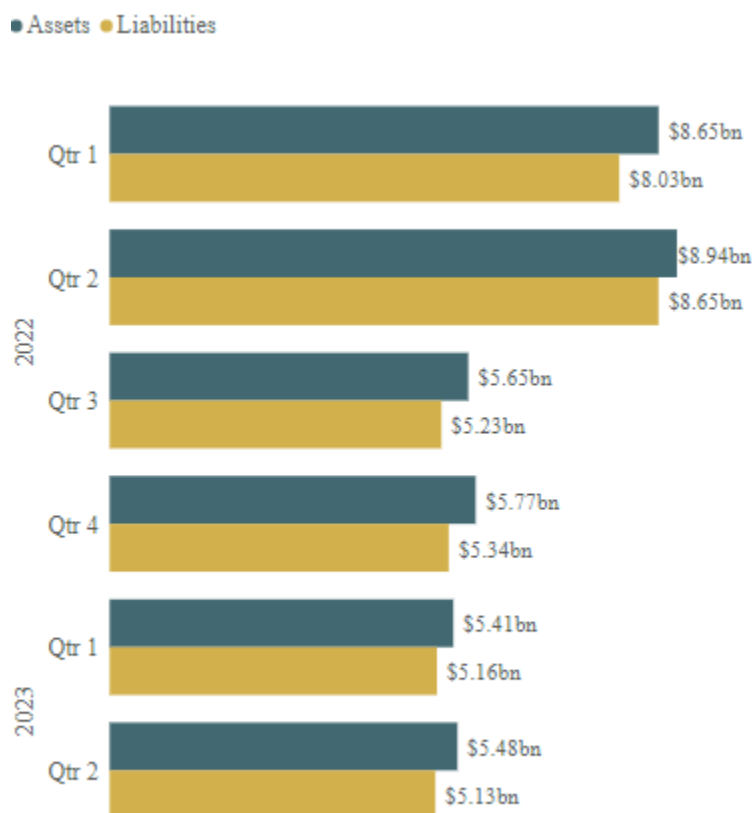
Figure 16: Subscriptions, Redemptions, Net Encashments (TT\$)



Repo Selling

Year on year, the number of Repo Sellers stood at **14** entities. However, there were **13** entities at the end of Qtr2 2023 following the exit of one Repo Seller in 2022. The Repo Assets and Liabilities in Qtr2 2023 were valued at **TT\$5.48Bn** and **TT\$5.13Bn**, respectively (*Figure 17*). The exit of the large Repo Seller resulted in a sharp decrease of Repo Assets and Liabilities by **38.69 percent (TT\$3.46Bn)** and **40.66 percent (TT\$3.52Bn)** from Qtr2 2022. However, there was an increase in the Repo Assets of **1.20 percent (TT\$64.89Mn)** in Qtr2 2023 from Qtr1 2023 while Repo Liabilities reported a decline of **0.50 percent (TT\$25.57Mn)**.

Figure 17: Repo Assets and Liabilities



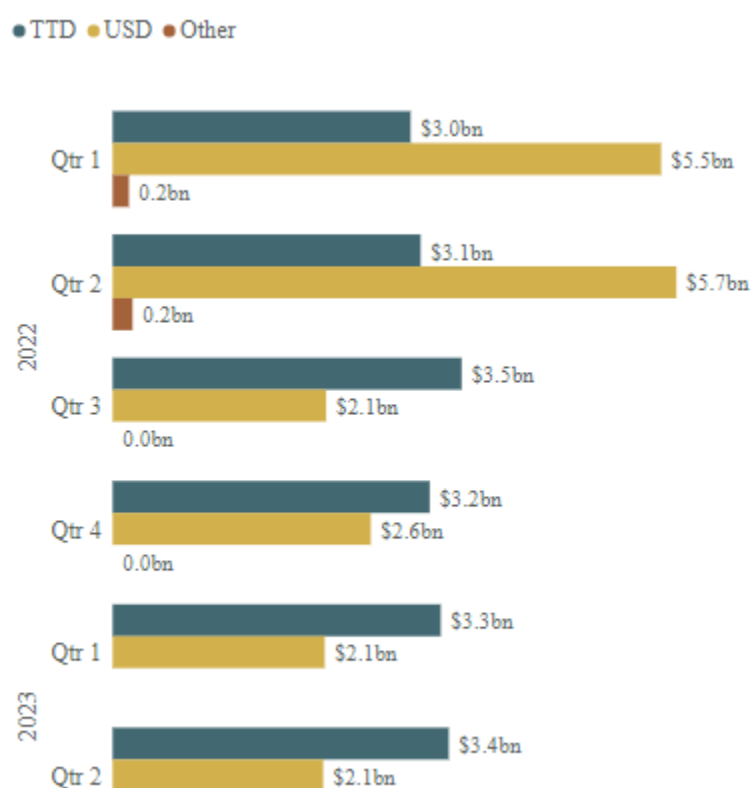
Also, considering the exit of the large Repo Seller, the number of foreign contracts fell by **65.92 percent** from Qtr2 2022 to Qtr2 2023 (*Table 4*). However, during the first half of 2023, the number of foreign contracts remained unchanged whilst the Local contracts increased by **4.41 percent**.

Table 4: Repo Contracts

| Year | Quarter | Contracts | | |
|------|---------|-----------|-------|-------|
| | | Foreign | Local | Total |
| 2022 | Qtr 1 | 199 | 1716 | 1915 |
| | Qtr 2 | 179 | 1720 | 1899 |
| | Qtr 3 | 67 | 1734 | 1801 |
| | Qtr 4 | 66 | 1796 | 1862 |
| 2023 | Qtr 1 | 61 | 1838 | 1899 |
| | Qtr 2 | 61 | 1919 | 1980 |

In addition, the currency composition of the portfolios reverted to its prior position, before Qtr3 2022, and is now mainly denominated in TTD (**Figure 18**).

Figure 18: Repo Portfolio Currency Composition



For the first half of 2023, the average maturity of a Repo contract was **12 months**, with the average return for investors being approximately **4.86 percent**. At the end of Qtr2 2023, the average rollover rate for Local and Foreign contracts was **65.76 percent** and **76.19 percent**, respectively. When compared to Qtr1 2022, this represented an increase of **20.46 percent** and **61.83 percent** for Local contracts and Foreign contracts but a significant decrease of **69.92 percent** and **16.52 percent** for when compared to Qtr1 2023.

In Qtr 2 2022, the asset composition of the Repo portfolio was mainly held in Foreign Fixed Income Securities. However, in the last half of 2022, this trend changed and continued into Qtr2 2023 with the investments in Local Government Securities significantly exceeding Foreign Fixed Income Securities. It is noted that there were no investments in Other Securities in the first half of 2023 (*Figure 19*).

Figure 19: Repo Portfolio Composition (TT\$)⁴

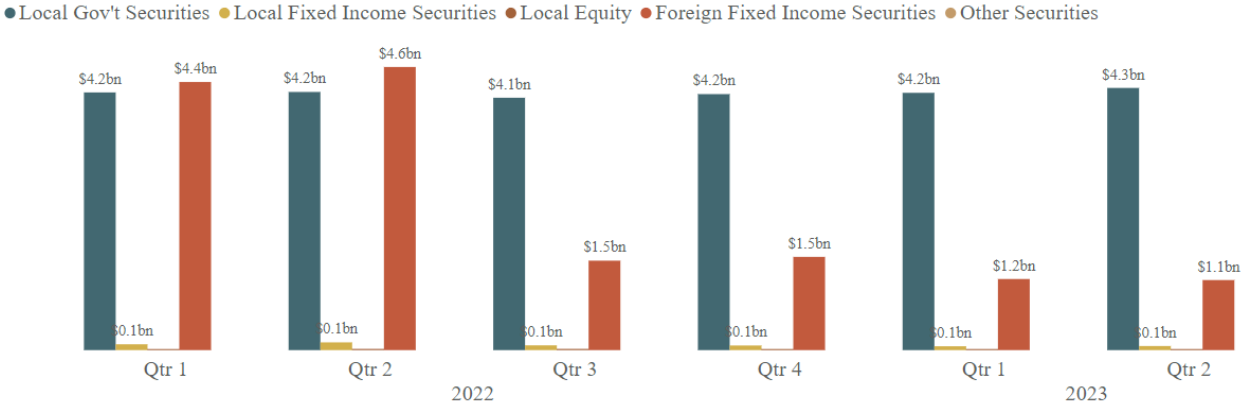
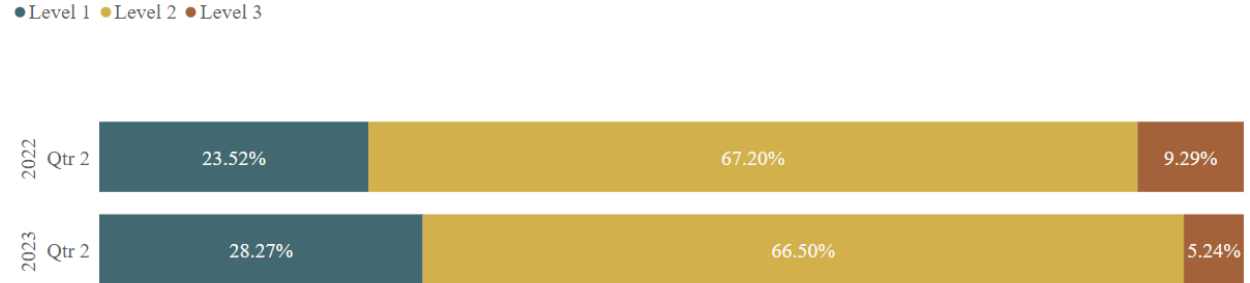


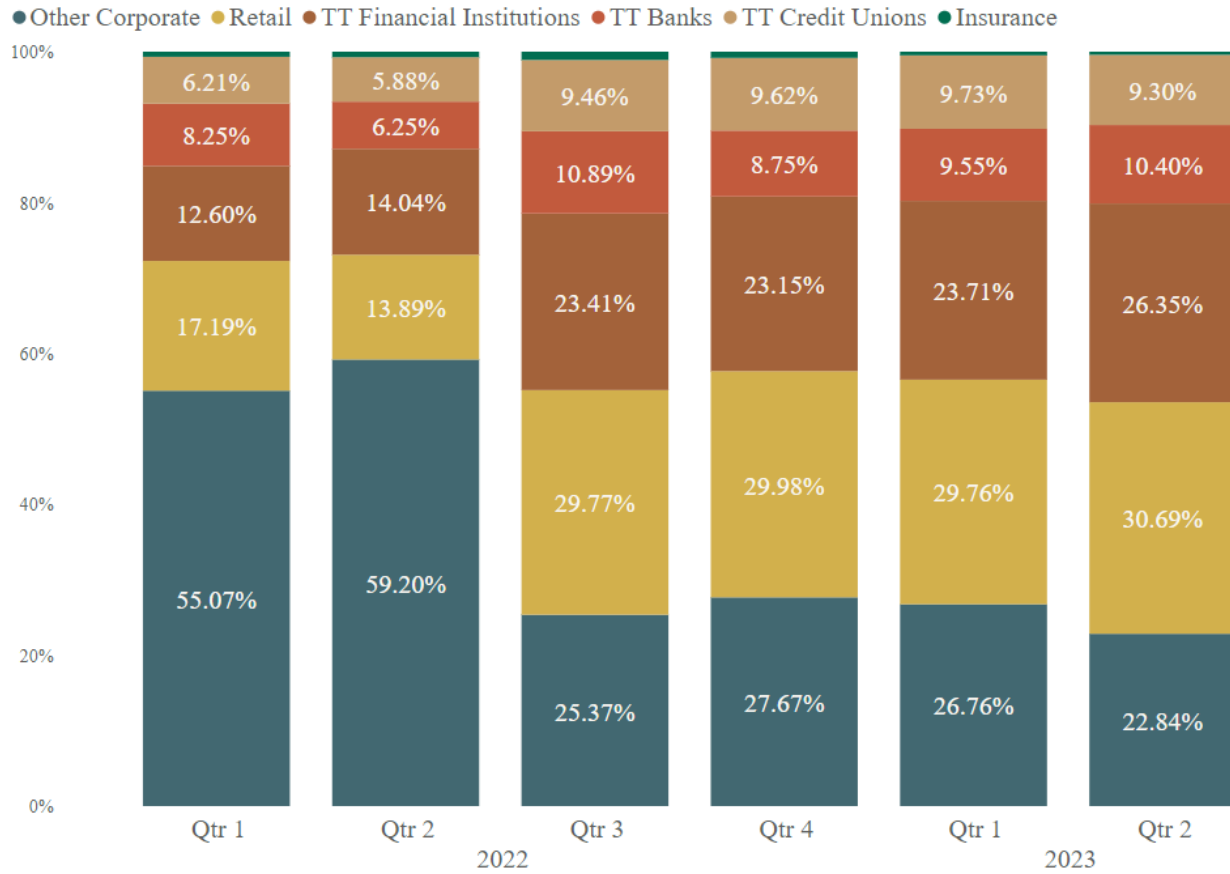
Figure 20: Repo Asset Level Classification



At the end of Qtr 2 2023, it was observed that the majority, **94.77 percent**, of the collateral securities in the Repo Portfolios were classified as either Level 1 or Level 2 (*Figure 20*). This means that they are valued using inputs directly observable in the market.

⁴The definitions for the asset categories are the same as defined for *Figure 11: CIS Portfolio Composition* of this report except for the Other Securities category which excludes Repurchase Agreements.

Figure 21: Investors in Repos as at Qtr2 2023



When looking at the Investor Profile, it was noted that there was a large decline in the “Other Corporate” investors from Qtr2 2022 due to the exit of a major Repo Seller in Qtr3 2022. Following this, “Retail” investors replaced “Other Corporate” investors as having the largest investments in Repos (*Figure 21*).

Structuring and Distributing: OTC and Private Placements

Over the Counter (OTC)

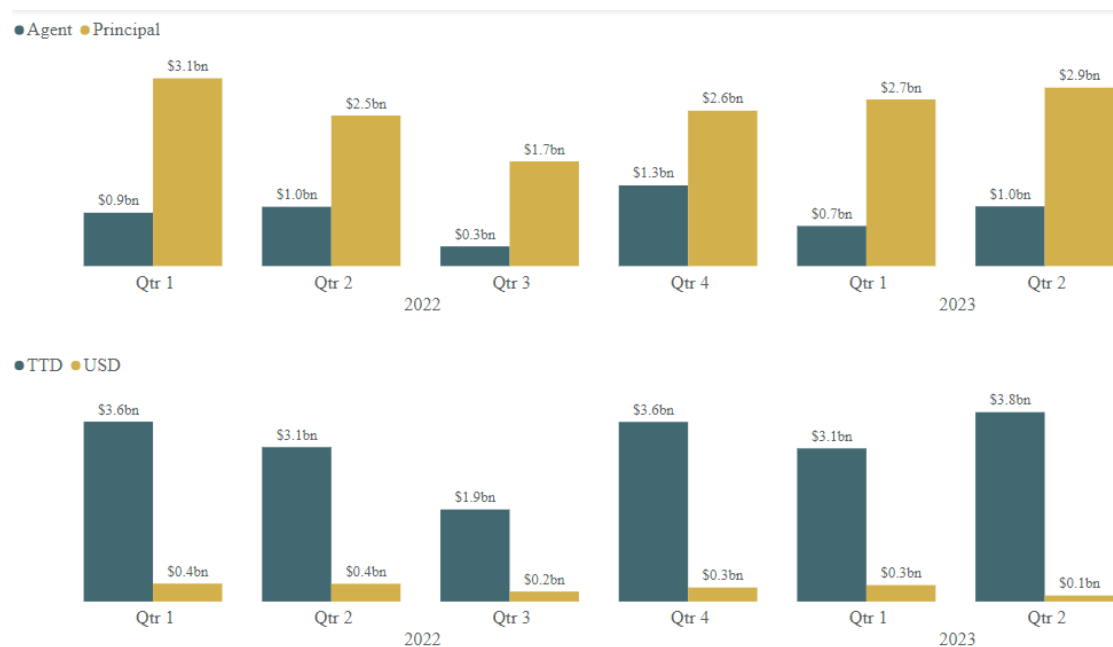
There was no distinct pattern for OTC activities during the review period, Qtr1 2022 - Qtr2 2023 (*Table 5*). At most, there were **13** Registrants conducting OTC activities with most of the transactions being investments in Fixed Income Securities. The largest transaction value during the first half of 2023 was **TT\$3.93Bn** in Qtr2 while the largest number of transactions (**1,198**) occurred in Qtr1.

Table 5: Over-the-Counter Transactions

| Year | Quarter | Registrants | No. of Transactions | Value TT\$ |
|------|---------|-------------|---------------------|------------|
| 2022 | Qtr 1 | 10 | 727 | \$3.98bn |
| | Qtr 2 | 9 | 1073 | \$3.46bn |
| | Qtr 3 | 10 | 1079 | \$2.05bn |
| | Qtr 4 | 10 | 979 | \$3.89bn |
| 2023 | Qtr 1 | 12 | 1198 | \$3.41bn |
| | Qtr 2 | 13 | 866 | \$3.93bn |

During the review period, the highest value of transactions was conducted by Broker-Dealers acting as Principals, which were mainly denominated in TTD (*Figure 22*).

Figure 22: Over-the-Counter Transactions



Private Placements

Likewise, there was no distinct pattern for Private Placements activities during the review period, Qtr1 2023 and Qtr2 2023. At most, there were **two** Registrants conducting Private Placements activities with all transactions being investments in Fixed Income Securities. When reviewing the data, it was noted that the weighted average maturity of a limited offering was **13 months**, with a return on these investments being approximately **4.34%** for Qtr 2 2023.

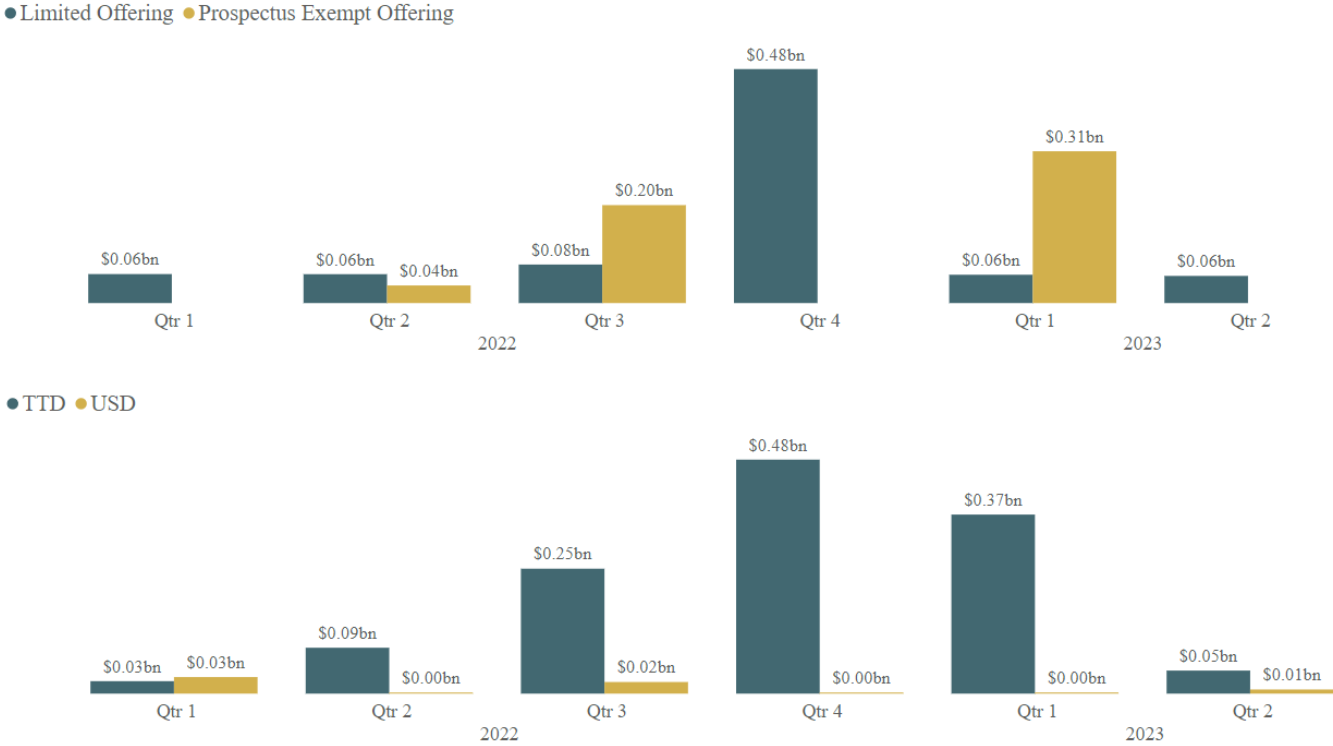
Table 6: Private Placement Transactions

| Year | Quarter | Registrants | No. of Issues | Amount Raised TT\$ |
|------|---------|-------------|---------------|--------------------|
| 2022 | Qtr 1 | 2 | 23 | \$0.06bn |
| | Qtr 2 | 3 | 39 | \$0.09bn |
| | Qtr 3 | 3 | 48 | \$0.28bn |
| | Qtr 4 | 3 | 40 | \$0.48bn |
| 2023 | Qtr 1 | 2 | 38 | \$0.37bn |
| | Qtr 2 | 1 | 32 | \$0.06bn |

The first quarter of 2023 recorded the largest amount raised and number of issues of **TT\$0.37Bn** and **38** respectively (*Table 6*).

Private Placements via Limited Offerings were arranged throughout both quarters of 2023, with each equalling **TT\$0.06Bn**. Despite this, Prospectus Exempt Offerings raised the most money through Private Placements in Qtr1 2023, totalling **TT\$0.31Bn**. Private placements were mainly comprised of TTD (*Figure 23*).

Figure 23: Private Placement Transactions



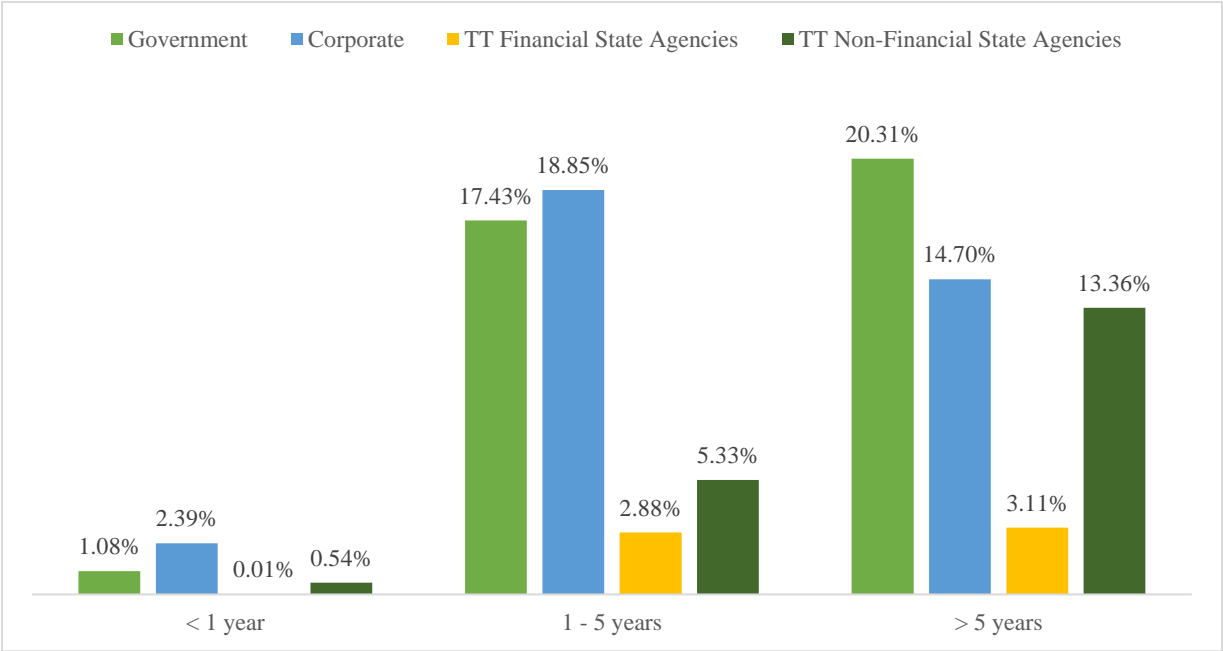
Financial Interconnectedness

The local financial system represents a network of financial institutions that facilitate and enable a myriad of financial transactions such as the transfer of funds and assets between borrowers, lenders, and investors. It holds major importance to regulators who seek to monitor the risks posed by these institutions and take the necessary measures to mitigate systemic risk.

As the regulator of the securities industry, the TTSEC assesses the risks inherent in the business activities of our Registrants under Section 51(1) of the Act. The interconnectedness within the significant activities of our Registrants is evaluated by way of the investments within their portfolios. Many of these portfolios possess similar compositions which are susceptible to stresses or shocks in the economy. These shocks usually have deleterious effects on fund managers’ portfolio values and the ordinary investor’s savings.

When examining the TTSEC’s securities register, the data for Qtr2 2023 showed that Government Securities accounted for the most securities (**38.82 percent**) registered and outstanding. Most securities (**51.49 percent**) had more than five years to maturity (*Figure 24*).

Figure 24: Time to Maturity of Fixed Income securities registered with TTSEC.



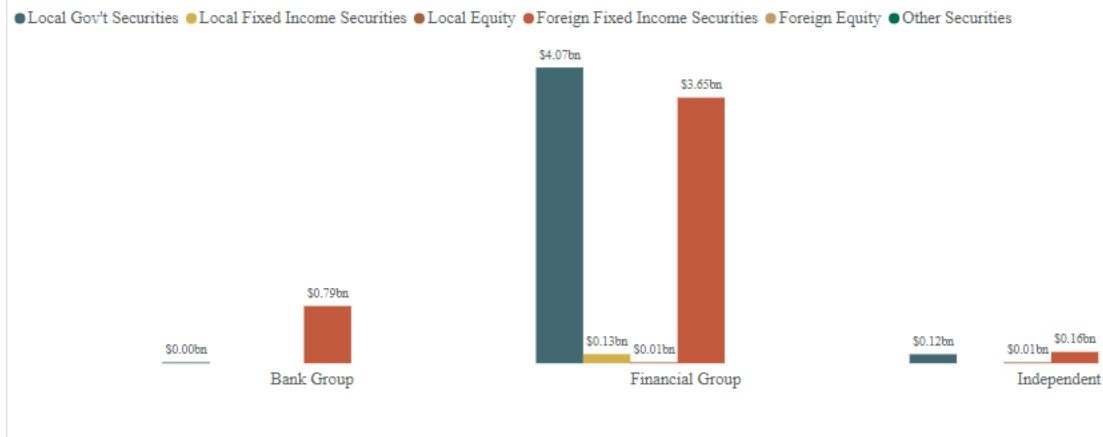
The data shows that Local Government Securities and Foreign Fixed Income Securities accounted for the two largest investments in all portfolios (*Figure 25*). When looking at the portfolio

compositions by Group Affiliation (Bank Group, Financial Group and Independent), entities within all three invested approximately **45.72 percent** of their Securities Portfolios in Local Government Securities (**Figure 25**). Bank and Financial Groups also invested **30.15 percent** of the CIS Portfolios in Local Government Securities (**Figure 25**). Interestingly, Bank Groups invested **0.03 percent** in Local Government Securities within their Repo Portfolios while Financial Groups invested **51.76 percent** in same (**Figure 25**). There was also significant investment in Foreign Fixed Income Securities across Bank and Financial Groups in all three Portfolios.

Figure 25: Portfolio Compositions by Group Affiliation as at Qtr2 2023 (TTS)



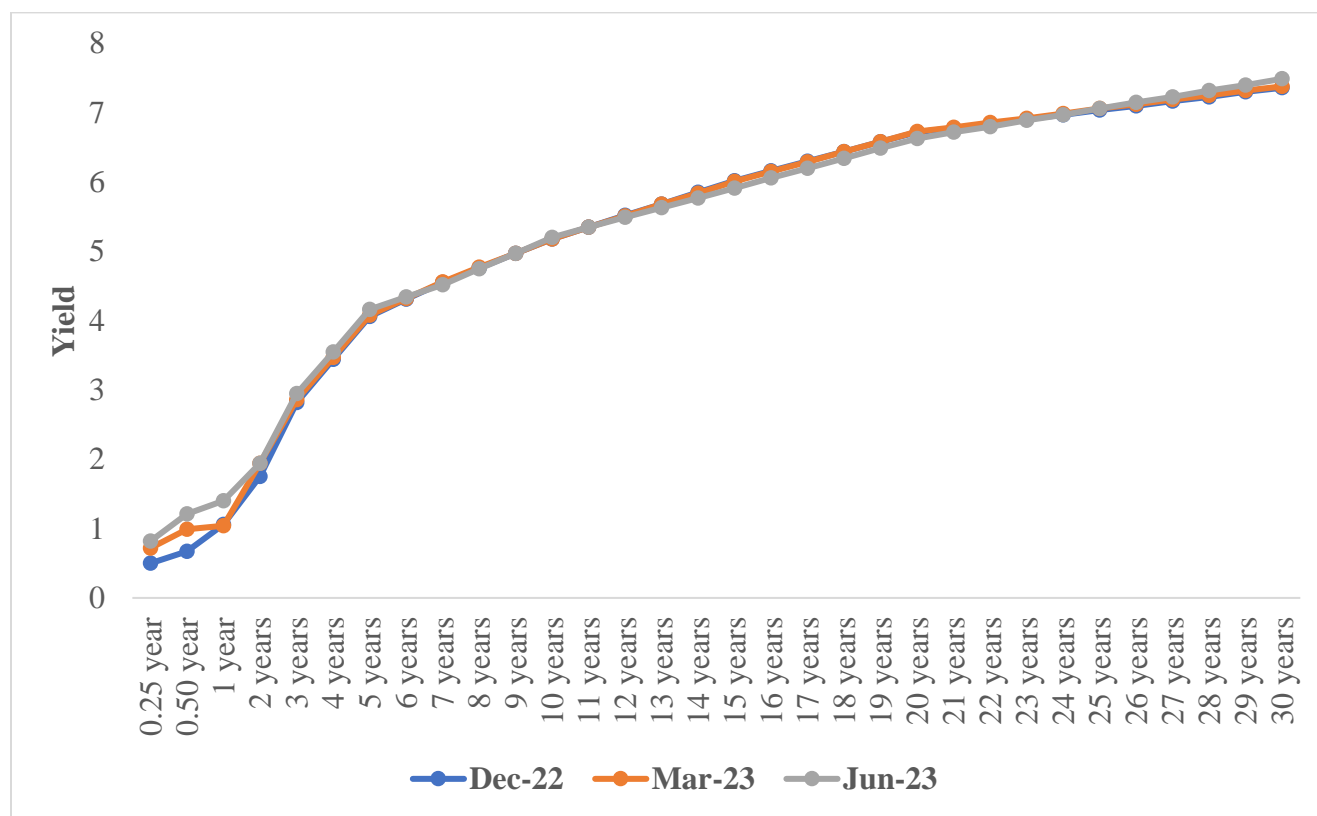
Repo Portfolio



As a result of this, it is noted that any unfavorable changes to the interest rates can affect the attractiveness of these investments. The Government Bond yield curve serves as a base indicator of the cost of borrowing by the Government, which has immediate and long-term ramifications for economic policy and any development programs to be undertaken. In short, the lower the bond yields are, the cheaper it is for the Government to borrow funds to undertake economic development programs.

Based on the data below, short to medium-term bond yields (maturities less than 5 years) ranged between **0.5 percent** and **4.16 percent** while the maximum yield on Long-term bonds continues to be just short of **8 percent** (*Figure 26*).

Figure 26: Government Bond Yield



Source: Central Bank of Trinidad and Tobago

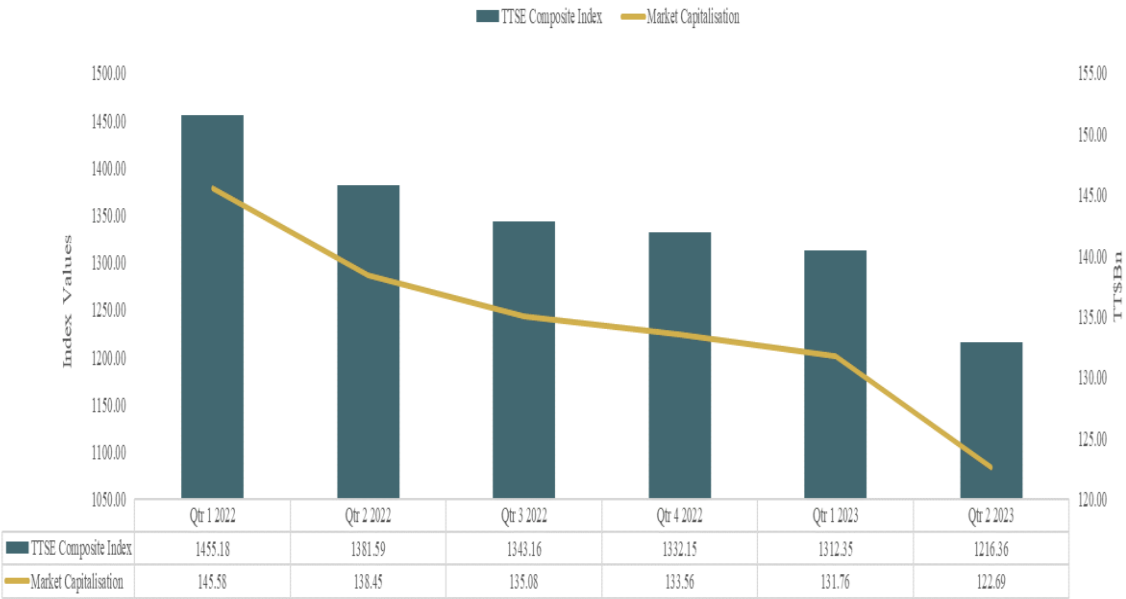
Developed markets continued recent policies into the first half of 2023 based on the prevailing economic headwinds from last year. This was their attempt at containing inflation, resulting in the value of fixed income securities of developed markets declining. Foreign Fixed Income Securities are also susceptible to foreign exchange fluctuations and as seen previously, the portfolios are mainly comprised of TTD and USD investments. While the CIS portfolio was mainly denominated in TTD, its USD composition increased by **7.97 percent** from Qtr2 2022 to Qtr2 2023 and **2.42 percent** from Qtr4 2022 to Qtr2 2023. The Repo portfolio continues to be denominated more in TTD. In Qtr4 2022, the portfolio was approximately **55.12 percent** in TTD. However, this figure expanded to **61.48 percent** in Qtr2 2023.

Additionally, the data also showed a link between CIS Managers and Repo Sellers. In Qtr2 2023, mutual funds' investment in Repos accounted for **0.75 percent** of the total CIS portfolio while Repos' collateralization of mutual funds was unchanged at **0.31 percent** of Repo Assets. It should

also be noted that CIS Managers also invested in other local mutual funds and equities, accounting for **0.41%** and **5.54%**, respectively, of the total CIS portfolio. While the concentrations in these securities are small, disruptions in these market segments can affect the valuation of the assets in the portfolios.

On an annualized basis, the Exchange recorded approximately an **8 percent** decrease in both its Composite Index and the Market Capitalisation of its TTD Market (*Figure 27*). This is a trend to keep an eye on for future assessment as a declining stock market can be symptomatic of an ailing economy.

Figure 27: TTSE Composite Index and Market Capitalisation



Source: The Trinidad and Tobago Stock Exchange

Conclusion and the Way Forward

The TTSEC will continue to monitor the business activities of our Registrants. One of the objectives of our strategic plan focuses on reducing systemic risk and financial stability monitoring. Whilst the data collected and analyzed from the MMRF focuses on the business activities and portfolios of our Registrants, the TTSEC utilises other tools in our regulatory toolkit such as the TTSEC’s Risk-Based Capital and Liquidity Requirements Framework and Risk-Based Supervision Framework (RBS) to gain greater insight into their inherent risks.

Furthermore, in the first half of 2023, the TTSEC developed its Draft Risk Based Capital and Liquidity Requirements Byelaws 2023 (the Draft RBCAL By-Laws). These Bye-laws are being established to assist the TTSEC in the discharge of its functions under Section 6 of the Securities Act, Chapter 83:02 of the Laws of the Republic of Trinidad and Tobago (“SA 2012”) by ensuring entities registered under the SA 2012 maintain adequate levels of capital and liquid assets to assist in absorbing some of the costs related to potential losses and risks associated with their business activities.

The TTSEC would like to thank our Registrants for their continuous support and commitment demonstrated towards the improvement of the quality of the MMRF data. This increased effort from the market has produced a richer data set and a more reliable overview of the industry. It is hoped that the TTSEC can continue to apprise the market of the specific risks faced within the securities industry so that together we can mitigate systemic risk and foster financial stability.

Appendix

Table 7: Summary of Indicators

| | 2021 | | 2022 | | | | 2023 | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| | Qtr3 | Qtr4 | Qtr1 | Qtr2 | Qtr3 | Qtr4 | Qtr1 | Qtr2 |
| CIS AUM (TT\$Bn) | 62.96 | 64.13 | 63.61 | 62.33 | 61.42 | 62.53 | 62.73 | 62.63 |
| % CIS AUM Fixed NAV | 57.71 | 56.91 | 57.73 | 58.63 | 58.95 | 58.81 | 57.76 | 57.01 |
| % CIS AUM Floating NAV | 42.15 | 42.95 | 42.13 | 41.22 | 40.90 | 41.04 | 41.67 | 42.47 |
| CIS Net Encashments (TT\$Bn) | 0.82 | 0.53 | 0.82 | 0.41 | (0.06) | 1.09 | (0.24) | (0.41) |
| Average CIS Yield (%) | 3.88 | 1.87 | 0.39 | (0.55) | 0.16 | 1.48 | 1.23 | 1.36 |
| Number of CISs | 69 | 72 | 74 | 80 | 80 | 80 | 80 | 80 |
| Number of CIS Managers | 16 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Repo Assets (TT\$Bn) | 7.41 | 7.75 | 8.65 | 8.94 | 5.65 | 5.77 | 5.41 | 5.48 |
| Repo Liabilities (TT\$Bn) | 6.91 | 7.22 | 8.03 | 8.65 | 5.23 | 5.34 | 5.16 | 5.13 |
| No. of Repo Contracts in issue | 1,836 | 1,874 | 1,915 | 1,899 | 1,801 | 1,862 | 1,899 | 1,980 |
| No. of Repo Dealers | 13 | 13 | 13 | 14 | 13 | 13 | 13 | 13 |
| Average Repo Maturity (mths) | 10 | 9 | 11 | 9 | 12 | 14 | 12 | 11 |
| Average Repo Return (%) | 4.16 | 2.43 | 2.51 | 2.68 | 6.17 | 6.31 | 6.39 | 3.32 |
| Value of GORTT Bond Issues, (TT\$Bn) | 28.43 | 27.95 | 27.41 | 27.40 | 26.64 | 25.63 | 24.92 | 24.13 |
| Market Capitalisation (TTD market) (TT\$Bn) | 142.65 | 150.04 | 145.59 | 138.46 | 135.08 | 133.57 | 131.77 | 122.70 |
| Market Capitalisation (USD market) (US\$Bn) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Value of OTC Transactions, (TT\$Bn) | 1.31 | 3.90 | 3.98 | 3.46 | 2.05 | 3.89 | 3.41 | 3.93 |
| Number of OTC Transactions | 703 | 725 | 727 | 1073 | 1079 | 979 | 1,198 | 866 |