

Investing Essentials (Part B)

UNIT SIX

LEARNING OBJECTIVES

At the end of this Unit, students should be able to:

- Understand that the securities industry is part of the financial landscape in Trinidad and Tobago
- Highlight the key players in the Securities Industry
- Explain the role of the regulator – Trinidad and Tobago Securities and Exchange Commission (TTSEC); the role of the Trinidad and Tobago Stock Exchange (TTSE) and the role of the Central Bank of Trinidad and Tobago (CBTT)
- Describe the different types of investment instruments

BIG IDEA – The TTSEC is the sole regulator of the Securities Industry in Trinidad and Tobago.

INTRODUCTION

The role of financial regulators and the composition of the Trinidad and Tobago's financial landscape, is of core importance to this Unit.

The Financial Landscape of Trinidad and Tobago

Ask students if they know what comprises the financial landscape of Trinidad and Tobago. Or ask, **“which institutions make up’ the financial landscape in T&T?”** List all the comments. Then make two or more lists and start grouping according to the responsibilities and entities under the **Central Bank of Trinidad and Tobago** and those that fall under the **Trinidad and Tobago Securities and Exchange Commission** etc.

Indicate the difference between the role of the Central Bank and the TTSEC.

The Securities Industry is often overlooked as part of the financial landscape of Trinidad and Tobago. Generally the Central Bank of Trinidad and Tobago (CBTT) regulates or has direct supervision over the following financial institutions: Commercial Banks; Insurance Companies; Pensions Sector, the Exchange Bureau (bureaux de change) and the Home Mortgage Bank. The Central Bank Act is the primary legislation governing the CBTT. The Financial Institutions Act is also a critical piece of legislation for the CBTT.

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) regulates the Securities Industry. Securities are considered financial investments. These include: stocks (shares), bonds and mutual funds — which are legally considered to be securities within Trinidad and Tobago. Securities tend to be widely available, easily bought and sold, and subject to regulation by the TTSEC.

However, investing in securities carries certain risks as mentioned before. That's because the value of your investment changes, as the market price of the security changes, in response to investor demand. As a result, you can make money, but you can also lose some or all of your original investment.

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The Securities Act (2012) is the primary legislation governing the operations of the TTSEC.

Differentiate between the role/s of the Trinidad and Tobago Stock Exchange (TTSE) and the TTSEC.

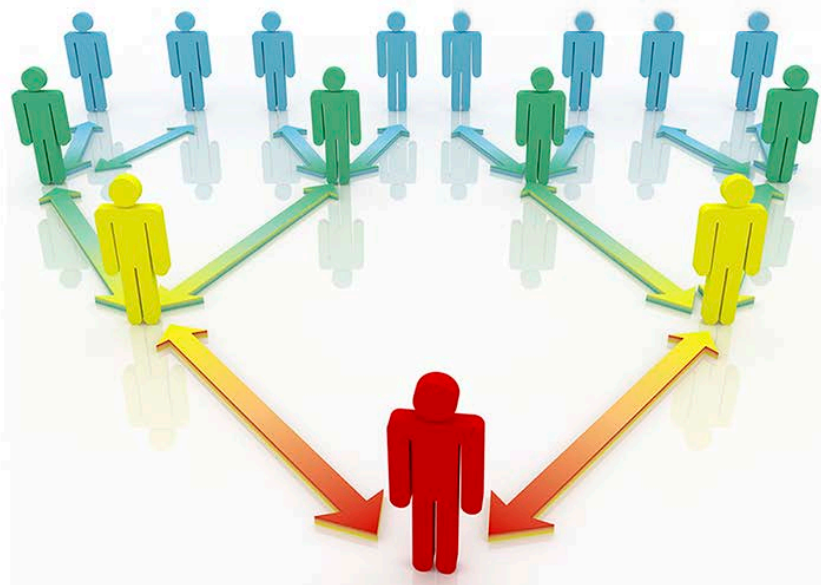
The T&T Stock Exchange (TTSE) is the nation's centralised marketplace for buying and selling shares and other securities. It facilitates the fair trading of a company's ownership with potential investors.

The TTSE is a limited liability company and is owned by its shareholders which comprise: Brokerage Firms; and Listed Companies.

It allows companies to raise funds/money by providing them with access to a pool of individual investors and institutional investors. An exchange's role in financial markets is pivotal for the development of the financial industry as it:

- Contributes towards increasing wealth for investors,
- Provides opportunities for companies to expand and grow their business/es – thereby creating new jobs and increasing production.

The TTSEC regulates the TTSE and also seeks to ensure that fair and transparent transactions are conducted to protect investors.

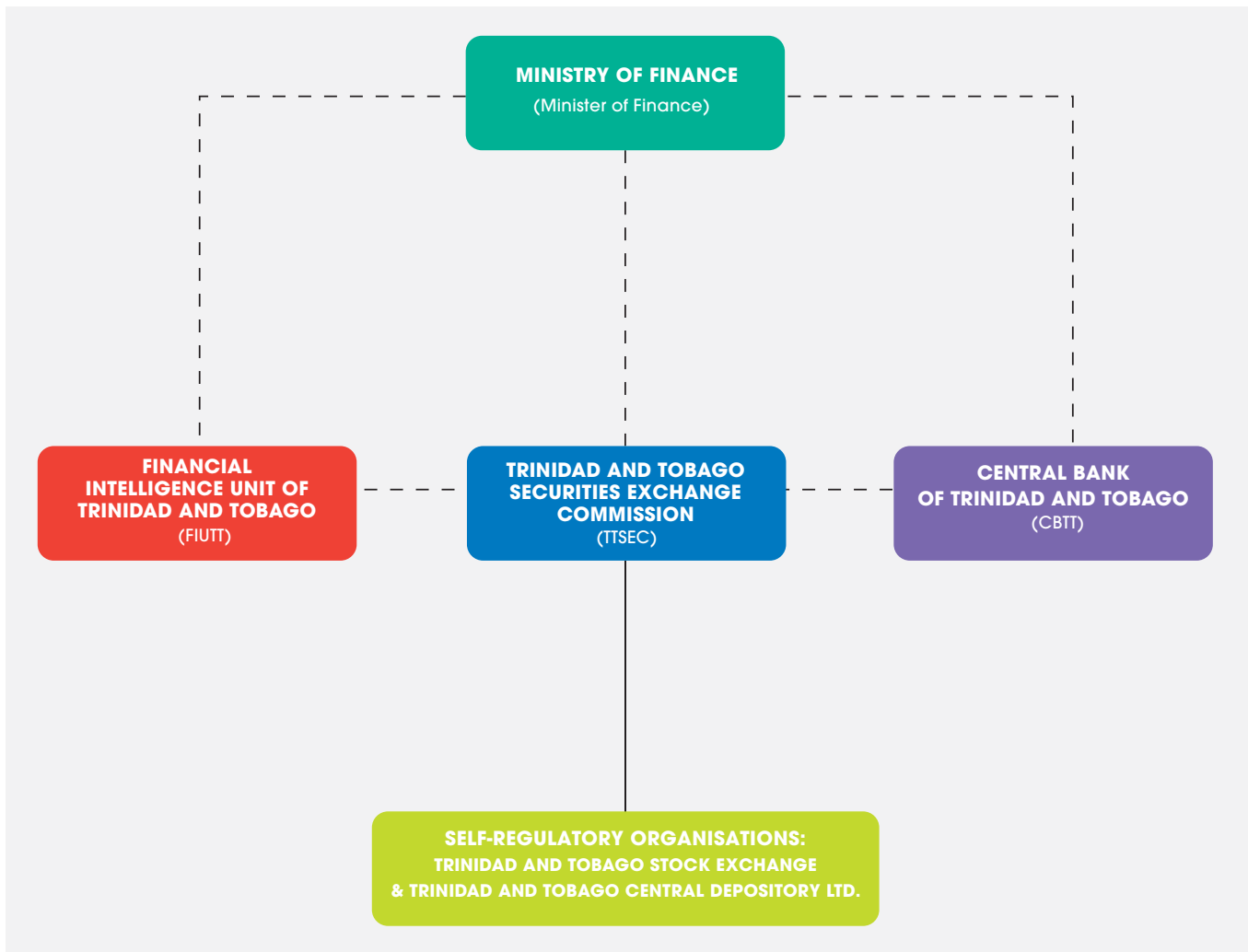


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Here's a framework to share with your class, identifying the key regulators in our financial industry. The regulators are all independent but have relationships which support each other.

INSTITUTIONAL FRAMEWORK OF THE SECURITIES MARKET



TTSEC's mandate is to regulate the securities industry. In order to do so it works closely with:

1. The Central Bank of Trinidad and Tobago (which regulates the banking, insurance and pension sectors);
2. The Financial Intelligence Unit of Trinidad and Tobago (responsible for overall Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) administration);
3. Self-Regulatory Organizations especially the Trinidad and Tobago Stock Exchange;
4. The Securities Dealers Association of Trinidad and Tobago;
5. The Mutual Funds Association of Trinidad and Tobago; and
6. The Investing Public (TTSEC conducts investor education sessions with any groupings which make a request for same e.g. schools and NGOs).

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The TTSEC also has direct oversight of the market players which include:

Self-Regulatory Organisations – as mentioned before

- Trinidad and Tobago Securities and Exchange Commission (TTSE)
- Trinidad and Tobago Central Depository Limited – A subsidiary of TTSE, which provides an efficient, safe and prompt clearing and settlement of securities transactions for participants by employing an automated data processing book entry system to track and monitor securities transactions in the market.

Market Actors

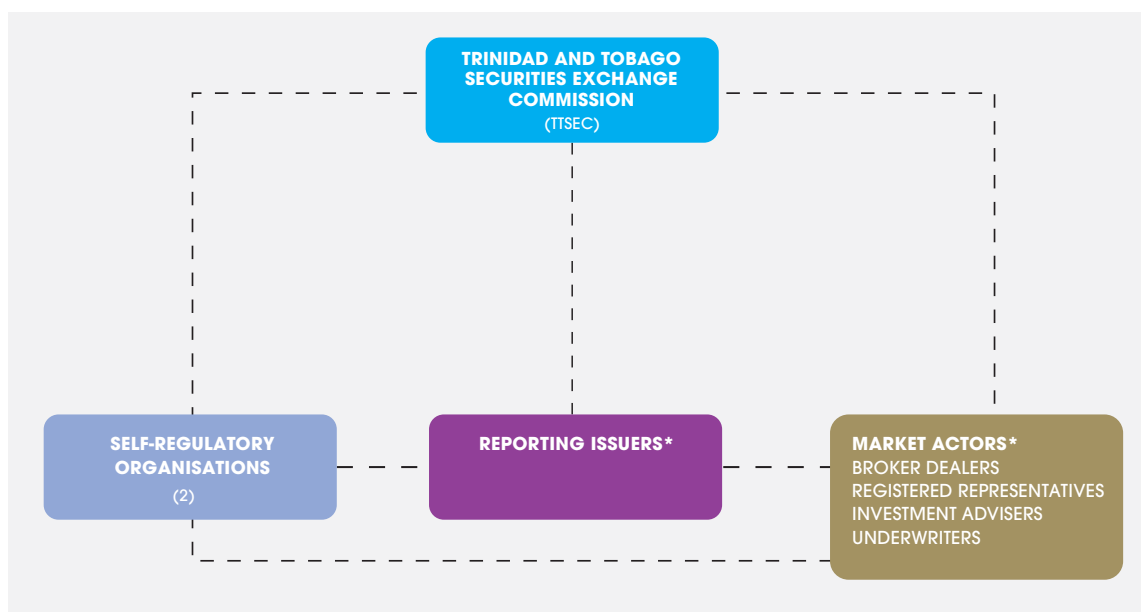
Market actors include the following:

- Broker-Dealers
- Registered Representatives
- Investment Advisers
- Underwriters
- Reporting issuers

These titles will be explained in the next Unit.

These players are all regulated by the TTSEC. Regulation ensures that these entities conduct fair and transparent transactions, and provide regular and accurate reporting to the Commission. The TTSEC thus ensures a safe and easily accessible market for all investors and potential investors. The diagram below shows the relationship between the market players.

DESCRIPTION OF THE TTSEC FRAMEWORK FOR THE SECURITIES MARKET



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Refer to Research Activity 6.1B in the student workbook.

Reflection and Summary

Have students individually or in groups:

Write the three most important things they learned about Investing.

Review with the class the items which students listed.

Points should include:

- The securities industry as part of the financial landscape in T&T
- Types of investment instruments
- Key players in the Securities Industry

The screenshot shows the website for the Trinidad and Tobago Securities and Exchange Commission (TTSEC). At the top right is the URL www.ttsec.org.tt. The navigation menu includes: HOME, ABOUT US, REGISTRATION, FILINGS, MMRF FORMS, LEGAL FRAMEWORK, AML/CFT, COOPERATION, PUBLICATIONS AND RESEARCH, and MEDIA ROOM. A central banner features the text: "The TTSEC is governed by the Securities Act 2012 which provides protection to investors through:" followed by three bullet points:

- 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

 Below this are two columns: "Find Registered Individuals and Companies" with a dropdown menu, and "Latest News and Announcements" with a filter menu (All, Legal Framework, Media Releases, Investor Resources, Publications) and a list of news items including "De-registration Order re RBC Financial (Caribbean) Limited". Further down are "Mission" and "Vision" statements. The footer contains icons for "BOARD OF COMMISSIONERS", "POWERS AND FUNCTIONS", "ANNUAL REPORTS", and "CONTACT US", along with utility buttons for "Investor Education", "Get Answers and Tools", "Lodge a Complaint", and "Useful Links". Social media links for Facebook, YouTube, LinkedIn, Our Blog, Android App, and IOS App are listed at the bottom left, and contact information and privacy policies are at the bottom right.