



NEWSLETTER

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ISSUE # 19

YOU INVEST. WE PROTECT. EVERYONE BENEFITS!



TTSEC

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Everyone Benefits!
1997-2017

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Chairman's Message

Dear Valued Stakeholder,

The Commission is pleased to present to you the 19th Issue of its Quarterly Market Newsletter. In this issue, we focus on the topic, '*Voluntary Compliance and Reporting*'.

This issue provides insights into how some of our core Divisions facilitate compliance with the law, in order to prevent activities that may negatively impact investors, the market and our economy.

I take this opportunity to also welcome our new CEO, Mr. Hadyn Gittens, to the Commission, and look forward to working together towards strengthening the Commission's communication with our key stakeholders.

I thank you for taking the time to read this publication and I hope that you find the information presented herein, useful.

Douglas Mendes, SC
Chairman





CEO's Message

Mr. Hadyn Gittens - Chief Executive Officer

I am pleased to be part of this publication which aims to improve our communication with you our key stakeholders.

In the upcoming issues, I intend to contribute a CEO's report to the market, outlining the key areas of development within the Commission that would improve its operational efficiency and effectiveness, and contribute in a meaningful way towards ensuring orderly growth and development of the capital market, and building investor confidence.

In this issue themed, '**Voluntary Compliance and Reporting**', the Commission remains committed to working together with all registrant and market participants, towards ensuring that all operations within the securities industry are made, fair, transparent, fit and proper.

We are transitioning some aspects of this market newsletter, the first of which is completely distributing the newsletter electronically, so that we become more resourceful, increase our reach and create a more robust product for you our key stakeholders.

The Commission is constantly seeking to improve our communication and relationship with the market and in so doing you will be seeing increased communication and interaction from the Commission along with a feedback mechanism for your use.

I hope this communiqué continues to be of value to you, and we look forward to your continued support as we grow and develop our securities market together.

Hadyn Gittens
Chief Executive Officer



TTSEC WELCOMES NEW CEO



The Board of Commissioners of the Trinidad and Tobago Securities and Exchange Commission (TTSEC) is pleased to announce that Mr. Hadyn Gittens assumed duties as Chief Executive Officer of the Commission on August 2nd 2017.

Mr. Gittens, a Trinidadian by birth, has over 30 years of banking experience having worked throughout the Caribbean at various banking institutions including Republic Bank Limited, RBC Royal Bank Group, RBTT Bank Jamaica Limited and Bank of Saint Lucia Limited.

A highly qualified Executive, Mr. Gittens has over the years lead and managed teams in competitive and results oriented environments throughout the region. His areas of expertise include Commercial and Corporate Banking and Credit Risk Management.

He holds a Master of Business Administration from the University of Manchester; as well as a Master of Science in Accounting, and a Bachelor of Sciences (Hons) in Industrial Management, both from the University of the West Indies St. Augustine.

The TTSEC's new Chief Executive Officer shoulders the responsibility for the regulation of the securities industry, ensuring the stability of the financial system and the protection of investors.

Mr. Gittens will provide overall management and administration of the Commission's operations and develop and implement corporate policies and initiatives in furtherance of the Commission's objectives as identified by its Board of Commissioners. He will also be responsible for advising the Minister of Finance and the Board of Commissioners on all matters relating to the regulation of the securities industry.

DR&CF

VOLUNTARY COMPLIANCE & REPORTING



Voluntary compliance and reporting in relation to the Securities and Exchange Commission can be described as obeying the provisions set out in the Securities Act, 2012 (the SA 2012) and the Securities (General) By-Laws, 2015 (the By-laws), without coercion. It also involves registrants providing information beyond the normal requirements, so as to assist investors in making informed investment decisions.

One of the functions of the Commission is to regulate and supervise the timely, accurate, fair and efficient disclosure of information to the securities industry and the investing public. The Commission also has the responsibility of ensuring registrants' compliance with the Proceeds of Crime Act and any other written law, in relation to the prevention of money laundering and combating the financing of terrorism. While the Division of Disclosure Registration and Corporate Finance (DR&CF) is not directly responsible for matters regarding compliance and reporting breaches, in instances where registrants have failed in their duty to comply with and report under the securities legislation, these matters are referred to the Division of Compliance and Inspection, and the Division of Enforcement. It is worthy to note that enforcement action can be taken against registrants for failing to comply with the provisions of the SA 2012 and its related By-laws.

The initial impetus for the regulation of the securities industry, through the legislation cited above, is to ensure that registrants are providing investors with the information that they need to make informed investment decisions. In an effort to ensure that registrants are aware of the requirement and importance of compliance and reporting, DR&CF dispatches routine circular letters and reminders to each registrant regarding the submission of various continuous disclosure documents and the renewal of registration.

Voluntary compliance and reporting is one of the possible methods that registrants can adopt in order to practice Corporate Social Responsibility. In addition to creating a good public image in the securities market, effective voluntary compliance and reporting may also encourage increased investor participation and foster investor confidence. Further, by voluntarily complying and reporting, registrants strengthen ties and communication with the Commission through additional information sharing, which benefit the overall securities market and the economy.

Ensuring that registrants provide investors with accurate and relevant disclosures in a timely manner is a very important function of the Commission. A part of DR&CF's role is to identify whether registrants are complying with these disclosure requirements. Also, this Division plays a major role in reviewing the disclosures provided by registrants. Where necessary, DR&CF will also advise registrants of whether they have complied with the requirements of the SA 2012 and its related By-laws and offer guidance where applicable. In instances where registrants have failed to comply with a disclosure requirement, the Division of Legal, Advisory and Enforcement may take steps to remedy the issue or pursue enforcement action.

Although the Commission attempts to keep registrants apprised of their reporting and disclosure obligations under the securities legislation, registrants have a responsibility to keep themselves informed of the requirements that relate to the business conducted, and the services that they provide. As such, whilst the legislation may identify key requirements for compliance and reporting, registrants are urged to note that other vital information that should be disseminated to investors may not have been contemplated by the current legislation. However, registrants can engage in the act of voluntary compliance and reporting to provide investors with additional information deemed beneficial.



As more and more persons turn to the securities market to fulfill various objectives such as personal investment goals and the generation of capital, the protection of the interests of all those who participate in the securities industry is of great importance. As the regulator of the securities industry, two major functions of the Trinidad and Tobago Securities and Exchange Commission (the Commission) are, investor protection and to facilitate the orderly growth and development of the securities industry.

As the securities markets grow and develop, there is an increasing number of financial products in the marketplace. It is imperative therefore that the regulator keeps abreast of these developments and ensures that market participants are properly guided through appropriate disclosures. The regulator of the securities market ensures that the transparency of the market is achieved through its legislation and the issuance of Guidelines.

The Commission is charged with the responsibility of formulating policies and making recommendations to the government for changes in legislation where it is deemed necessary to achieve its objectives. The Market Regulation and Surveillance Division (MR&S) is a core Division within the Commission that monitors the local market with a view to fostering compliance with the:

- *Securities Act, 2012 (the Act)*
- *Securities (General) By-Laws, 2015 (By-Laws)*
- *Securities Industry (Take-Over) By-Laws, 2005 and*
- *Provisions of other subsidiary legislation*

The Act formally guides the securities market by setting out the broad framework for the regulation of the industry. For example, the details for the regulation of brokers and reporting issuers; material change matters; the preparation and distribution of prospectuses; and takeover bids/issuer bids, are set out in the legislation and are fulfilled via the submission of the required "Forms" to the Commission.

In addition to the legislation, the Commission issues Guidelines to the securities market. These Guidelines recommend voluntary compliance from market actors in the securities market. *The Guidelines are issued to provide further clarity to market actors on matters relating to the securities industry by expounding international standards and best practices to improve transparency.* Through the proper presentation and disclosure by registrants, on a continuous and timely basis, important information is placed in the public domain and investors are provided with pertinent information to make investment decisions.

PURPOSE AND PROCEDURE FOR ISSUING GUIDELINES

Guidelines are issued in consultation with the Ministry of Finance on matters that the Commission deems necessary. The Commission often issues these Guidelines when it is observed that market actors are either not complying with the regulatory requirements, where market actors have repeatedly sought clarification, have continually breached particular Sections of the Act, or where there may be a gap within the legislative framework. As such, Guidelines formulated for this purpose would advise registrants of the expectations of the Commission in relation to recommended standards of practice, procedure and conduct.

Before a Guideline is issued or amended, however, the Commission first consults with the public by placing for public comment a draft version of the document. This period of consultation is essential to the implementation process as engagement with stakeholders ensures that the Commission receives feedback and if necessary, addresses any suggestions or concerns related to the Guideline before it is formally issued. Additionally, this fosters greater support for the proposed Guidelines from all stakeholders, thereby easing implementation and encouraging voluntary compliance. The public is generally given thirty days to review and respond to the Commission. Thereafter, the Commission reviews the comments and makes amendments which are deemed necessary for the effective regulation of the securities market. The document is then finalised and is made available to the market. It must be noted, however, for matters that the Commission deems as urgent, a 'Guideline' can be issued without consultation with stakeholders. Some examples of guidelines requiring voluntary compliance which have been issued by the Commission are the Repurchase Agreements Guidelines and Guidelines for Collective Investment Schemes.

Voluntary compliance with these and other Guidelines help to establish a standardised, market-wide approach to achieving transparency among market actors in the securities market. They promote principles of fair representation and full disclosure of the registrant's performance, setting high standards and benchmarks to avoid misrepresentations and also help to communicate all relevant information to the market clearly and consistently. When registrants voluntarily comply with Guidelines, this aids in the dissemination of information in a standardised manner, as well as, promotes investors interests and instills investor confidence.

ENFORCEMENT OF GUIDELINES

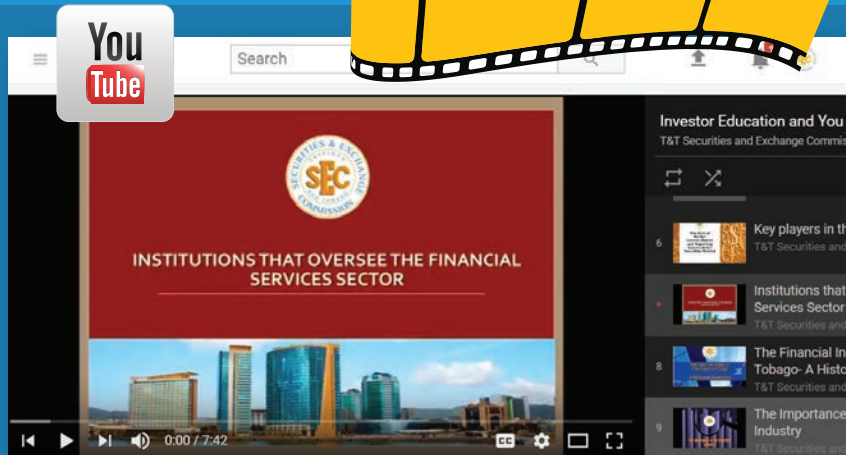
Although compliance with guidelines is considered voluntary, MR&S will engage registrants in instances where the recommendations in the guidelines are not being followed. The Commission will engage market actors by writing letters or holding meetings to discuss the shortfall of the registrant's disclosures when compared to the Guidelines. In such cases, where it is determined that registrants have not followed the Guidelines and the public's interest is not being sought, the Commission, through its general powers, can compel registrants to comply with the guidelines through an Order of the Commission. As such, the Commission can still compel compliance with the Guidelines through an Order. Failure to comply with the Order of the Commission can result in the initiation of enforcement action.

Consequently, whether compliance is achieved through voluntary means such as through Guidelines or non-voluntary measures such as the legislation, *the ultimate goal of the Commission is to protect investors and other members of the securities market from being misled or manipulated. This helps ensure that the securities market is operating in a fair, efficient and transparent manner.* Corrections for market imperfection, through voluntary compliance, would increase public confidence in the securities industry.

Investor Education VIDEOS



The TTSEC launched an Investor Education video tutorial series, which aims to educate persons about the core topical areas within the securities industry. The short videos include topics such as: the history of our financial sector, the importance of the securities industry, key players in the securities industry and types of securities to name a few. These tutorial videos can be accessed via our YouTube page or by clicking the image on the right.



The TTSEC also produced an investor education short video, that resulted from one of the winning submissions in our 2016 **'Young Investors, Creative Expressions'**, competition.

The video titled, **'Always Do Your Homework'** is available on our **YouTube** page or by clicking the image on the right.



COMPLIANCE & REPORTING

In this offering, we will focus on the role of the Legal, Advisory and Enforcement (LA&E) Division in investor protection.



LA&E works assiduously in facilitating effective regulation as it relates to the revision or the making of recommendations for the enhancement of the legislative framework. LA&E plays a major role in the preventative aspects of regulation by servicing the other core divisions of the Commission through conducting reviews, providing guidance, conducting surveillance and investigation, initiating enforcement action where persons breach the securities legislation, actively contributing at outreach initiatives and collaborating on various projects.

The Division contributes to the early detection or prevention of activities that may have the potential to cause investor harm, through our input in the work of the following divisions:

■ **Disclosure, Registration and Corporate Finance (DR&CF):**

LA&E conducts comprehensive reviews of registration documents to ensure that the filings received contain all the disclosure that is mandated by statute and that all other contingencies are in place to prevent hardship to investors.

LA&E also works closely with the division of DR&CF with respect to initiating enforcement action where persons fail to honour their legislative disclosure obligations. This is an important factor in effective regulation, as investors need to have timely access to the information required for them, to make informed investment decisions. Where disclosure obligations are not met, the enforcement arm of LA&E initiates the appropriate action.

■ **Compliance and Inspections (C&I):**

LA&E provides hands-on guidance to this unit as it performs on-site inspections. Constant collaboration is also a staple between these two Divisions, as reviews and legal guidance is also provided with respect to other operations within the C&I Division.

■ **Market, Regulation and Surveillance (MR&S):**

Complaints received by this Division are investigated in collaboration with LA&E enforcement staff. LA&E also provides legal support with respect to the assessment of matters that may constitute material changes under the SA, 2012, and initiate enforcement action where necessary.

■ **Corporate Communications Education and Information (CCEI):**

LA&E participates in investor education and market outreach initiatives and assists in particular, by responding to questions that members of the public may pose, as it relates to what legal remedies are available to them under the Securities Act.

These are just a few examples of the processes and initiatives that the Commission has in place, to prevent and detect conduct that may be harmful to our investing public. Where misconduct is discovered, the Commission takes the appropriate action required.



The Commission also informs the general public of their role in actively safeguarding their own interests. Some of our simple tips include:

■ **LOOK BEFORE YOU LEAP!**

List of Registrants: There is a list of registrants on the Commission's website, to which the members of the public have access. The document lists all of the individuals and companies that have been registered with the Commission. This is particularly important to the average member of the public, since no person ought to offer the services of a broker, broker-dealer or investment adviser without first having been registered with the Commission.

■ **SPEAK UP!**

Complaints Procedure: If a member of the public believes that they have been aggrieved by any registrant or by a person offering the services of a broker, broker-dealer or investment adviser without first being registered with the Commission, such a person may lodge an official complaint in writing to the Commission. Complaints are to be addressed to the Director, Market Regulation and Surveillance of the Commission. The complaint form is available online in pdf format at <http://tsec.org.tt/about-us/investor-complaints/>. This form may be submitted via fax to 627-0600 or via post. For further information visit www.tsec.org.tt.

FINANCIAL FRAUD: **AFFINITY FRAUD**



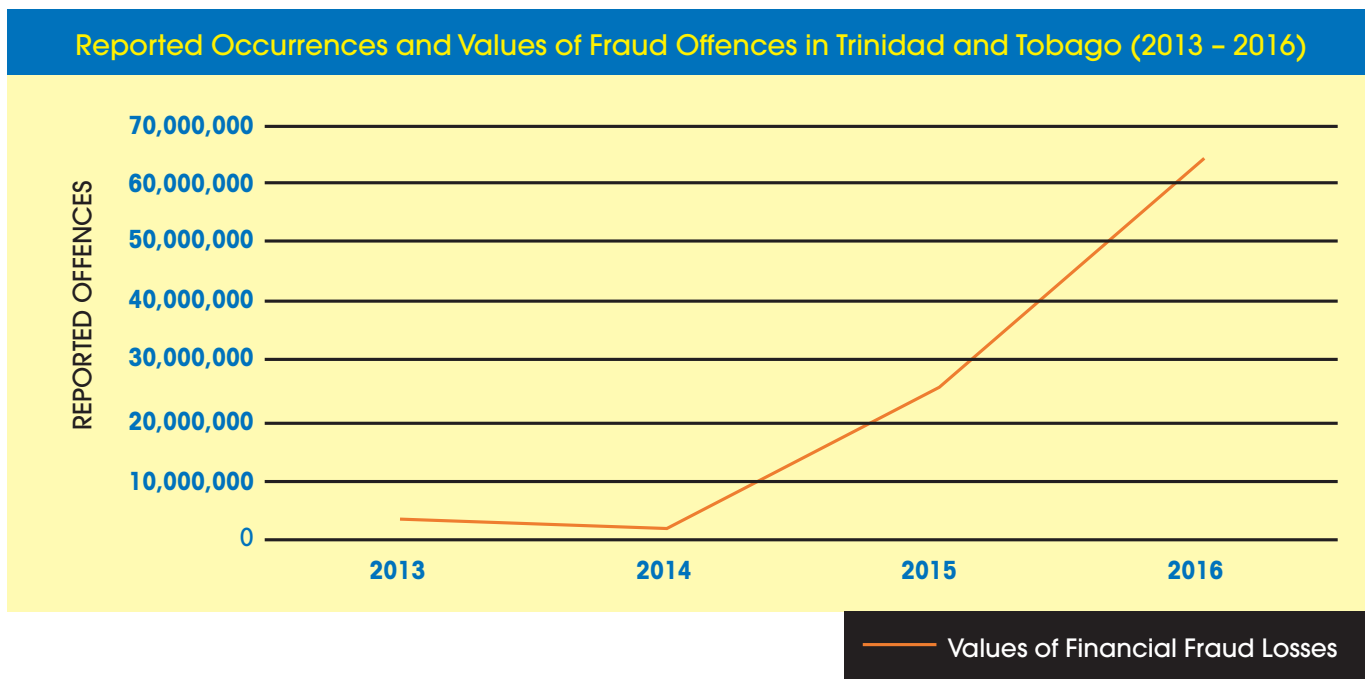
“Financial fraud hurts investors and damages the integrity of our markets. It takes the constant vigilance of all stakeholders - issuers, investors, auditors, analysts, market operators, market intermediaries, regulators and other enforcement agencies — to minimize such market misconduct”

(Strengthening Capital Markets against Financial Fraud, International Organization of Securities Commissions).



The Trinidad and Tobago Police Service (TTPS) reported that, in our financial system, the losses borne by investors from financial fraud have been steadily increasing since 2013. The TTPS reported that, in 2016, these losses amounted to approximately TT\$64 million, representing a 150% increase over 2015 (Figure 1).

FIGURE 1



Financial fraud can take many forms including Boiler Room scams, Pump and Dump Schemes Ponzi and Pyramid schemes. Affinity Fraud ranks among the most predominant in operation globally. This edition of our Quarterly Newsletter, focuses on Affinity Fraud, how it can be identified, how to protect yourself against it and how you can make a complaint to the Commission if you are of the opinion that you or members of your group have been affected by Affinity Fraud.

U.S. Securities and Exchange Commission defines Affinity Fraud as *“investment scams that prey upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups. The fraudsters who promote affinity scams frequently are - or pretend to be - members of the group.”*¹ The U.S. S.E.C. reports that incidents of affinity fraud are increasing because of the susceptibility of the targeted victims and the close knit nature of the groups.

How Does It Work?

Fraudsters will carefully target a club, religious group or community group and seek to gain membership in order to gain trust. Once accomplished, they then attempt to convince their targets to participate in a fraudulent investment. It is common practice for fraudsters to first sell to a few prominent members of the community, to build credibility, and use them as references. They then focus their attention on the other members of the community, encouraging them to invest. Once the fraud has been perpetrated, they abscond with the funds thereby leaving their victims embarrassed and unwilling to report. It is a common practice that victims of affinity fraud do not report incidents to the relevant authorities and opt to rectify the situation among themselves.

How to avoid being a victim of Affinity Fraud?

1. Take the time to evaluate any offer to purchase an investment before making any decision, even if the offer is being made by someone you trust. Never make rushed financial decisions.
2. Be sceptical of any investment opportunity that is not in writing. Avoid any investment if the particulars about the investment are not documented. You should also be suspicious if you are told to keep the investment opportunity confidential.
3. If you have questions regarding the business or investment, do not hesitate to ask. If the person offering you the investment becomes evasive, agitated or does not answer your questions properly, do not invest your money.
4. All investments have some level of risk. Ensure that those risks are communicated to you and that you understand them and how they will impact your investment. Fraudsters often dangle the prospect of attaining unrealistic wealth with minimum effort. In other words, do not fall for investments that promise spectacular profits or “**guaranteed**” returns.
5. Never make an investment because others have made the same investment. Your investment decisions should be based on your personal investment goals, therefore an opportunity and its timing should be evaluated to ensure that it fits into your current financial situation.
6. Do your own research on the investment and into the person offering the investment. If you or your group are approached to make an investment, check TTSEC's website to determine if the person/company is registered to conduct business within the local securities industry (<http://ttsec.org.tt/registration/>). Additionally, you can verify that the investment product, being offered, is registered with the Commission at <http://ttsec.org.tt/registration/registered-companies-individuals-and-securities/?tab=securities>.
7. Please note that fraudsters are increasingly using the Internet to target particular groups through e-mail spams. If you receive an unsolicited e-mail from someone you don't know, containing a "can't miss" investment, your best option is to forward the spam to the Commission at ttsec@ttsec.org.tt.

Please reach out to us so that you and your group can become more aware of these types of investment scams. We conduct highly interactive investor education sessions which focus on topics such as educating members of the public on the types of investments available to them and the various types of investment scams. If you are interested in organising an Investor Education session, you can email our Corporate Communications, Education and Information Division at ccei@ttsec.org.tt. Your request should include details of your organisation, your contact information and the proposed date for the session.

Individuals can also avail themselves of the Commission's Investor Education website, <http://investucateft.com/>. The website provides information on the Commission, how to invest for the different life stages, various investor tools (such as a Retirement as well as a Savings and Investing calculator and an Investor Risk Profile Evaluator), a blog and other investing-related articles (including those on the differing investment scams).

What to do in the event of an incident of Affinity Fraud?

1. We recommend that affected persons should lodge their complaints with the Commission. The trend of “working it out amongst the membership group” after incidents of affinity fraud leaves the fraudster free to perpetrate more scams on an unsuspecting public. The procedure for lodging a complaint includes:
 - a. The completion of an online complaint form located on the home page of our website.
 - b. Downloading the complaint form in PDF and submitting via Fax to **627-0600** or **624-2995**.
 - c. Submitting the completed PDF complaint form OR a written complaint to the following address:
Director, Market Regulation and Surveillance
Trinidad and Tobago Securities
and Exchange Commission
57-59 Dundonald Street
Port of Spain
2. It is suggested that the complaint includes a clear and concise summary with all key elements relevant to the complaint.
3. Additionally, copies of all supporting documents should be provided. While original documents will need to be brought in for verification, the photocopies are kept for our investigation. Investigations are usually non-public and kept confidential.

The Commission is committed to ensuring that the local securities industry is efficient, fair and transparent. Consequentially, it treats with any suspected case of financial fraud with the utmost care and diligence.

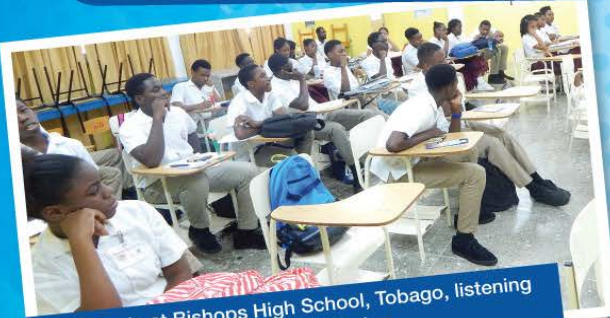
¹ See more information at: <https://www.sec.gov/investor/pubs/affinity.htm>.



Highlights of National Investor Education Month **May 2017**

Save Today. Invest For Tomorrow.

TTSEC celebrates its 2nd Annual National Investor Education Month



Students at Bishops High School, Tobago, listening intently during the outreach session



Students at Scarborough Secondary, Tobago, actively engaging during one of our outreach sessions in May



Students at Mason Hall, Tobago, attentively viewing one of TTSEC's videos



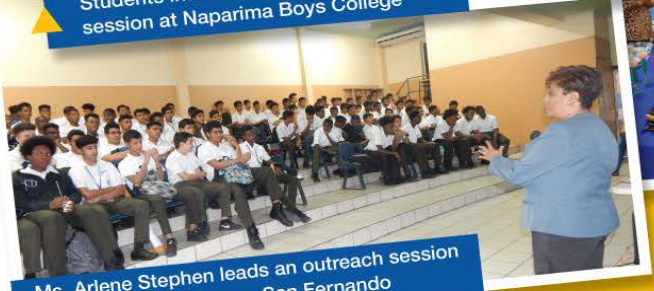
TTARP members in Fyzabad listening during an engaging outreach session



Students interacting during an outreach session at Naparima Boys College



The TTSEC staff fully engaged during our exhibit at Gulf City Mall



Ms. Arlene Stephen leads an outreach session at Presentation College, San Fernando

Thank you to all who participated in our investor education outreach initiatives.

To schedule your **FREE** Investor Education outreach session email us at ccei@ttsec.org.tt

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