



CENTRAL BANK OF
TRINIDAD & TOBAGO

Payments Quarterly

Payments Quarterly is a newsletter on developments in the Payments System in Trinidad and Tobago

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on or would like to offer any
suggestions please contact the
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the Central Bank of Trinidad and
Tobago.*

*Please see our full contact details on
the last page.*

The Securities Market in Trinidad and Tobago Part II

In this edition we continue to focus on the role of the Trinidad and Tobago Securities and Exchange Commission (TTSEC). Part I of the article which was presented in June 2011, dealt with the role of the Commission. Part II focuses on the nature and size of the securities market.

There are four main categories of securities in the market: Equities, Fixed Income Securities (Bonds, Commercial Paper, Treasury Bills and Loan Notes), Mutual Funds and Derivative-type instruments which represent certificates of interest or participation in underlying bond issues.

As at **August 31st, 2011** the value of each sector in TT\$ is as follows:

- Fixed Income: \$62.6 bn;
- Derivatives: \$48.7 bn;
- Equities: \$91.0 bn; (market capitalization)
- Mutual Fund: \$40.9 bn; (funds under management)

Bonds formed the largest share of the fixed income securities market:

- Bonds: 92.7% (TT\$58 bn);
- Loan Notes & Commercial Paper: 5.7% (TT\$3.6 bn);
- Treasury Bills: 1.6% (TT\$1.0 bn);

Local debt issues were denominated predominantly in TT and US dollars as follows:

- TT dollar issues: 85.8% (TT\$53.7 bn);
- US dollar issues: 13.6% (TT\$8.5 bn);
- Other: 0.6% (TT\$0.4 bn);

Public Sector issuers (Central Government and State Enterprises) accounted for the largest share of the debt market at the end of August 2011:

- Private Sector: 27.5% (TT\$17.2 bn);
- State Enterprises: 40.2% (TT\$25.2 bn);
- Central Government: 32.3% (TT\$20.2 bn).

The Securities and Exchange Commission is in the process of revising the existing legislative framework with a view to enhancing its ability to effectively regulate this market without impeding competition and innovation, whilst simultaneously addressing any new risks. In addition, the ability to address issues such as minimising fraud and insider trading is crucial.

This strengthening of securities market regulation should lead to greater protection for investors and foster greater confidence by both local and foreign investors, prompting them to increase their investments in the Trinidad and Tobago securities market which is an important goal of financial sector development. ■

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Visit TTSEC website at www.ttsec.org.tt to learn more!

Do you know about IOSCO? Part II

In the June 2011 edition of Payments Quarterly, we provided useful information on the role and function of International Organization of Securities Commissions (IOSCO). In this edition we further explore the work of IOSCO and the Trinidad and Tobago Securities and Exchange Commission (TTSEC) involvement in IOSCO.

In 1998, IOSCO adopted a comprehensive set of Objectives and Principles of Securities Regulation, known as the IOSCO Principles. The organization encourages all members to adopt these measures and offers assistance to member organizations by assessing their level of compliance. The IOSCO Principles have informed many policies and guidelines developed by the Trinidad and Tobago Securities and Exchange Commission (TTSEC) and continue to be the benchmark against which the Commission measures the efficiency and effectiveness

of its regulatory oversight. In 2002, IOSCO adopted a Multilateral Memorandum of Understanding (MMoU) designed to facilitate cross-border enforcement and the exchange of information among the international community of securities regulators.

The TTSEC has committed to obtaining the legal authority necessary to enable Trinidad and Tobago to become a full signatory to the IOSCO MMoU. When this is achieved, Trinidad and Tobago will have access to several benefits including information exchange with other signatories related to the investigation of offences such as insider trading and market manipulation, misrepresentation of material information and other fraudulent or manipulative practices relating to securities.

The global nature of financial transactions and the dominance of electronic mechanisms which facilitate trade and



investment in the securities market make this type of international cooperation crucial to the achievement of stability and the promotion of investor confidence within the securities industry through an adequate level of regulatory oversight.

As the world's securities markets become more complex and financial transactions/products continue to evolve, greater international cooperation will assist the TTSEC in keeping pace with its ever evolving role as a regulator. ■

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Facts to Know: A Quick Glance at the Trinidad and Tobago Central Depository Limited (TTCD)

- The Trinidad and Tobago Central Depository Limited (TTCD) is a wholly owned subsidiary of the Trinidad & Tobago Stock Exchange Limited (TTSE).
- The TTSE is the nation's centralized marketplace for buying and selling stocks or shares and other securities. In addition to increasing the investment options available to individuals, it also provides a mechanism through which companies can raise capital for expansion purposes by issuing stocks and bonds.
- TTCD is a self-regulatory organization (SRO), like the TTSE, and is regulated by the Trinidad & Tobago Securities and Exchange Commission (TTSEC).

- The TTCD was established by the TTSC to facilitate the buying and selling of securities (shares, mutual funds and bonds) by providing a depository that utilizes a computerized book entry system. The computerized book entry system is an accounting system which aids the change of ownership of shares electronically between buyers and sellers without the need for the exchange of physical certificates.
- The TTCD allows investors to deposit their paper securities (shares, mutual funds and bonds) through a stockbroker into a TTCD account opened in their name. These securities are registered in the name of the TTCD and held on behalf of investors, who maintain all of their entitlements.
- The TTCD facilitates the easy and efficient transfer of ownership when a trade is completed.
- When a stockbroker sells securities on the Exchange, the TTCD will record

the sale by reducing the balance held in the seller's account and simultaneously increase the balance held in the buyer's account for the same amount. The settlement of a trade takes place 3 business days after the trade day (T+3). On settlement day, legal ownership is automatically transferred from the seller to the buyer.

- A quarterly statement is issued by the TTCD reflecting shares owned by investors in their TTCD accounts as well as any transaction such as purchases, sales, deposits and pledges executed during the quarter.
- Utilizing the services of the TTCD and trading across the Exchange is more cost effective than conducting 'over the counter' (OTC) transactions given that the transaction costs are significantly lower. ■

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OPERATORS SPOT

The GSS Gets an Upgrade!

The Government Securities Settlement System (GSS) has been operational since December 2004. Since the start of the calendar year 2011, the GSS and the Central Accounting System (CAS) - used to manage the Real Time Gross Settlement System (RTGS) - have been undergoing various changes. In March 2011, these systems were both upgraded to a higher version of the software, Version 3.5. This upgrade was performed in order to facilitate improved operation and reporting capability of the system, mainly from an end-user perspective. As a result, there were improvements in system navigation which became more intuitive and user friendly.

Currently, an in-house team at the Central Bank is working on a project to further upgrade both systems to version 3.6. This upgrade is part of a mandatory process as a result of the inter-connectivity of SWIFT and CAS. SWIFT, the worldwide funds transfer software system used for settlement of funds, is being upgraded and all connecting systems must become compliant with the upgraded version of the payment system by March 31st, 2012. While it is anticipated that there will be no major functionality changes to either CAS or GSS, the operating platform on which the systems reside will change. This project is expected to go live in January 2012. ■



Payments Glossary

Here are 7 terms applicable to the Payments System:



1. Security

Means any document, instrument or writing evidencing ownership of, or any interest in, the capital, debt, property, profits, earnings, or royalties of any person, or enterprise, and without limiting the generality of the foregoing, includes -

- (a) any bond, debenture, note or other evidence of indebtedness;
- (b) any share, stock, unit, unit certificate, participation certificate, certificate of share or interest;
- (c) any document, instrument or writing commonly known as a security;
- (d) any document, instrument or writing evidencing an option, subscription or other interest in or to a security;
- (e) any investment contract;
- (f) any asset-backed security;
- (g) any document, instrument or writing constituting evidence of any interest or participation in —
 - (i) a profit sharing arrangement or agreement; (ii) a trust; or (iii) an oil, natural gas or mining lease, claim or royalty or other mineral right;
- (h) an interest in the whole, or in part of, the net assets of a collective investment scheme; or
- (i) any right to acquire or dispose of anything specified in items (a) to (h).

Financial Institutions Act 2008

2. Mutual Fund

An investment vehicle which pools money from investors and purchases various types of securities such as shares, bonds or money market securities based on stated investment objectives.

www.ttsec.org.tt/investor_resources.php?mid=14

3. Bond

A long term debt security. The bondholder is entitled to an interest payment at regular intervals based on the amount owed and repayment at specified times over the life of the bond.

Pamphlet No.4/2004 entitled "Trinidad and Tobago Bond Market" Central Bank of Trinidad and Tobago

Payments Glossary

(Continued)



4. Equity	A stock or any other security representing an ownership interest. <i>http://financial-dictionary.thefreedictionary.com/mutual+fund</i> <i>The Central Bank of Trinidad and Tobago</i>
5. IOSCO	Acronym for the International Organization of Securities Commissions. It is an association of regulatory commissions which regulate international securities markets.
6. Real-Time Gross Settlement	The continuous (real-time) settlement of funds or securities transfers individually on an order by order basis (without netting). <i>BIS Glossary of Terms</i>
7. SWIFT	Acronym for the Society for Worldwide Interbank Financial Telecommunication: a cooperative organisation created and owned by banks that operate a network which facilitates the exchange of payment and other financial messages between financial institutions throughout the world. <i>BIS Glossary of Terms</i>

Safe-tt, ACH and Cheques Volume Meter

Safe-tt, ACH and Cheques statistics 2008-2011

	2008	2009	2010	2010	2011
				July - Sept	July - Sept
Safe-tt	0.04	0.05	0.05	0.01	0.01
ACH	2.03	2.59	2.89	0.73	0.79
Cheques	10.45	9.74	9.43	2.47	2.42
Total	12.52	12.38	12.37	3.11	3.22

NB: Volumes in Millions



If you require any further details or would like to offer any suggestions,
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