SECURITIES MARKET DEVELOPMENT IN TRINIDAD AND TOBAGO: CONTEMPORARY ISSUES AND CHALLENGES

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1.0 Introduction

The Trinidad and Tobago securities market is in a state of change. Issuers are creating new products almost everyday, while market makers are becoming increasingly sophisticated in the trading of securities. These developments in the market are occurring at a time when the operations of the constituent firms are becoming more regionalised. Additionally, product offerings from foreign jurisdictions are showing a greater tendency to be attracted to the local market.

This paper will attempt to briefly review the status of the Trinidad and Tobago securities market. Specifically, the review will focus on the activity of the market over the period 1998 to 2003, with the intention of identifying trends which may have implications for regulation of the market.

Further, the paper seeks to identify new developments, which may have a significant impact on the operations of the securities market and consequently, its regulation. In what follows, section two briefly describes the historical development of the Trinidad and Tobago securities market and its current institutional arrangements; section three compares the market's performance with selected Caribbean and Non-Caribbean markets; section four describes the product offerings of the market; section six discusses the regulatory challenges in the context of globalisation of the securities market; section seven identifies some implications for securities regulation policy; and section eight concludes the paper.

2.0 Brief History of the development and nature of the Trinidad and Tobago securities market.

This is a brief chronological review tracing the development of the Trinidad and Tobago securities market from the post-independence period in respect of the:

1. development of institutional structures; and
2. development of market breadth and depth

We shall also briefly review the institutional framework of the market.

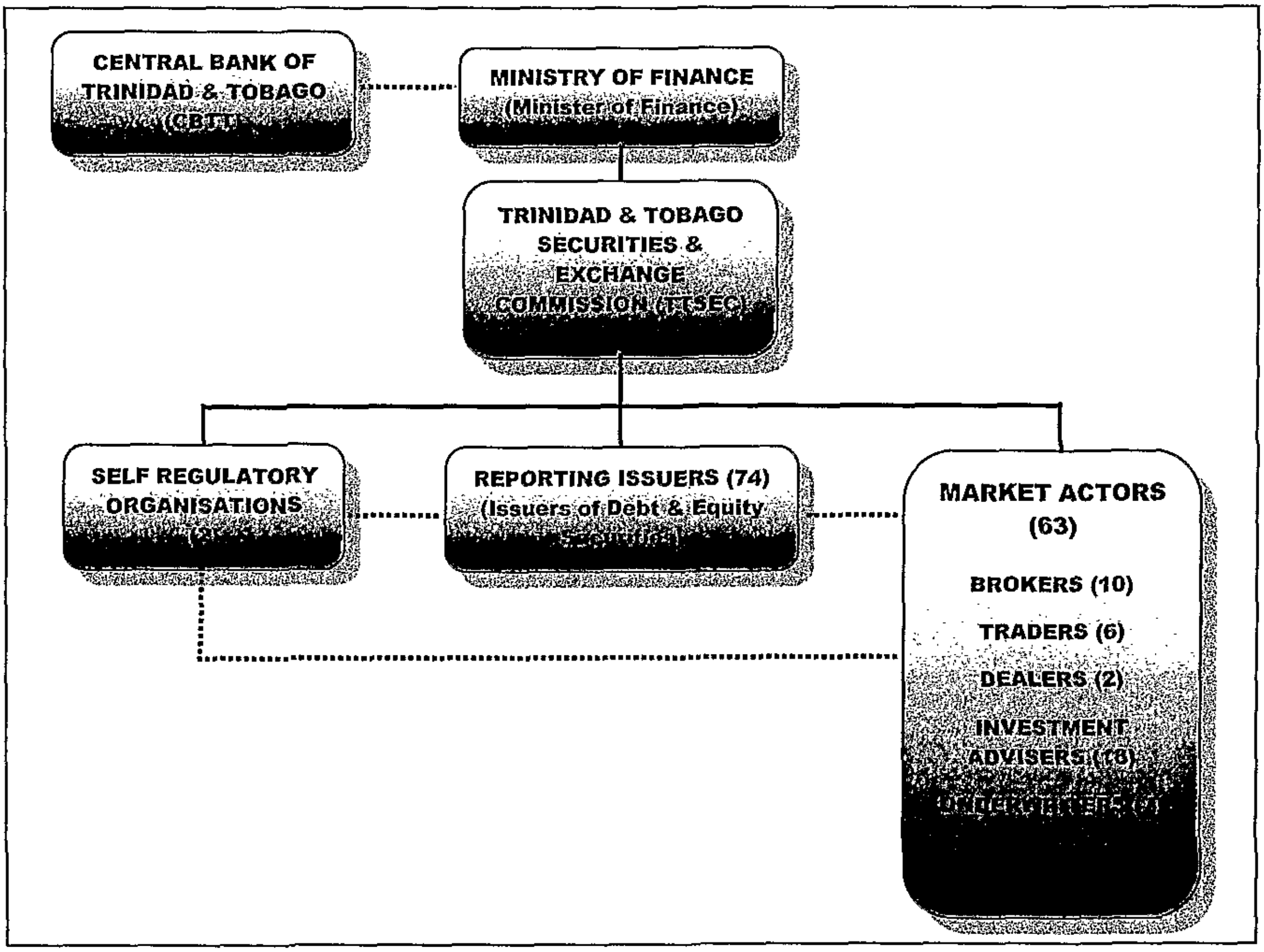
2.1 Development of Institutional Structures

Trinidad and Tobago began the process of constructing appropriate, independent local financial and securities market structures in the period 1964 to 1968. This era saw the passing of the Central Bank Act which established the Central Bank of Trinidad and Tobago (CBTT), the passing of the Commercial Banking Act, the Insurance Act, the Finance Institutions (Non-banking Act) and the Financial Institutions Act, just to name a few.

2.3 Institutional Framework of the Market

At present, the regulatory and institutional framework of the Trinidad and Tobago securities market is as depicted in Figure 1.

Figure 1: The Institutional and Regulatory Framework of the Trinidad and Tobago Securities Market



At the core of the regulatory regime is the Trinidad and Tobago Securities and Exchange Commission (TTSEC). The TTSEC has the responsibility of ensuring that market actors comply with the provisions of the Securities Industry Act (1995) and the accompanying regulations. The SIA (1995) vests the TTSEC with wide-ranging powers and is responsible for determining the broad framework under which the Self Regulatory Organisation (SRO) operates.

Currently, there are two significant peculiarities, which exist within the institutional framework of the Trinidad and Tobago securities market, which are worthy of mention. First, it should be noted that there is a growing tendency for commercial banks to have the domestic economy[4]. In theory, if the securities exchange accounts for all of the domestic production, the market capitalisation as a percentage of the Gross Domestic Product (GDP) will have a theoretical value of 100%, which is the benchmark for the securities exchange. Values above the benchmark indicate that there is input from non-domestic production on the respective exchange. While values below the benchmark indicate that there exists some domestic production which is not accounted for on the exchange.

On average, the Trinidad and Tobago Stock Exchange, as well as the Jamaica and Barbados Stock Exchanges, had market capitalisation to GDP ratios, which were below the 100% benchmark (see Table 1). However, a look at the changes in the ratios over the period shows that the regional exchanges increasingly accounted for more of the domestic production. As a caveat, the reader should note that an increase in the listing of non-domestic firms might also contribute to the observed increases in the market capitalisation to GDP ratios, a possibility that we shall later highlight.

Table 1
Market Capitalisation as Percentage of GDP at Current Market Prices
1998 - 2003

YEAR	USA	SINGAPORE	NORWAY	TRINIDAD AND TOBAGO	JAMAICA	BARBADOS
1998	149%	114%	32%	66%	28%	32%
1999	181%	233%	42%	64%	35%	25%
2000	153%	168%	41%	57%	47%	88%
2001	137%	137%	42%	56%	60%	88%
2002	86%	114%	31%	83%	72%	112%
2003	103%	158%	41%	100%	117%	181%
Average	*135%*	*154%*	*38%*	*71%*	*60%*	*88%*

Source: Website www.world-exchnages.org for USA, Norway, and Singapore
Central Bank of Trinidad and Tobago, Jamaica, and Barbados
Website of Jamaican Stock Exchange, www.jamstockex.com
Website of Barbados Stock Exchange, www.bse.com.bb
Annual Reports of the Trinidad and Tobago Stock Exchange (Various Years)

Table 2 shows that among the selected securities exchanges, those with the highest percentage changes in market capitalisation were in the order of the Jamaica Stock Exchange (549%), the Barbados Stock Exchange (421%), and the Trinidad and Tobago Stock Exchange (172%). The Oslo Securities Exchange had the highest percentage change in market capitalisation over the period under review for the non-Caribbean securities exchanges, with the Singapore and the New York Stock Exchanges having percentage changes of 54% and 13% respectively.

The observed pattern of the percentage changes in market capitalisation of the selected exchanges may be partly explained by a conflation of:

[4] See *Demirgüç-Kunt and Levine, 1995*

Table 3
Returns of Selected Exchanges
1998 to 2003

YEAR	USA *NYSE Composite*	SINGAPORE *All Sing Equities Index*	NORWAY *Oslo Børs Benchmark Price Index*	TRINIDAD AND TOBAGO *Trinidad and Tobago Composite Index*	JAMAICA *Composite Index*	BARBADOS *Composite Index*
1998	15.29%	-11.27%	-33%	21.31%	3.69%	38.44%
1999	8.75%	54.95%	37%	-4.41%	6.12%	47.49%
2000	1.01%	-28.42%	1%	5.60%	27.57%	-1.57%
2001	-10.76%	-16.38%	-18%	-1.67%	15.76%	-3.86%
2002	-22.01%	-20.00%	-39%	22.73%	29.18%	21.54%
2003	25.18%	82.13%	35%	23.97%	39.28%	13.35%
Average	**2.91%**	**10.17%**	**-3%**	**11.26%**	**20.27%**	**19.23%**

Source: Website www.world-exchnages.org for USA, Norway, and Singapore
Central Bank of Trinidad and Tobago, Jamaica, and Barbados
Website of Jamaican Stock Exchange, www.jamstockex.com
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Notwithstanding the better returns of the Caribbean stock exchanges with average market value turnover ratios ranging from 3% for the Jamaica and Trinidad and Tobago stock exchanges to 7% for the Barbados Stock Exchanges, the Caribbean stock exchanges were illiquid when compared with the other selected exchanges. As a matter of fact, the Non-Caribbean exchange with the lowest market value turnover was the Singapore Exchange which had an average turnover ratio of 69%. This relative illiquidity of the Trinidad and Tobago and the selected Caribbean securities exchanges can be partly explained by the relatively limited range of product offerings of the Caribbean securities exchanges versus the selected Non-Caribbean securities exchanges.

Table 4
Turnover Ratios of Selected Exchanges
1998 - 2003

YEAR	USA *NYSE*	NORWAY *Oslo Securities Exchange*	SINGAPORE *Singapore Exchange*	TRINIDAD AND TOBAGO *Trinidad and Tobago Stock Exchange*	JAMAICA *Jamaica Stock Exchange*	BARBADOS *Barbados Stock Exchange*
1998	44%	86%	61%	5%	3%	5%
1999	52%	86%	102%	3%	2%	2%
2000	51%	91%	61%	3%	2%	2%
2001	84%	63%	52%	3%	3%	0%
2002	114%	100%	72%	2%	3%	28%
2003	95%	77%	64%	4%	3%	5%
Average	73%	84%	69%	3%	3%	7%

Source: Website www.world-exchnages.org , Website of Jamaican Stock Exchange, www.jamstockex.com, Website of Barbados Stock Exchange, www.bse.com.bb, Annual Reports of the Trinidad and Tobago Stock Exchange (Various Years)

4.0 Product Offerings of the Trinidad and Tobago Securities Market

At present the major securities issues of the Trinidad and Tobago securities market are equity securities, debt securities, debt and credit derivates, collective investment schemes and stock options or more specifically employee stock options.

Using the data published by the Trinidad and Tobago Stock Exchange and the issues registered by the Trinidad and Tobago Securities and Exchange Commission, it is possible to elucidate some emerging patterns in the respective sub-components of the securities market.

Over the period 1998 to 2003, 8.2 billion units of equity securities, worth $32.55 billion, were registered with the Trinidad and Tobago Stock Exchange. Mergers/ Acquisitions and Share Transfers accounted for the greatest value of the new equity issues, followed by Bonus Issues, which accounted for 21.5%, and Cross Listings which accounted for 17.7%.

Table 5
Value of Equity Securities registered with the TTSE by Purpose of Issue 1998 to 2003

Purpose of Issue		Value (TTD)	Percentage of Total
Bonus Issues	$	6,982,962,541	21.5%
Cross Listings	$	5,747,430,000	17.7%
Employee Stock Options	$	156,885,615	0.5%
Initial Public Offerings	$	928,573,550	2.9%
Merger/ Acquisition/ Share/Transfers	$	15,319,515,063	47.1%
Offers for Sale	$	1,959,000,000	6.0%
Rights Issues	$	1,455,546,450	4.5%
Total	$	32,549,913,219	100.0%

Source: Trinidad and Tobago Stock Exchange Annual Reports 1998 to 2003

Of note is the drastic change in the structure of the new equity issues over the five-year time span. Whereas, in 1998 the Bonus Issues clearly predominated as the form of new equity issues, accounting for 50.5% of the new equity issues, by 2003, Cross Listing was overwhelmingly the predominant form of new equity issue accounting for 86.7% of the new equity issues (see Chart 1andChart 2).

Since 2003 other cross listings have occurred in the market. The tendency towards cross listings should continue to prevail as a major form of new equity securities on the stock exchange, as the regions' firms are expected to continue their regional expansion.

Another interesting point to note about the issues on the Trinidad and Tobago Stock Exchange is that of the $32.55 billion worth of equities, $11.48 billion worth of issues were associated with increases in capital of the listed firms. These issues were those related to Bonus Issues ($6.98 billion), Employee Stock Options ($0.16 billion), Initial Public Offerings ($0.93 billion), Offers for Sale ($1.96 billion) and Rights Issues ($1.46 billion).

Debt securities are another major form of securities issues in the market place. Data from the Trinidad and Tobago Securities and Exchange Commission's register reveal that over the period 1998 to 2003 $26.3 billion, or an average of $4.4 billion per annum worth of debt securities were registered with the Commission (see Table 6).

Table 6
Value of Debt Securities Registered
1998 to 2003

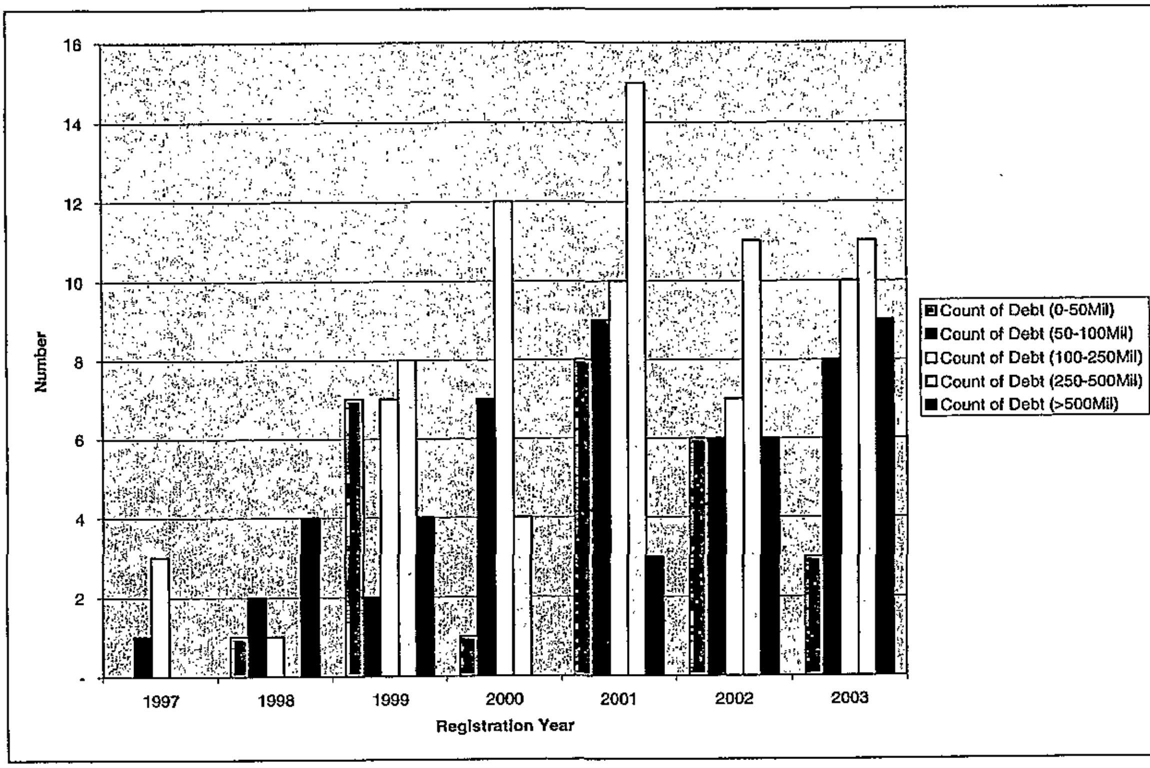
Year	Value (TTD)
1998	1,365,503,325
1999	4,312,586,557
2000	2,798,500,199
2001	8,005,144,276
2002	3,511,123,370
2003	6,254,441,165
Total	26,247,298,892
Average	4,374,598,815

Source: Trinidad and Tobago Securities and Exchange Commission

Of Special interest is the fact that issuers were showing more preference for larger debt security issues. Chart 3 demonstrates that over the years there has been a preponderance of bonds in the $100 million to the less than $500 million size category, with a growing occurrence of bond issues over $500 million. Conversely, bond issues of a value less than $50 million has occurred less frequently. It seems therefore that issuers have developed a preference for larger issues.

The major issuers of bonds registered on the domestic market were local government and quasi-government agencies, which respectively accounted for 25.9% and 30.0% of the value of bonds registered over the period 1998 to 2003 (see Table 7). It is noteworthy that Foreign Government bodies accounted for 10.6% of the value of bonds registered, slightly less than the 10.7% of value accounted for by Commercial Banks. Further, if we aggregated the value of the bonds registered by the Foreign Governments and the Foreign

Chart 3: Count of Registered Bonds by Value Category, 1997 – 2003



Closely associated with the debt securities market is the credit/debt derivatives market. The first credit/debt derivative securities were registered in 1997 and like the debt securities they have shown somewhat consistent growth over the period 1998 to 2003. Over the period under review approximately $24.7 billion worth of underlying debt securities were issued as credit/debt derivative securities. Interestingly, the average value of underlying debt securities registered as derivatives was almost equal to the average value of new debt issues registered over the same period (see Table 8)

Table 8
Value of Underlying Debt Securities Issued as Credit/debt Derivatives
1998 to 2003

Year	Value of Underlying Security (TTD)
1998	5,930,906,530
1999	2,355,240,341
2000	1,108,586,880
2001	2,953,433,234
2002	7,736,389,425
2003	4,648,804,277
Total	**24,733,360,687**
Average	**4,122,226,781**

Source: Trinidad and Tobago Securities and Exchange Commission and deposits (see Table 10). However, by 2003 mutual funds accounted for 47% of the aggregate funds valued at $43 billion.

Table 10
Value of Funds under Management of Mutual Funds versus Commercial Bank Deposits
1998 – 2003

Years	1998	1999	2000	2001	2002	2003
Mutual Funds ($TTD Mn.)	4,870	4,400	6,406	9,096	14,000	20,000
Commercial Bank Deposits ($TTD Mn.)	16,202	16,463	18,517	21,430	22,504	23,000
Total Funds	21,072	20,863	24,923	30,526	36,504	43,000
Mutual Funds as a % of Total	23%	21%	26%	30%	38%	47%
Commercial Bank Deposits as % of Total	77%	79%	74%	70%	62%	53%
Difference in Contributions as a %	54%	58%	49%	40%	23%	7%

Source: Central Bank Annual Statistics and TTSEC Staff Estimates

Summarily, the Trinidad and Tobago debt and equity securities markets have shown considerable and consistent growth over the period. Moreover, the evidence suggests that more foreign borrowers are increasingly using the local securities market to raise capital.

In addition, there are indicators that Collective Investment Schemes and credit/debt derivatives, both of which are recent innovations in the market, have quickly become major forms of security instruments.

Furthermore, the data show that over the period under review $11.48 billion of the $32.5 billion worth of equity securities issued on the Trinidad and Tobago Stock Exchange was directly related to increase in new capital of the firm. This is just over half as much as the $26.25 billion raised by the debt securities over the period. It is clear that in the securities market debt securities predominate as a means of raising capital. This preference by the firms for raising capital through the debt market compared with the equity market may be partly explained by the following:

1. illiquidity of the stock market leading to untimely exchanges and delayed pricing of the securities;
2. perceptions of a lack of transparency in the pricing mechanisms of the market;
3. the possibility of a dilution of ownership or take over of the business enterprise when shares are issued in the public domain, interestingly, this was not only a concern of the small private firms, but also of large public corporations;
4. the level of disclosure required by publicly traded firms is perceived to be, at best, simply too onerous and, at worst, this may result in the divulgence of trade secrets and thereby increase the threat of competition; and

5.0 *Impediments to Market Development*

The Trinidad and Tobago Securities and Exchange Commission performed a survey in 2004 of the market participants in order to ascertain the perceptions of the market actors with respect to the impediments to market development. This survey has brought several issues to light. This section of the report will treat with those issues.

Table 11
Frequency of Occurrence of Responses

Perceived Hindrances to Market Development	Number of Occurrences of Responses	Percentage of Total Number of Occurrences	Cumulative Percentage of Total
Inefficiency of Trading System	11	22.92%	22.92%
Inability of TTSEC to Regulate	9	18.75%	41.67%
Low Level of Investor Education	7	14.58%	56.25%
Lack of Market Depth and Breadth *(Amount and Variety of Securities)*	5	10.42%	66.67%
Insufficiency in Financial Reporting Requirements	4	8.33%	75.00%
Combative TTSEC/TTSE Relations	3	6.25%	81.25%
No Comment	3	6.25%	87.50%
Ownership Phenomenon	3	6.25%	93.75%
Limited Number of Market Makers	2	4.17%	97.92%
High Transaction Costs	1	2.08%	100.00%
Total	**48**	**100.00%**	
Number of Respondents		**23**	

Table 11 shows forty-eight (48) responses received from the twenty-three (23) respondents on the matter of perceived hindrances to market development. The majority of responses (56%) referred to Low Level of Investor Education, Inability of TTSEC as a Regulator and Inefficiency of the Trading System as hindrances to the development of the securities market.

A major concern was the Lack of Depth and Breadth of the market. Some of the interviewees commented on this phenomenon having two major debilitating effects on market development. In the first case, a few powerful investors could easily control the market, and secondly, the securities market, especially the equities market, may be unable to attract the much needed liquidity owing to firms' unwillingness to offer their shares for fear of being easily taken over.

The responses of interviewees indicated that there is little investor confidence in the ability of the TTSEC to effectively regulate certain aspects of the market. Market participants alleged that although there were obvious indications of market collusion because no charges of inappropriate market behaviour have been cited by the TTSEC a few powerful entities boldly engage in price manipulation.

6.0 Regulatory Challenges arising from Globalisation, Caribbean Single Market Economy and the Free Trade Areas of the Americas

6.1 Market Developments and Some Regulatory Issues

As was earlier mentioned, the Trinidad and Tobago securities market has undergone some changes. For our purposes we shall categorise the major developments of the Trinidad and Tobago securities market under the following three sub-headings:

1. new product offerings,
2. enhancement of the supporting institutional framework, and
3. emerging market behaviours.

Under each of the foregoing sub-headings we will highlight the nature of development, which has occurred, and thereby identify the relevant regulatory challenge posed by each. The reader should note that in assessing the respective regulatory challenges two assumptions are made. First, it is assumed that the regulatory stance to be adopted is that of a securities regulator, this means that the protection of the investing public will be the primary objective. Secondly, we also assume that the areas of risk related to a particular development in the market will pose the major regulatory challenge to the said development. It must be noted that all the possible regulatory challenges shall be explored; however those, which the writers deem most significant, will be highlighted.

The previous section has highlighted some emerging developments as regards the product offerings in the market place. In summary, the major findings are detailed as follows:

1. all markets of the various product offerings have displayed significant cross-border activity;
2. Collective Investment Schemes and credit/debt derivatives are currently significant product offerings in the securities market of Trinidad;
3. in the debt market investors prefer larger forms of debt issues; and
4. debt financing remains the preferred vehicle for raising new capital in Trinidad and Tobago as opposed to equity financing.

There are three major regulatory issues related to these developments in the product offerings of the market place. First, given the increasing existence of cross border activity regulators may need to consider issues such as whether their regulatory framework should be jurisdiction based or transaction based. Whereby, in transaction based regulations the offeror of the security in the Trinidad and Tobago market will be held liable, and culpable where necessary, whether or not the said offeror is established within the jurisdiction of the Republic of Trinidad and Tobago or elsewhere.

similar to that of the underlying security. Therefore, the regulator needs to ensure that there is full disclosure associated with the underlying security of a credit/debt derivative.

6.2 Regulatory challenges in the context of Globalisation, the Caribbean Single Market Economy and the Free Trade Area of the Americas

Generally, while it is widely accepted that the Caribbean Single Market Economy and Free Trade Area of the Americas (FTAA) processes will have some casualties, one must also accept that the FTAA, by the very fact that it is supposed to be a large free trade area, a market of over 800 million people and a combined GDP of $10-12 trillion United States Dollars, presents opportunities for those agencies and institutions, those regions and sectors, which can be competitive. The CSME, which will provide a market of 15 million and a combined GDP $32.8 billion, also suggests tremendous opportunities.

The CSME and FTAA processes should see the removal of barriers between markets and products. In the FTAA process the financial services industry should become more competitive, as new entrants will emerge and already existing entities will have to operate more efficiently. Markets will be accessed through various modes of delivery, e.g. the Internet or via some form of electronic platform.

In the securities market trading systems for equities, fixed income and foreign exchange are expected to consolidate around an electronic platform. In whatever form of trading, which takes place, the securities market will play an increasingly prominent role in assuring allocative efficiencies in the capital market.

The FTAA process will bring tremendous changes to Trinidad and Tobago in particular, and the imminent Caricom Single Market Economy, in general. These changes will affect what constitutes an appropriate future regulatory framework for the financial sector. The design of the framework should depend on the objective of Financial Sector Regulation and supervision. What changes should we make? How do we effect these changes? In the securities market, we have to decide who should regulate an internet based intermediary with no obvious physical presence that provides investment advice and directs potential customers to brokers. What entity do we expect would have regulatory authority over the sale by a US investor of an equity share in a Jamaican Company listed on the Trinidad and Tobago Stock Exchange to a Barbadian National? Is it the securities regulators of Jamaica, Trinidad and Tobago, or Barbados?

Whatever the nature of the regulations, the regulations must be transparent, the law must be in keeping with international best practices and they must protect investors from fraud and/or manipulation. There must also be proper manipulation, surveillance procedures and the ability to enforce the law where necessary. This means that the very existence of the FTAA process will pose challenges to the legal framework.

material information to make informed decisions. Securities markets must protect investors, assure disclosure of information by issuers, create secondary markets with an efficient pricing mechanism, and establish a process for the introduction of new products. Without these elements, active primary and secondary markets will be impossible to establish. Article II in the FTAA text speaks to the issue of transparency in great detail.

In the case of the Trinidad and Tobago Securities Industry Act, 1995, there is provision for a system of continuous financial disclosure for reporting issuers and for disclosure of material changes in the business operations, assets or ownership of an issuer that will have a significant effect on the price or value of securities. The SEC recently published policy guidelines on Listed Companies' Handling of Material and Price Sensitive Information and a Statement of Best Disclosure Practices regarding such information. The policy guideline deals with the importance of preventing selective disclosure. Selective disclosure is the release by issuers of price sensitive information to selected persons such as brokers or securities analysts before that information is disclosed to the public. The practice of selective disclosure undermines the integrity of the securities market and facilitates offences such as insider trading. The guidelines discuss the provisions of the SIA, 1995 which deal with price sensitive information and offences involving the misuse of such information. Areas such as take-overs, the regulation of Collective Investment Schemes and Insider Trading are now available for public comment by actors in the market. These guidelines and best practices are designed with the FTAA in mind.

(3) Another challenge, which the FTAA poses, is the need to treat with accounting and disclosure of information standards. The use of recognized accounting standards continues to be a major issue that is handled by the appropriate accounting bodies in Trinidad and Tobago. Under the FTAA, we can expect that different jurisdictions will use different accounting standards. Given the intended cross border activity, which will accompany the formation of the FTAA and the CSME, there is an obvious need to harmonize these standards. In Trinidad and Tobago we have adopted the International Financial Reporting Standards; however there are currently consultations geared at creating a universal set of accounting standards.

(4) The FTAA challenges the Securities and Exchange Commission and the Stock Exchange to review their listing requirements to ensure that there is harmonization, particularly as it relates to cross listing and cross trading of shares. There are issues with respect to restriction of shareholdings, which may affect market development in the future. There is a need for harmonization of regulatory requirements of the various participants of the CSME, in the first instance, and later for the FTAA.

(5) Finally, the issue of regulations in terms of new financial products must be addressed. Innovative financial products and other derivative instruments provide issuers and investors around the world with products tailored to their specific needs. However, many countries stymie the ability of foreign firms to offer these products due to foreign exchange restrictions, outright regulatory prohibitions, or lengthy and difficult approval process. In the future, legislation must take this issue into consideration as well as how

4.0 Implications for a Securities Regulation Policy

Notwithstanding the challenges faced in dealing with a market place with inadequate monitoring structures, relatively young securities regulator and a preponderance of informal sub sectors it is necessary that the TTSEC seeks to increase its effectiveness as regulator and developer of the securities market of Trinidad and Tobago. In order to achieve this and based on the findings of the report the recommendations hereby provided will seek to address the need for the following:

1. Strategic Policy Initiatives, and
2. Future Research

First, given the status of the Trinidad and Tobago securities market it is clear that there is a need for the development of policy aimed at addressing the developments in the market and the pervasive peculiarities of the securities market:

1. **Regulation of non-domiciled issuers**

   Given the apparent increasing internationalization of the Trinidad and Tobago securities market it is vitally important that the matters relating to Reporting Issuers that are non-domiciled in Trinidad and Tobago are clarified. The amendments to the SIA (1995), which are currently being undertaken, suggest that foreign issuers from approved jurisdictions will be exempted from certain registration requirements. It is further recommended that the approved jurisdictions be those that have disclosure and reporting requirements that are equal to or superior to that of the TTSEC.

   Further, as was earlier mentioned there should be a change from jurisdiction-based regulation of the market to transaction-based regulation of the market. This form of regulation will depend on the ability of the TTSEC to perform surveillance and enforcement on market actors, who reside in foreign jurisdictions, but function in the Trinidad and Tobago securities market. In order to achieve this, the TTSEC will need to establish informal or formal relations with foreign securities regulators to facilitate information sharing.

2. **Regulation of the Derivative Instruments**

   The credit/debt derivatives sector of the market has shown signs of growth. It is therefore imperative that the regulation rules related to this sector be improved to ensure effective monitoring, disclosure and regulation of the sector.

1. establishment of mechanisms to manage conflicts of interest at the level of the Board of Directors;
2. certification of financial reports;
3. protection for minority shareholders; and
4. establishment of internal auditing mechanisms.

Future areas of research on the securities market should seek to clarify the structures and practices of the various sub-sectors of the securities market. For instance, matters such as fund management practices in the mutual funds industry should be explored. Information on the nature of the systemic risk of the Trinidad and Tobago securities market will also provide useful information for the TTSEC.

1. regulation of issues such as derivatives and CISs;
2. improved disclosure requirements;
3. regulation of cross-border securities transactions; and
4. regulation of credit rating agencies such as CariCRIS.

The improvements in the regulatory structure must also include the timely provision of rules as related to emerging market practices. Given the rate of increase of cross-border transactions and the growing sophistication of the actors, rule making must seek to increase market efficiency to a level similar to that of the more developed markets. Also, information sharing among securities market regulators is even more important at this time. Failure to ensure that these initiatives happen may result in the securities market becoming a haven for inefficient practices like insider trading and the dumping of illiquid issues.

The paper does not extensively address the issue of corporate governance and its role in the functioning of the securities markets. We did highlight that the market actors perceived that inconsistency in financial reporting, an issue of concern identified under the area of corporate governance, is a hindrance to market development. Future reviews of the market must seek to address the issue of corporate governance practices as this issue is of profound importance to the efficiency of the market.

In sum, in developing the securities market of Trinidad and Tobago, there is an immediate need to intensify the regulation of the market and thereby reduce the systemic risks. The improvements in the regulatory structures will seek to clarify rules and to provide aggressive enforcement. In the medium to long-term, the market's development should be tied to the major growth sectors of the economy, such as energy and finance.

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