

Central Securities Depository



THE TRINIDAD AND TOBAGO
CENTRAL DEPOSITORY
LIMITED



Trinidad and Tobago Central Depository Limited

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About the TTCD

The TTCD was established by the TTSE to facilitate the safekeeping of certificates and to enable investors buying and selling shares on the TTSE to settle such transactions through a computerized system. The TTCD consists of two Departments: Central Securities Depository and Registrar Department.

The Central Securities Depository

The Central Securities Depository (CSD) allows shareholders to deposit their shares into a TTCD Broker account, represented by physical certificates, through a stockbroker, for safe keeping. These shares are registered in the name of the TTCD but are held on behalf of shareholders, so the shareholders maintain all their entitlements. The Depository provides efficient, safe and prompt clearing and settlement of securities transactions. Shareholders must open a TTCD Broker account with a Stockbroker.

The Relationship between the TTCD and the TTSE

The Depository facilitates the safe and efficient clearing and settlement of transactions executed on the TTSE through a computerized book entry system. The use of the Depository also makes the settlement process more cost effective. The TTSE uses an electronic trading system which is tightly coupled with the inventory system of the TTCD to provide a smooth trading and settlement process.

When a stockbroker sells shares deposited with the TTCD, on the Trinidad and Tobago Stock Exchange (TTSE), the TTCD records the sale by reducing the balance of shares held in the seller's account and by simultaneously increasing the balance of shares held in the buyer's account, by the number of shares sold. On settlement day, (T+2), legal ownership is automatically transferred from the seller to the buyer.

A trade can only be executed on the Stock Exchange if the shares are available in the TTCD's inventory system. Shares will not be available for trading if they are pledged.

The Benefits of the TTCD

- Facilitates the efficient and secure transfer of ownership when a trade is completed
- Ownership records are held in safekeeping electronically; no risk of damaged, lost, forged or duplicated certificated
- Shares can be pledged as collateral for credit obligations at financial institutions
- Substantial reduction in time and/or capital investment
- Instantaneous transfer of ownership
- Secure custody of securities

Opening a TTCD Broker Account

To open a brokerage account with the TTCD, an investor must contact a registered and licensed brokerage firm/stockbroker and initially provide*:

1. Two (2) valid forms of identification
2. A signed client agreement form with the stockbroker of choice.

*Accounts are not opened directly with the TTCD.

The Benefits of a TTCD Broker Account

- Shares can be traded (Buy/Sell) on the Stock Exchange
- Ownership records are held in safekeeping electronically and there is no need to worry about lost certificates
- Quick processing of transfers utilizing electronic records
- Monitor account activities electronically
- Shares can be used for collateral for credit obligations at various financial institutions
- Dividend payments can be paid directly into your bank account

TTCD e-Statements

Shareholders can access their account statements electronically via the free TTCD e-Statements platform, which replaces previously-used paper statements. This is an efficient, convenient and secure way to receive your statement or notice.

You can obtain your statement immediately after it is generated. A notification will be sent to your registered e-mail address on the day your statement is available to be viewed.

To sign up for TTCD e-Statements, visit www.stockex.co.tt or contact your broker.

TYPES OF TRANSACTIONS

Deposits of Securities

Physical certificates deposited through a stockbroker are recorded as an electronic entry in a TTCD account. To deposit your share certificates, visit a stockbroker with your certificates and two (2) valid forms of identification. An account will be created with the TTCD and the amount of shares reflected on your physical certificate will be deposited into your account.

Withdrawal of Securities

Shares are removed from the TTCD and a physical certificate is issued by the registrar of the listed Company to the shareholder/investor.

Intra/Inter Member Movements (Transfer of Securities)

An intra-member movement is the movement of shares from one account, to another in the same name, with the same stockbroker. An inter-member movement is the movement of shares from one account with one stockbroker, to an account, in the same name, with another stockbroker.

Pledges of Securities

The holding of shares at the TTCD, offered as collateral, for financial institutions for credit/loan facilities. Pledging of securities afford investors the opportunity to use their securities such as shares and bonds, deposited in the TTCD as collateral for credit facilities (loans).

Who can pledge securities for facilities such as loans?

Individuals and institutions holding securities in the TTCD can pledge securities. Thus, anyone who owns securities in the TTCD system.

Benefits of Pledging to the Investors

- A Security can be used as collateral for credit facilities with financial institutions
- Benefits from dividends or interest payments although the securities are pledged
- Ability to monitor the security and units pledged via online e-statement platform
- Benefits of Pledging to Lenders
- Liquidity: Shares are liquid assets that can be easily converted to cash, hence lenders can easily recover the loan in case of default.
- Easy monitoring: The market is advised on a daily basis on the value of shares, hence lenders can monitor the increase/decrease in share values enabling the lender to make quality decisions when value erodes.

Settlement of Trades

Automatic settlement of shares traded on the TTSE takes place three (3) days after securities are traded.

Cross Border Transfers

Shares can be transferred between the Central Depositories in Trinidad, Jamaica, Barbados or Eastern Caribbean for trading or safe-keeping purposes.

OTHER CSD SERVICES

Euroclear

This facility allows local investors to consolidate their holdings through one intermediary, the TTCD, that provides local custody services to the market in relation to foreign securities owned locally. Essentially, the investor would now be able to own international assets and have these assets in custody by a local custodian, the TTCD.

Benefits of Euroclear – For Institutional Investors

- Investors may be more encouraged to acquire higher yielding international assets including bonds and equities that can be held in safekeeping by a local depository, the TTCD.
- Investor can have more control over their underlying assets with larger international brokers.
- Investors will have sight of entire portfolio. All securities obtained by an investor can be held in one account instead of multiple custodians or institutional accounts with investment banks/brokers.
- The International assets held in safekeeping by the TTCD on behalf of the investor can be used as the underlying collateral in Repurchase Agreements (Repos). These international assets can be used to meet immediate or short-term cash needs through securities lending avenues such as repos.
- Protection again re-hypothecation: Collateralized securities are maintained in a separate portfolio distinct from other assets not intended for sale and repurchase. This approach ensures that the collateralised assets are completely segregated and free from liens or instances of double collateralisation.
- Investors can tap into their investment to meet immediate or short-term cash needs through securities lending.

Benefits of Euroclear – For the Broker:

- Securities will be held in safekeeping by a local depository
- Brokers will have sight of both local and foreign portfolios
- Brokers can participate in the developing repo market
- Earn competitive advantage in lending space by offering more attractive rates and easier access to short-term funding and credit lines
- Collateralized assets for repo transactions are protected through a pledge placed on the asset by the TTCD for the duration of the transaction
- Earn higher income through expanded business
- Improve and enhance investment and lending offerings to clients by offering more products to build more attractive portfolios for investors
- Pay lower custody fees than those charged by larger international firms

Repurchase Agreements

A repurchase agreement (repo) is a form of short-term borrowing: one party sells securities to another and agrees to repurchase those securities later at a higher price. The TTCD will act as the third party custodian for repurchase agreements, ensuring that the repo buyer's interest in these transactions is protected by blocking the security that has been used as collateral for repo transactions in the TTCD repo account of the repo seller.

Benefits of Repurchase Agreements (Repo)

- Allows the client to raise short term capital quickly and reduces the degree of dependence on commercial banks to access short-term funding
- A Repo can be deemed as a secured loan due to the collateral security offered
- Safe investment as the underlying security has a value in the market, which serves as collateral for transactions; No investment is considered safe; level of risk is either low to minimal.
- Easy valuation of investment as the underlying security used as collateral for the repo transaction has a value in the market
- Secured funding for the lender and easy liquidity for the borrower

Custody Services

Safekeeping of physical certificates in order to minimize the risk of misappropriation, misuse, theft and/or loss

Benefits of Custody Services:

- Safeguarding asset to protect investors
- Utilising the custodian's scale to minimize transaction costs & operational efficiency
- Clients can view securities via online e-Statement Platform

Other services: Preparation of Audit Confirmation Letters



IMPORTANT TO NOTE

- Fees are applicable for CSD services and can be found on our website: www.stockex.co.tt
- The TTCD requires that each investor provide a valid form of identification to the stockbroker when depositing shares and when providing instructions.