

Looking For Growth in Trinidad

One of the significant markets in the Caribbean region, the Trinidad and Tobago Stock Exchange, still has a lot of room to grow. Dealing with illiquidity and a limited offering, the manager Wain Iton primarily focuses on attracting new listings and new types of securities traded. That's the shortest route towards investors, especially when combined with international standards in trading and settlement, and a plan for educating the public.

What have been the major developments of the Trinidad & Tobago Stock Exchange? Could you give us some background information?

The exchange was established in 1981 and has continuously evolved since then. It started with about 30 listed companies, and we have had some good years and some bad years. The listed companies are spread across a number of industries, including finance, manufacturing, trading, and conglomerates. The financial sector is the dominant sector.

In 1995, the Securities Industry Act came into existence and established the Securities and Exchange Commission which oversees the industry, the SEC. There are six brokers in the marketplace. Most of them are aligned to a large financial institution, but there are also two independent brokers.

The important matter is that the exchange has to continue to grow in the future; our goal is to become a much bigger exchange. We trade primarily equities, but we also have a debt market and a mutual fund market. We don't have any derivatives, but we are looking at that opportunity. Currently, it is difficult to develop a derivative market because we are still illiquid and with limited offerings.

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Liquidity is a big issue in the Caribbean region. What is your strategy for educating the public about the opportunities and for attracting investors?

Yes, there is a big public education task at hand which we have to deal with. I managed the Jamaica market for a number of years, and in Jamaica, we had a very comprehensive public education program. We're trying to do something similar in Trinidad and Tobago, but we're still on the ground floor. We have a three-year plan that would roll us into 2011 but, for the time being, the market is peripheral. We have to take the market to the people via a number of different routes.

What is the population of Trinidad and Tobago? How many people have active investment accounts?

The population of Trinidad and Tobago is about 1.3 million, and less than 5% of the people are direct participants in the market. However, a fair number of people have indirect participation through the Trinidad and Tobago Unit Trust Corporation, our version of a mutual fund. Since establishment, it has had tremendous success in terms of attracting accounts. Through a number of fiscal incentives, the fund garnered more than 400,000 accounts. They managed to attract almost every household through fiscal incentives. In the last years, however, I don't think that they have attracted many new accounts, because the market has been volatile and the returns have been somewhat flat.

What is the size of the market in terms of capitalization? Also, how many of the 30 stocks trade every day?



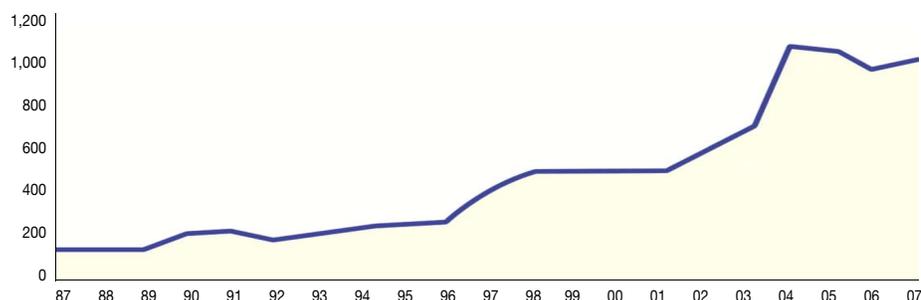
WAIN ITON, was appointed General Manager and Chief Executive Officer of the Trinidad & Tobago Stock Exchange (TTSE) in December 2007. He has 25 plus years experience in finance and management. Prior to this, Iton ran a private consultancy offering guidance on corporate finance matters with particular emphasis on the structuring of initial public offerings.

Iton began his career at one of the Caribbean's largest corporations, Grace Kennedy. From 1982 to 1987, he was a project manager and corporate planning analyst identifying new business opportunities and providing analysis on acquisitions. From 1987 to 2004 he headed the Jamaica Stock Exchange (JSE), where he helped transform the exchange to a fully computerized marketplace.

He holds a Bachelor of Science (first class honours) in management studies from the University of the West Indies (UWI) and was the recipient of Leonard DeCordova Gold Medal for Business Administration. Furthermore, he completed his Masters in Business Administration at the University of Western Ontario, Canada.

TTSE - Yearly Composite Index

Index Values from 1987 to 2007



The market capitalization has grown significantly. The total capitalization today, including the cross-listed stocks, is about US\$16 billion. The local market is about US\$10 to US\$11 billion, and the cross-listings account for US\$4 to US\$5 billion. About 16 to 17 stocks trade regularly.

What is the technological platform of the exchange?

We use the same technology as other exchanges in the region. Barbados, and Jamaica are on the same hardware/software platform. Every now and again there's a different software version, but we basically run the trading and settlement systems from NASDAQ OMX.

What's the average trading volume? How many trades do you process per day or per year?

Year-to-date we have done about 19,000 trades, while last year's average was about 16,000 trades. August has been a particularly slow month, but May, June, and July were pretty robust.

From my perspective, the big issue is that we have to grow this entity. That means getting new listings, both in terms of new equities and new products. We will also focus on some debt initiatives to see if we can get more depth in that market.

What is the nature of the debt market? Who are the main issuers, the government or the corporations?

Government debt is traded on our market, but it's not very robust. The government issues only long-term bonds. It doesn't really need to borrow from the public

and, whatever borrowing they do, is primarily to mop up the excess liquidity.

We do have some activity on the corporate debt market and we are watching it carefully. There are probably a couple of dozen corporations that issue debt and the big banks are always in the market.

How large is the potential for new listings? Are there many private corporations with more than \$10 million in sales?

Yes, there are a number of them, and the statistics are quite encouraging. There are 367 businesses that employ more than 100 people, which constitutes a critical mass. That's the pool that we have to be able to tap into.

How important are the tax considerations for the new listings? I believe that in Jamaica that has been an issue because 80% of the nation's income taxes come from the listed companies.

That's correct. There must be some mechanism to get people and companies to pay their taxes, regardless whether they are listed or not. The U.S. ensures that people respect April 15, and we have to do the same in the Caribbean.

In which industry do you see the greatest potential for new listings? Is it the oil and gas industry or is it too much dominated by foreign giants?

We are establishing a depository receipts, trading platform, subsequent to the purchase of Royal Bank of Trinidad and Tobago by the Royal Bank of Canada (RBC). We expect that we would be trading TTDR's in early 2009. We also aim to attract several

of the big oil and gas companies. That's still a possibility although it doesn't look as though it's going to bear too much fruit.

We have to go hunting. We plan to go to other jurisdictions in Latin America and the southern Caribbean to see if we can find some new listings. Also, there are a fair number of state enterprises which we will seek to attract. That's a difficult task, and it definitely doesn't happen overnight.

How has the Trinidad economy changed over the last three or four years? What are your expectations for the economic growth?

It has been growing robustly over the last 15 years. In the period 2000 - 2006, the GDP doubled, mainly due to the rise in international oil prices. In 2006, the annual growth rate of the GDP was 12%, and in 2007 it moderated to about 5.5%. Growth is expected to stay at about 6% to 7%. So, the economy is robust at the moment. The big problem is the inflation, which currently runs at about 12% per year.

We export a lot of energy, but we import a lot of food and consumer goods. The currency has strengthened only marginally. Because we maintain a managed float, you can often hear a suggestion for currency appreciation, but it hasn't been material so far.

Could you explain the idea and the context of the Caribbean CNX initiative?

We have been involved with this initiative for quite a while. The CNX is about connectivity between the Caribbean financial markets and, eventually, would allow seeing all the trading in the region on one real time computer screen. I believe that would allow us to gain critical mass and better price discovery.

There are a couple of other initiatives that we are currently assess to see if they are plausible and realistic. But we are committed to the CNX. It is difficult to say when exactly it will be launched, because there are a number of regulatory issues. Trade settlement is a challenge. So, there are moving parts yet, but I hope that it will be launched soon.

What is the time for settlement and the working hours of the exchange?

We apply the international standard of

tradeday plus three (T+3). A trade settles on the third day. We are open five days a week and trading begins at 9:30 and ends at 12:00. We used to be open for three days a week only, but since April 1st this year, we started a five-day trading week. Also, there is a pre-opening period from 8:30 to 9:30, but the actual trade starts at 9:30.

Does the general public get the trading prices on a delayed or on a real-time basis? How do investors find the earnings releases and the annual reports of the listed companies?

It is not real time at the moment. It goes up on the website at the end of the day; then it goes to the print media. With our new web site coming, we'll have only a 10 to 15 minute delay, and we'll publish intraday prices as well. It will be almost on a real-time basis.

Right now you can get a fair deal of the earnings history on Bloomberg, but the reports will be also available on the new site. We plan to encourage all of the companies to file directly to the web site. I expect to have the site up in parallel mode fairly soon, before the end of September.

What coverage does the exchange get in the press? How many financial analysts are there in the country?

There are probably about a dozen financial analysts at best, but we have a fairly well-developed financial press. The big media, the three major papers, do carry weekly business supplements that cover the different aspects of the market. Those three newspapers are Express, The Trinidad Guardian, and the Newsday. That's a healthy coverage.

How many people, originally from Trinidad and Tobago, live outside the country? Do you consider that population as a potential investor group?

In Jamaica, they like to say that it's maybe double the domestic population, so I would imagine that it is a fairly substantial number for Trinidad and Tobago as well. My estimate is 500,000 to 750,000 people.

Yes, we need to try and find an avenue to those people. At the same time, however, we have to be thinking seriously about increasing the supply. Right now, the investment menu is limited and you have to be buying the same

thing over and over. That's why I believe that the biggest challenge is getting new listings and new products.

When do you think that the Trinidad and Tobago Exchange will be demutualized?

It's essentially not a mutual company, but a hybrid. Every listed company on our board owns part of the stock exchange. The brokers own 50% and the listed companies own the other 50%. Demutualization is on the table, but it's really a bit of a misnomer in the sense that we're not a mutual company.

What's your policy for new members who come from outside Trinidad and Tobago?

To be a member, you have to be registered here as a Trinidad and Tobago company. If a foreign company wants to be listed, it must have local representation and a SEC registration. Then it can apply. My perspective about access is that we have to move to a position where anyone with competence and capital can trade on the market.

Are there any restrictions for foreign investors?

There are no restrictions in terms of the size of the equity owned. However, it also depends on the nature of the company. For example, in June the Royal Bank of Canada bought the Royal Bank of Trinidad and Tobago. That banking deal, of course, needed approval from the Central bank. But there's no real prohibition on anybody buying Trinidad and Tobago shares.

Can the investors place trades online?

No, they have to go through the broker; there is no direct access. That's something that we may eventually get to, but we're not online yet. However, just like in Jamaica, we are in the process of creating a virtual stock market game and involving students into that.

In your view, what's the biggest challenge for the development of the exchange?

Our biggest challenge is to grow this market, and to make it as efficient as possible. We are configured to international standards in terms of the trading platform and the settlement arrangements. A main objective of the government is to develop an international financial center here and we have a pivotal role to play in that project. **T**



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Telephone 868-625-5107
Inception 10/26/1981

CHI-X INFORMATION

Members of the Exchange 6
Trading Sessions 09:30 - 13:00

SECTORS

Securities Traded	Commercial Banks Conglomerates Manufacturing I Manufacturing II Non-Banking Finance Property Trading Others Mutual Fund Market Second-Tier Market
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NUMBER OF LISTINGS

Securities 44

MARKET PERFORMANCE

Total Market Cap*	TT\$ 98.18
Market Cap Change in 2007	1.38%
Turnover in 2007*	TT\$ 2.29
Turnover Change in 2007	-8.76%

KEY EXECUTIVES

CEO of TTSE Wain Iton

*Billions

Data through: 10/31/2008; Source: TTSE

About ExchangeTalk

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