

**THE TRINIDAD AND TOBAGO STOCK EXCHANGE LIMITED**

**STATEMENT OF SUBSTANCE AND PURPOSE**

**July 16<sup>th</sup> 2009**

**PROPOSED AMENDMENT**

***Existing Stock Exchange Rule 405 (1): Price Stabilization***

*In order to stabilize the Market, the Stock Exchange may empower the Market Control Officer to suspend dealing in a security, if the offer price rises or the bid price falls more than 10% (or such percentage as the Stock Exchange may from time to time determine and promulgate by notice except for rights trading) above or below respectively the closing price of the previous business day.*

***Proposed Stock Exchange – Rule 405 (1): Price Stabilization***

*In order to stabilize the Market, the Stock Exchange may empower the Market Control Officer to suspend dealing in a security, except for trading in rights, if the offer price or the bid price rises or falls more than 15% from the closing price of the previous business day.*

***Existing Horizon Rule 12.8: Freeze Alerts and Order Rejects***

*Order Reject Price Band – the order price must be within 10% (above or below) yesterday's close price.*

***Proposed Horizon Rule 12.8: Freeze Alerts and Order Rejects***

*Order Reject Price Band – the order price must be within 15% (above or below) yesterday's close price.*

## **STATEMENT OF SUBSTANCE AND PURPOSE**

The existing price band of 10% has proven to be a constraint to trading and has resulted in cases where some securities remain inactive even though the bids or offers are at the 10% limit, as well cases of a one sided market with no opposing bids or offers for some securities. As at June 30<sup>th</sup> 2009, there were three (3) securities with bids or offers at the 10% limit and twenty one (21) securities with a one sided market.

This proposal seeks to amend the price band for daily price movements from 10% to 15%. Increasing the price band to 15% would allow investors to place orders within a wider price band making them more attractive to the market which should result in an increase in market activity and more flexible and efficient price discovery. The proposed amendment is also being submitted in order to align the rule with the provisions of the Securities Industries Act 1995 that require the prior approval of the Securities and Exchange Commission (SEC) before any changes are made to the Trinidad and Tobago Stock Exchange Rules.

These rule changes, *Stock Exchange Rule 405 (1) and Horizon Rule 12.8* are presented for your consideration.