

1 Speech of
2 The Minister of Finance, Honourable Winston Dookeran
3 Opening Address
4 At the
5
6 7th ANNUAL AMC/CFT COMPLIANCE CONFERENCE
7 Hosted by
8 THE CARIBBEAN FINANCIAL ACTION TASK FORCE
9
10 In Collaboration With
11
12 The AML/CFT COMPLIANCE UNIT OF
13 THE MINISTRY OF NATIONAL SECURITY
14 &
15 THE FINANCIAL INTELLIGENCE UNIT OF TRINIDAD
16 AND TOBAGO (FIUTT)
17
18 held at
19
20 The Hyatt Conference Centre Port of Spain Ballroom
21 on Monday, January 30, 2012
22

23
24 Good morning to everyone and thank you very much, Christopher, my
25 colleague, the honourable Minister of National Security, Mr. John
26 Sandy, our colleague in the Senate, Independent Senator, Helen
27 Drayton, the Governor of the Central Bank who is here with us today,
28 Minister Partap and distinguished Excellencies who are here with us
29 this morning, ladies and gentlemen.

30 It is no doubt that we are living in an interconnected world, a
31 world that is increasingly becoming more interconnected, particularly
32 in the area of finance. This has had many new challenges. One such
33 challenge has been the challenge of retaining our sovereignty in

1 dealing with national development. It has been said that money has
2 its own sovereignty, it flows across borders without regard to rules
3 and regulations and it is in this context that we are gathering here this
4 morning.

5 Recent statistics from the United Nations suggests that illicit
6 transactions of a financial nature are estimated to be well over US
7 \$400 billion a year, accounting for almost 8 per cent of international
8 trade. In the United States alone, more than 465,000 wire transfers
9 valued at more than \$2 trillion dollars are handled daily. Another
10 220,000 transfer messages are carried in and out of the United States
11 on a daily basis.

12 This is one of the results of the increasing interconnectedness of
13 the world and the globalization that has taken place within recent
14 times, particularly in the financial sector, and it is in this context I am
15 very pleased to be here on this conference organized by the Financial
16 Action Task Force of the Caribbean. Mr. Calvin Wilson, as head of
17 the Secretariat, has been doing yeoman service in trying to deal with
18 this larger issue in which we are now engaged.

19 The Financial Action Task Force has been preoccupied with
20 issues of standards and we heard from Senator Helen Drayton that the
21 legality of such standards must be enhanced by the ethical behaviour.
22 It has been preoccupied with establishing policy goals and identifying
23 high level principles that will guide the operation of the international
24 financial world.

25 We have heard from Mr. Wilson that it is currently engaged in
26 redesigning of the evaluation process of many countries that fall under

1 its aegis and it does so with a view not only of strengthening
2 compliance but also of ensuring public confidence can be restored
3 where it is not existing and enhanced. So it's not only an issue of
4 compliance, it is also an issue of ensuring public confidence in
5 financial transactions. It focuses on the effectiveness of such
6 compliance measures and in so doing it identifies some of the risk that
7 must be addressed as we proceed to tackle this problem.

8 No doubt, the issue has now been embraced by the international
9 community which has made money laundering and terrorist financing
10 a high priority in its mandate, not only because this is likely to
11 undermine the integrity and stability of the financial institutions and
12 systems, but also because it distorts in a serious way international
13 capital flows and therefore there are direct economic and financial
14 costs to this phenomenon that is now part of today's world. It is in
15 this context, therefore, that we see the need to facilitate a country's
16 integration in the global financial system and small countries like ours
17 have an increasingly more difficult role in trying to integrate into that
18 system.

19 The work of the Financial Action Task Force has been endorsed
20 and encouraged by the large countries of the world, including the
21 G20, but what we have seen at times is a process that is driven by the
22 requirements of the large countries in which the smaller countries
23 remain simply the recipients of standards and principles that are not
24 relevant to its own sovereignty and its own requirements.

25 We in Trinidad and Tobago, and I can tell you here today as
26 Senator Sandy said in his opening remarks as a Government, we are

1 fully committed to all measures that must be taken in order to combat
2 the issues of money laundering and terrorist financing in our own
3 jurisdiction, and to that end we have always welcomed any
4 opportunity to review and reassess what we are doing.

5 As late as last year, we encouraged the International Monetary
6 Fund to undertake a financial sector assessment programme for
7 Trinidad and Tobago in order to identify, among other things, where
8 our weaknesses are. The report of that mission, which was made
9 public—and we are also open to ensuring that all assessments are
10 made public through the appropriate channels—has noted the
11 resilience of our banking sector and our insurance sector in the field of
12 not only the issues before us in this conference but the broader issues
13 of financial stability, and has identified some of the key measures that
14 have been undertaken in order to enforce the process for greater
15 compliance in bank and insurance companies.

16 I am sure you will be discussing, during the course of today and
17 tomorrow, the details of many of these proposals as our Financial
18 Institution Act provides very clearly for consolidated supervision and
19 information sharing between Central Banks and other authorities that
20 are engaged in financial sector supervision. We have had added
21 emphasis being placed on the issues of capital adequacy requirements
22 and the limits that are now imposed on large exposures for
23 interconnected lending, and we are constantly updating our corporate
24 governance with respect to impaired assets and consolidated
25 prudential reporting.

26 We too have been at the recipient end of the laxity that has been

1 part of our own financial supervisory process but we have taken
2 enough steps to deal with the immediate outcome that has happened
3 but also to set into place a legislative machinery to reduce the risk
4 ahead of us. It is in that context that during the course of 2011,
5 building upon what was done before in the establishment of the
6 Financial Intelligence Unit, that we further amended our legislation to
7 strengthen the enforcement aspect.

8 I agree that enforcement is not only a legislative matter, but it is
9 a pre-requirement in order to deal with these issues. Prudential
10 regulations are extended to go beyond the credit and market risk to
11 include what has now become operational risk, for they too are
12 perhaps the major source that lends itself to openings and leakages
13 that allow for terrorist financing and money laundering.

14 Many of these measures I have no doubt you will be looking at
15 very closely during the course of the next two days but merely to let
16 you know that in the insurance sector, which has been one of the weak
17 links in our system, we are about to take to our Parliament a new
18 insurance law that will ensure that we can curtail, through the
19 legislative system, some of the loopholes that have developed in the
20 past in the operations of insurance companies as we continue to
21 strengthen the capability of the country to withstand any shocks that
22 may come from outside our market developments. The new Insurance
23 Act has been in the making for many years and has recently been laid
24 in Parliament for debate in the not too distant future.

25 It is in this context we also embrace the issue of a more hands-
26 on approach to supervision of insurance companies, for we have

1 recognized that there can be legitimacy based on adhering to the rules
2 and regulation, but that legitimacy can be undermined by the conduct
3 of a hands-on nature. Law, therefore, is not only forthright in dealing
4 with the problems before us, but in also looking ahead to ensure that
5 we can anticipate what we believe are some of the issues that must be
6 addressed in this interconnected world.

7 Clearly, money laundering is bad for business. It is bad for
8 development. It is bad for the economy and it's bad for the rule of
9 law and small economies like ours must take additional steps to
10 prevent us being categorized in an unfavourable manner. I say this
11 because now there are a number of institutions that have developed in
12 the world. The Global Forum on Transparency and Exchange of
13 Information for Tax Purposes and the Extractive Industries
14 Transparency Initiative are two institutions that we have recently
15 agreed in Trinidad and Tobago to join and become members in order
16 to ensure that there is no stone unturned in our effort to embrace what
17 is required for public confidence in the Trinidad and Tobago financial
18 system.

19 So in addition to what is taking place in the Financial Action
20 Task Force, we have embraced the larger international environment in
21 their efforts to deal with this issue. We must recognize, though, that
22 in trying to establish such standards and in trying to develop the rules
23 and the procedures, the peculiar requirements of each country must be
24 taken into account and therefore the voice of small countries cannot
25 be ignored at the level of policy.

26 We attend these very many meetings not only with the view of

1 adhering to the compliance standards that are set by the larger
2 countries of the world but to shape those standards to be relevant to
3 the needs of our own perception of what is a stable financial system.
4 It's a voice that is sometimes not heard and it is a voice that we shall
5 make louder and louder, not only on behalf of Trinidad and Tobago
6 and the Caribbean but on behalf of many countries which, in this
7 world of changing sovereignty, have had to undertake and comply
8 with measures that are relevant to the advanced economies of the
9 world. And that is why I raised two issues that are risks ahead of us
10 that we must embrace in our thinking if we are to try and ensure that
11 the system of compliance is consistent with the requirements of our
12 financial system.

13 It is quite possible that if we rely on laws and we rely on
14 procedures and compliance, we may end up with a regime of what I
15 refer to as paper integrity. Paper integrity is meeting all the rules and
16 satisfying all the documentary requirements but paper integrity may
17 not be sufficient to combat the problems before us. In compliance,
18 therefore, we must go beyond the issues of documentation and bodies
19 that are engaged in the world must be aware that that risk is ahead of
20 us, for market conduct may move faster than the rules and regulations
21 move and by the time we end up with long, international dialogue and
22 rules and regulations for this era, we might be facing another era with
23 a different set of market conduct. I say that because it is the kind of
24 circumstances within which compliance must take place. Market
25 conduct may be head of the compliance system.

26 A second risk, and my closing comment, has to do with the

1 ultimate purpose of compliance, which is in building public
2 confidence in the financial system. It is not simply trying to find out
3 who was right and who was wrong, and in that sense public
4 statements that are made by officials on this issue globally have
5 immense impact on small economies. Very recently, we had had one
6 such occasion where, in the G20, public statements were made
7 identifying our own country prematurely and wrongly—as indeed the
8 forum on transparency, the global forum, validated to us subsequently.
9 It is important, therefore, that the deliberations of these groups are not
10 allowed to distort and undermine public confidence in the financial
11 sector, particularly of small countries.

12 Your utterances, therefore, must be accurate, guarded and
13 timely, for in the final analysis; compliance is about building public
14 confidence, not about eroding public confidence. Those are the two
15 issues that I raise in the context of this very important conference that
16 is taking place here today and as our Minister of National Security
17 who has been spearheading this effort said, the Government of
18 Trinidad and Tobago is fully committed to opening any door and all
19 doors to ensure that our country complied in the broader context with
20 all that is required, to consolidate the already very stable financial
21 sector that we have and to be able to have a legislative framework that
22 will be more than up-to-date and deal with the problems that we see
23 ahead of us.

24 I thank you for this opportunity to join with you in these
25 opening remarks. I welcome you once more to Trinidad and Tobago
26 those who have come from abroad, and to say we look forward with a

1 great sense of urgency as well as excitement on what you will come
2 up with in order to enforce the compliance culture about which we
3 have heard a lot this morning. Thank you very much.

4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26