

## STATEMENT BY THE MINISTER OF FINANCE

Mr. Speaker much has been said about my role as Minister of Finance in both the electronic and print media over the past few weeks – in news reports, editorials, commentaries, letters to the editor, and on talk programmes, literally on a daily basis. It is in this context that I wish to make a comprehensive response to what I have identified as essentially two (2) main issues:-

- **Firstly, an allegation of Insider Information, and**
- **Secondly, an allegation of Conflict of Interest.**

### INSIDER INFORMATION

Mr. Speaker, in addressing the first issue, the allegation of Insider Information is made with respect to the CLICO Investment Bank (CIB). Since this allegation has been made against me in my public capacity as the Minister of Finance, it is only appropriate that I refer to the definition of Insider Information as set out in Section 25 of the **Integrity in Public Life Act 2000**.

Before so doing however, I remind members that the preamble to the said Act identifies the Act's purpose as being **to regulate the conduct of persons exercising public functions and to preserve and promote the integrity of public officials**. The provisions contained in the Act therefore set the standard to which those holding public office in Trinidad and Tobago must hold themselves.

Section 25 provides:

***“A person to whom this Part applies shall not use information that is gained in the execution of his office and which is not available to the general public to further or seek to further his private interests”***

A critical component of the definition is that the information must have been gained in the execution of one's office, and in this case, the relevant office is of course, the office of the Minister of Finance.

Let us therefore consider the facts. CLICO Investment Bank is a private institution and it does not trade on the Stock Exchange. It is owned by the shareholders of that institution. Therefore, CIB is not an institution that falls under the purview or oversight of the Minister of Finance in the execution of her office. On that point, I wish to emphasize that there is no reporting relationship between the Ministry of Finance and CIB which would enable the Minister of Finance to obtain any information as to its liquidity or otherwise. CIB is a private institution which squarely falls under the supervision of the Central Bank, as the Regulator, and not the Ministry of Finance.

The funds in question, which were deposited into CIB were held in my private capacity as a customer of a private bank. Accordingly, on December 30<sup>th</sup>, 2008 when I made the decision to withdraw my money from CIB, the decision was made in my capacity as a private individual with no information nor considerations which were not available to other CIB depositors.

As I indicated in my statement in Parliament on February 4, 2009, and I repeat, *I had no personal, formal or informal information about the extent of the liquidity difficulties the Clico Investment Bank has found itself in, **other than the information known and available to any other citizen of Trinidad and Tobago.*** (Emphasis mine)

At what time therefore were the concerns first raised with the Minister of Finance with respect to CIB's liquidity problems? Mr. Speaker, that date, as I have already stated in Parliament was January 14<sup>th</sup> 2009, some two (2) weeks after I had made my withdrawal. This was confirmed by the Governor of the Central Bank, who is the Regulator of Financial Institutions in accordance with the **Financial Institution Act, 2008.**

In this regard, I wish to once more refer to the letter from the Governor of the Central Bank dated February 3<sup>rd</sup> 2009, and I quote:

**" Dear Minister Nunez-Tesheira,**

***I am confirming that my first meeting with Mr. Duprey was January 07, 2009. At that time I knew nothing about Clico Investment Bank (CIB) or Clico's liquidity problems and the meeting focused on our long standing regulatory concerns.***

***On January 13, 2009, Mr. Carlos John called requesting an urgent meeting for Mr. Duprey the same day. In that meeting Mr. Duprey informed us of the liquidity problems being faced by***

***CIB and presented a letter in which he inquired about possible financial assistance.***

***On January 14, 2009 after Policy Formulation Committee Meeting, I advised the Minister of Finance of the discussion with Mr. Duprey.***

***Yours sincerely,***

***Ewart S. Williams"***

Mr. Speaker, I believe the letter from the Regulator – that is the Governor of the Central Bank, speaks for itself with regard to the date upon which the Minister of Finance had any knowledge of the extent of CIB's liquidity challenges. I ask you to note that the Regulator himself is stating that he knew nothing about CIB or CLICO's liquidity problems prior to January 13<sup>th</sup> 2009. In these circumstances, how can I be vested with such knowledge prior to that date.

It was therefore only **subsequent to January 14<sup>th</sup> 2009**, that I acted in my public office as the Minister of Finance in relation to a private institution, CLICO Investment Bank.

And what action was taken?

The action taken was informed in large part by the recognition of the potential contagion risk that the collapse of CIB posed to the financial sector. Accordingly, the decision was a government guarantee to **all** third party depositors of CIB. In other words, every 3<sup>rd</sup> party

depositor who had funds in CIB – whether one thousand or one million dollars, the Government guaranteed that the third party depositor’s money was safe.

Mr. Speaker, I must make it clear however, that those third party depositors **do not** include the Directors of CIB nor the senior management or their spouses. For those members of the Board and senior management, their deposits have **not** been guaranteed by the Government.

This decision with respect to the Directors and senior management is in accordance with international practice, so as to ensure that persons who were involved in the decision making process in the affected institution do not benefit from government guarantees, as they are deemed to be responsible for its state of affairs.

Mr. Speaker, the third party depositors who have been protected are citizens, who in good faith put their savings into that institution. In other words, they include the very constituents of the members on both sides of this honourable House – Opposition and Government.

Mr. Speaker, regarding this allegation of Insider Information, unbelievably, an attempt was made to fix me, as Minister of Finance, with prior knowledge of CIB’s liquidity challenges as far back as April 2008 – that is, if I am to be guided by the headlines on page 4 of a daily newspaper of February 5th 2009.

The headline of this article read in small print: "*Imbert contradicts Finance Minister*" and in large bold print "**Government aware of**

***Clico crisis since April 2008***” with a picture of the Minister of Finance next to the lead story.

An extract from the body of the article reads as follows:

***“Persad-Bissessar said Imbert’s statement proved that since April last year, Government was aware that certain steps were taken against the Clico group. “That is very instructive in light of statements made by the Honourable Minister of Finance with respect to the time frame she dealt with her assets, and when her family dealt with it,” Persad-Bissessar said.”***

Mr. Speaker the basis of that story, incredible as it is, was a Circular Letter issued by the Inspector of Financial Institutions of the Central Bank of Trinidad and Tobago dated April 21, 2008 regarding the prescribed statutory fund asset allocation of **all insurance companies**.

The letter advised inter alia that the Central Bank will review those Statutory Accounts that are to be submitted by insurance companies for the year ended 2008, and onwards, for adherence to the Regulations, and that insurance companies implement the necessary measures to ensure compliance.

In commenting on the page 4 article, one of the competing newspapers carried the following story which only confirmed the mischief – that is, that it was intended to give the public the

impression that the Minister of Finance knew about the liquidity problems of CIB since April 2008.

The article stated as follows:

***"The page four article suggested that Imbert, during the committee stage of the Insurance Amendment Bill in the House of Representatives on Wednesday, contradicted Finance Minister Karen Nunez-Tesheira's position that she had no knowledge of the situation before January 14.***

***The article came on the same day that One Caribbean Media, the parent company of the Express newspaper, said in a statement that any attempt by Government to interfere with its independence would be "firmly resisted".***

The Minister of Works and Transport responded to the page 4 article in a letter which was printed in the Express newspaper on February 7, 2009 on page 14. In a complete reversal of its previous headline, this headline read **"Govt was not aware of Clico crisis"**. One may wonder why this sudden about face? I refer now to the letter of the Minister, where he essentially stated as follows:

***"The article written in the Express of February 5 by Anna Ramdass, which alleges that I said that the Government was aware of the Clico crisis since April 2008 is false and misleading. I said no such thing during the debate or the Committee stage of the Insurance and Central Bank Amendment Bills and it***

***is wrong of your newspaper to make such an inaccurate claim, especially in circumstances where the MP for Siparia has insinuated without a shred of evidence that the Minister of Finance had prior knowledge of the difficulties of the CL Financial Group...***

***The true facts, therefore, are very different to what your reporter has reported or what Ms. Persad-Bissessar has alleged and at no time did I confirm that the government knew that Clico was in trouble in 2008 nor did I contradict the Minister of Finance. This distortion of facts by your reporter is a very serious breach and I would be grateful, therefore, if you would correct this error immediately.***

***Colm Imbert***

***Leader of the House of Representatives"***

It is extremely noteworthy to point out that the offending newspaper in **very small print; very small print** Mr. Speaker, under the Minister's letter, published the following retraction:

***"The Express agrees that our report was inaccurate. We regret the error."***

WITHDRAWAL OF DEPOSITS



Mr. Speaker, much has also been said in the media regarding the mechanism by which my two deposits in CIB were withdrawn in December 2008. All I can say with regard to this matter is that I did not in any way whatsoever set out to mislead when I stated that the deposits had matured. In fact, both deposits had matured earlier that year and had in fact rolled over.

Mr. Speaker there is no denying that I signed the bank's standard withdrawal document. But my view of that transaction was that I was aware that the deposits had matured, I made no firm decision as to what I wished to do with the funds, until I decided to withdraw same in December, 2008 and closed the accounts.

I should also say that in response to a recent article, it is my understanding that CIB did not require approval from the Central Bank to close the two accounts because no approval is required where a deposit is in force for longer than one year.

But Mr. Speaker what is the real issue at hand? I have read headlines saying "Caught?" giving the clear impression that I had set out to defraud, mislead and lie; but to what end Mr. Speaker? Mr. Speaker, caught doing what? And, for what purpose? To steal? To further my private interest?

With the greatest of respect, the clear issue is whether when I decided to withdraw my money on December 30<sup>th</sup> 2008, I had insider information as to the extent of CIB's liquidity problems. The plain answer to that question Mr. Speaker, is a categorical no. The incontrovertible evidence is that the relevant information only came to

the Minister of Finance on January 14<sup>th</sup> 2008. Accordingly, neither bad faith nor improper motive can be attached to my view, misunderstood or not, as to whether the deposits had matured.

### CONFLICT OF INTEREST

On the second issue - that of Conflict of Interest, this allegation has been made with regard to my ownership, through inheritance, of CL Financial Shares.

Mr. Speaker, whilst definitions of Conflict of Interest include from the:

Law Encyclopedia –

***“a term used to describe the situation in which a public official or fiduciary who, contrary to the obligation and absolute duty to act for the benefit of the public or a designated individual, exploits the relationship for personal benefit, typically pecuniary”***

And from the Economics’ Dictionary –

***“a situation in which someone has to make a decision in an official capacity stands to profit personally from the decision”,***

since the allegation of Conflict of Interest has been made against me in my public capacity as Minister of Finance. I am therefore again to be guided by the **Integrity in Public Life Act 2000**

where the definition of conflict of interest is set out in Section 29 of the Act.

Section 29 provides:

***“For the purpose of this Act, a conflict of interest is deemed to arise if a person in public life or any person exercising a public function were to make or participate in the making of a decision, in the execution of his office AND AT THE SAME TIME knows or ought reasonably to have known, that in the making of the decision there is an opportunity either directly or indirectly to further his private interests or that of a member of his family or any other person”***

Mr. Speaker, based on the Section 29 definition, in order to constitute a conflict of interest, it is the **specific decisions** made that must provide the opportunity – either directly or indirectly to further the private interest of the person exercising a public function, in this case, the function of the Minister of Finance.

So Mr. Speaker, what were the specific decisions made by the Minister of Finance on behalf of the Cabinet, which could trigger the provisions of Section 29?

DECISIONS MADE

- 1) Mr. Speaker, the **first** specific decision which was made in my public capacity on behalf of the Cabinet, was the decision to guarantee all third party depositors of CIB. (This decision has been already been discussed in detail).
  
- 2) The **second** specific decision executed on behalf of the Cabinet was to guarantee all third party depositors of CLICO and British American, a decision which I will develop later in more detail.
  
- 3) The **third** specific decision taken on behalf of the Cabinet was to pilot two Bills:
  - (i) the Central Bank (Amendment) Bill, 2009; and
  - (ii) the Insurance (Amendment) Bill, 2009

With respect to the Central Bank (Amendment) Bill 2009, the Central Bank's extensive emergency powers were applicable only to Banks and did not extend to Insurance Companies. However, as the Minister responsible for the country's finance, I piloted in Parliament the amendments to the Central Bank Act. As a result of these amendments, the Central Bank now has the power to take control of insurance companies where in accordance with **Section 44 D (1)** of the Central Bank Act:

*"the Bank is of the opinion –*

- a) that the interests of depositors or creditors of an institution are threatened;*
- b) that an institution is likely to become unable to meet its obligations or is about to suspend or has suspended payment; or*

*c) that an institution is not maintaining high standards of financial probity or sound business practice,*

The Central Bank's powers now include:

*(i) "to investigate the affairs of the institution concerned and any of its affiliated institutions and to appoint a person or persons for that purpose;*

*(ii) To such extent as it thinks fit, to assume control of and carry on the affairs of the institution and, if necessary, to take over the property and undertaking of the institution; and*

*(iii) To take all steps it considers necessary to protect the interests, and to preserve the rights of depositors and creditors of the institution;*

The second Bill which was piloted by the Minister of Finance was the amendment to the Insurance Act, 2009. This Bill was taken to Parliament to strengthen regulatory oversight of the insurance industry.

The amendment allows *inter alia* the Regulator to have extensive powers which he did not previously have and strengthens the provisions governing assets to be placed in the statutory funds to match policy holders liabilities - thereby safe guarding policy holders from undue risk.

Mr. Speaker, the decision to amend these two key pieces of legislation was clearly made for the benefit and protection of the people of Trinidad and Tobago and could **not** by any stretch of the imagination be construed to further the private interest of the Minister of Finance.

The **fourth specific decision** that was made in my public capacity as Minister of Finance on behalf of the Cabinet was to enter into a Memorandum of Understanding (MOU) with CL Financial Ltd.

Mr. Speaker, what was the effect of this decision?

Mr. Speaker, it was evident that both CIB and CLICO could not meet their respective liabilities to depositors and policy holders. Accordingly, the choices for the Government were:

- a. to allow these two entities to collapse which would have dire consequences for the country's financial system;
- b. to simply inject the necessary funds into the entities in order to keep them afloat; or
- c. to guarantee the liabilities to third parties, while calling upon CL Financial to dispose of valuable assets in order to balance the portfolio.

The third option allowed for the maintenance of stability in the financial sector, while making CL Financial liable for meeting the

liabilities to third parties. This was the option which the Government chose to pursue.

A media release dated January 30, 2009 from the Central Bank of Trinidad and Tobago puts it in clear perspective. I quote:

*"In a move to protect the interest of depositors and policy holders the Minister of Finance, Mrs. Karen Nunez-Tesheria and the Governor of the Central Bank of Trinidad and Tobago announced that the Government has reached an agreement with the CL Financial Ltd Group for the provision of a package of financial support for the groups financial services companies."*

Mr. Speaker, the objectives of this MOU as stated in the Central Bank release were amongst other things:

- 1. To stem the increasingly serious liquidity pressures being faced by the financial services companies within the Group.*
- 2. To maintain public confidence in these institutions which constitute a significant part of the country's financial services industry.*
- 3. To ensure the continuing stability and integrity of the financial system.*

But Mr. Speaker, in so far as the allegation of conflict of interest is concerned it is the provisions of clause 6 of the MOU which MOU I

signed as Minister of Finance in execution of the collective will of the Cabinet which are the most relevant and significant.

Clause 6 provides as follows:

*CLF (CL Financial) shall sell dispose of or collateralize the following assets as required to ensure the balancing of the third-party assets and liabilities portfolio:*

*a. Shareholdings in Republic Bank Limited (RBL) owned by CL Financial Ltd and the other members of the CLF group of companies;*

*b. Shareholdings in Caribbean Money Market Brokers Limited (CMMB) owned by CL Financial Ltd and all other members of the CLF group of companies; and*

*c. Other assets of the CL Financial Ltd group of companies, of such quality and value as agreed to by the relevant Board resolutions as specified in clause 19 in relation to such sales.*

These other assets include most significantly a land development in Florida, a spirits company in Jamaica and a 20% shareholding in the Express newspaper.

Mr. Speaker, the effect of the decision to enter into this MOU was to make or render the assets of CL Financial, which would not otherwise be available, liable to pay off or to meet CLICO's and CIB's debts. Not



only did this **specific decision on behalf of the Cabinet** not provide me with an opportunity to either directly or indirectly further my private interest but to the contrary it was **against** my personal interest as a holder of .0013% of CL Financial's shares. The effect of this decision, simply put, was to diminish the value of my CL Financial shareholding.

I wish to emphasize that the effect of my decision to sign the MOU as the Minister of Finance on behalf of the Cabinet was to diminish the value of my CL Financial shareholding and therefore, insofar as it is relevant for those who wish to make something of it, it was plainly a decision against my personal interest.

Mr. Speaker, I repeat this because it is being put out into the public arena that my decisions smack of or provide an opportunity for corruption, wrongdoing and/or self-enrichment. That is the mischief of the misinformation out there. Mr. Speaker, how could the effect of making CL Financial's assets liable to pay CLICO and CIB's debts provide me with an opportunity to benefit? In fact, as I have demonstrated, the decision has had the opposite effect.

I wish to emphasize Mr. Speaker that had I not entered into the MOU with CL Financial on behalf of the Cabinet there would be no legal basis to make CL Financial assets liable to pay off CLICO's debts. In essence, even with the powers of the Regulator, which were considerably enhanced by the amendments to the Central Bank Act and Insurance Act respectively, the only assets available to the Regulator were those assets owned by CLICO. I will say it again – in the absence of the MOU, **only CLICO's assets would have been**

**available to the Regulator for the purposes of meeting third party liabilities.**

Mr. Speaker, not only does the outcome of the four specific decisions which were taken in my capacity as Minister of Finance in furtherance of the collective will of the Cabinet and in concert with the Central Bank of Trinidad and Tobago not support an allegation of conflict of interest but they have been applauded by key stakeholders that is, if one is to be guided by their public statements as reported in the newspaper. For example:

- ***The Trinidad and Tobago Chamber of Industry and Commerce*** commended the Central bank and Government for what it described as "their expeditious intervention into the challenges of CL Financial, Clico and Clico Investment Bank".
- ***The Supermarket Association of Trinidad and Tobago*** commended the Governor of the Central Bank and the Minister of Finance saying: "hats off to the Government for the decision to take control of all assets and liabilities of the Clico Investment Bank... the Government has demonstrated the ability to act and avoid sending the wrong signals to the people of this nation. Failing to do so could have a rippling effect on all financial institutions in Trinidad and Tobago".
- ***The Bankers Association of Trinidad and Tobago – Headline-Bankers*** support Govt's strategy – this timely intervention has averted the potential fallout within what continues to be a very robust banking sector, which, as the

*Government had previously stated, remains strong, in spite of the global financial crisis. The group expressed confidence that the move by Regulators and the Government would effect the requisite stability of Clico and re-establish the necessary confidence in both the domestic and regional markets.*

Mr. Speaker, never once did it occur to me in this absolutely crucial point in the history of our country's financial sector, when it was imperative that immediate but considered action be taken, to consider my own personal benefit, which is clearly evident from what I have said above. In the circumstances as outlined above, which are accurate, there was no personal benefit to me or to my family, and accordingly, no conflict of interest arose.

#### DISCLOSURE AND RECUSAL

I have gone to great lengths to demonstrate that at the time when I made the several decisions with respect to these matters, and especially when I made the decision to make CL Financial assets available to settle liabilities, there was no question of me furthering my private interests. Accordingly, there was no possible conflict of interest, and therefore, the question of disclosure and recusal did not arise.

#### CABINET COLLECTIVE RESPONSIBILITY

Mr. Speaker, you would have observed during the course of my statement that I reinforce the point that the actions or decisions taken

in my public office as Minister of Finance were taken on behalf of the Cabinet of Trinidad and Tobago.

This is in accordance with the well-established principle of Cabinet collective responsibility. In my respectful view this only serves to underscore the point that the actions or decisions taken in my public office as Minister of Finance with respect to the MOU, CL Financial, Clico, British American or other related matters were decisions or actions taken in pursuance of the collective will of the Cabinet of Trinidad and Tobago of which I am a member.

These actions were taken on behalf of the Government to further the interests of the citizens of this country, and to avert a crisis in the financial sector.

In conclusion and with the greatest respect the issue of Conflict of Interest again does not arise.

As the member of the Cabinet with responsibility for Finance, I operated on the basis of the well-established principle of collective responsibility in a Westminster-derived form of Government, and not as an individual. Every decision that was taken with respect to these matters, therefore, was a collective decision of the Cabinet of Trinidad and Tobago.

#### BAIL OUT OF CLICO AND CL FINANCIAL?

Mr. Speaker, I have heard the several decisions taken by myself in my capacity as Minister of Finance on behalf of the Cabinet, and as

outlined previously, described as a “bail out”. Numerous articles, numerous commentaries in the various newspapers have described the action by the government as a CL Financial “bail out” - giving the national community the clear impression that the government through the Minister of Finance came to the rescue of the shareholders, directors and owners of the CL Financial empire.

The several articles and commentaries carried in the print media support that impression. I quote:

- *CIB is among the CL Financial businesses that benefited from the multi-billion dollar Government bailout;*
- *She has denied any wrongdoing in her involvement in the Cabinet’s decision to authorize a multi-billion taxpayer bailout of CL Financial;*
- *The Minister must have known that there was and is such an opportunity since bailout of CL Financial is to bring the company back to its feet. Such bailout could increase the value of the Minister’s shares;*
- *The real offence is that she (the Minister) brazenly sat at a table with the Central Bank Governor and Mr. Lawrence Duprey, the big rich man and announced that Government was going to save Mr. Duprey’s skin by using taxpayers’ money. That is the offence.*

Mr. Speaker, nothing can be further from the truth. The “bail out” as it has been called was a guarantee to the third party depositors of CIB; to the third party pensioners and policy holders of CLICO, and indeed as aforementioned, constituents of all of the members of both sides of this honourable House – a guarantee that their life savings and their pensions were safeguarded and that the contagion risk to other financial institutions and indeed the potential collapse of the entire economy was averted. If there was no guarantee, these people would get nothing.

I wish to repeat that third party depositors **do not include** CIB directors and senior managers or their spouses. Third party policy holders do not include the directors and senior managers of CLICO or their spouses. **They are excluded.**

More than that Mr. Speaker, I state again that the assets of CLICO and CL Financial are first liable to pay off Clico’s debts and not the taxpayer’s funds. So, Mr. Speaker, how could the actions of the government be properly described as a CL Financial bail out?

In closing Mr. Speaker, at the heart of the allegation of conflict of interest and the allegation of insider information, in my respectful view, is effectively that the Minister of Finance is a dishonest person, unethical, corrupt, untrustworthy and interested only in protecting and furthering her own self interest. Mr. Speaker, I ask the national community to separate the fact from fiction and examine the facts.

I ask the national community:

- Did I further my self interest when on behalf of the Government I agreed to guarantee the deposits of all third party depositors of CIB?
- Did I further my own self interest when on behalf of the Government I agreed to guarantee the annuities and insurance policies and pensions of all 3<sup>rd</sup> party policy holders of CLICO and British American?
- Did I further my own self interest when on behalf of the Government I piloted legislation to strengthen the regulatory and emergency powers of the Central Bank in respect of insurance companies and in this instant case, CLICO and British American?
- And most significantly, did I further my own self interest when I signed the MOU on behalf of the Government to ensure among other things that the assets of CL Financial would be liable to pay Clico debts – the effect of which would be to diminish the value of my shareholding in CL Financial?

Mr. Speaker, the respective decisions made with regard to this crisis was to the benefit of the thousands and thousands of policy holders, pensioners and depositors of CIB, CLICO and British American – these decisions averted a very real systemic risk not only to the financial sector but to the economy of Trinidad and Tobago.

Mr. Speaker in closing, I wish to say that the real tragedy of the last three (3) weeks is not for me. I made the decision to enter public life with the commitment to render public service knowing that there were risks. The tragedy therefore is for the many citizens - persons of integrity; persons of ability and persons with heart who may seriously reconsider ever entering into politics as a result of the unwarranted and relentless attack on my character. And Mr. Speaker, that is the real tragedy – the possible loss to our Nation. But I pray that this will not be the result.

To the media, extensive coverage has been given to these issues. I therefore ask that in the interest of fairness all 3 daily newspapers publish my statement in full. This, I believe, will provide the national community with information that will assist them in coming to their own conclusions with regard to the issues raised.

Finally, I wish to thank the Prime Minister for his unwavering support and belief in my honesty and integrity. To my cabinet colleagues; the many well wishers from both the national, regional and international community and in particular the constituents of D'Abadie/O'Meara, thank you; thank you for expressing confidence in me.

I want to assure the national community that I will continue to serve our beloved country of Trinidad and Tobago with the utmost integrity and without fear or favor and with malice to none.

I thank you Mr. Speaker.