



GOVERNMENT OF THE REPUBLIC OF TRINIDAD & TOBAGO  
MINISTRY OF FINANCE & THE ECONOMY

SPEAKING NOTES FOR  
SENATOR THE HONOURABLE LARRY HOWAI  
MINISTER OF FINANCE & THE ECONOMY

TRINIDAD & TOBAGO COALITION OF SERVICES INDUSTRIES

Financial Services Sector – Creating the Future You Want

Wednesday November 6, 2013

Good morning.

It is indeed a pleasure to be a part of today's discussion on creating a Financial Services Sector that we all want.

May I first convey my appreciation to the management and staff of the Trinidad and Tobago Coalition of Services Industries for its kind invitation to participate in today's event.

I am particularly heartened that such a distinguished group has been able to convene today to share ideas and perspectives on the future of the Financial Services Sector, and on how Government and policymakers can most optimally grasp opportunities in this area.

I am therefore delighted to add my contribution to today's event by focusing on the economic policy context for the creation of a stable and effective financial services industry in Trinidad and Tobago, the great economic potential this industry has for our nation, and some of Government's plans and recent initiatives aimed at harnessing this potential.

The global economy has been improving since the crisis in 2008, albeit at a much slower pace than expected with differing growth dynamics between the developed and emerging economies. According to the International Monetary Fund ("IMF"), global growth averaged 2.5 percent in the first half of 2013 with the emerging economies being the main contributor, averaging 4.3 percent. The advanced economies are expected to have experienced an average of 1.05 percent growth during the same period.

Global growth prospects are positive as the growth momentum in the advanced economies, especially the US, have recently picked up. It is expected that the economies of the US and Japan will expand by 2.5 percent and 1.25 percent in 2014. The Euro area is expected to grow by 1 percent. However, prolonged sluggish economic growth, pursuits of unconventional monetary policy and lower than expected growth in the emerging economies are downside risks to the positive growth projections.

The recovery of the global financial system continues to be bolstered by the significant steps that are being undertaken by banks to restructure their balance sheets. This restructuring process is at various stages with most of US banks completing the process. However, banks within the Euro Area, in particular those in the periphery (Cyprus, Greece, Italy, Portugal and

Spain) continue to face challenges with deleveraging pressures, elevated funding costs, deteriorating asset quality, and weak profits. A recent report by PWC in the Financial Times of October 29<sup>th</sup>, places non-performing loans in the Euro area at £ 1.187 trillion. This poses the potential for significant drag on these economies.

Ladies and Gentlemen, Trinidad and Tobago's financial system has weathered these crises reasonably well, and it is therefore imperative that Government continue its efforts aimed at ensuring growth and stability of the local financial sector, and promoting financial development at all levels. At the heart of our financial system are our banks which remain stable and well-capitalized to meet their contractual obligations. The recent problems with CLICO however served as a lesson to us

all about the dangers of overleveraging and the appetite for intolerable levels of risk.

Ladies and Gentlemen, we have made significant progress in the Government's offer of relief programmes to the policyholders of CLICO short term investment products and the depositors/shareholders of the Hindu Credit Union ("HCU"). To date, the Government has paid cash amounts of up to \$75,000 to a total of 18,354 depositors/shareholders of the HCU, amounting to approximately \$188 million. We have also paid a total of 41,299 policies in the CLICO offer of relief programme which amounted to a total of \$10.8Bn in both cash and bonds.

As you would know, the Trinidad and Tobago's financial services sector is vital to the economic well-being of this

country. It accounts for approximately 15.5 percent of the GDP of Trinidad and Tobago, the highest contribution after the petroleum sector. In 2010, there were more than 50,000 persons directly employed in the finance, insurance and related sectors, amounting to 8 percent of total persons employed in the country.

Our vision is to be the premier financial services destination within the Caribbean and Latin America. We see the continuing, strengthening and outward expansion of our banks and insurance companies. We envision the establishment of a robust regulatory system comparable with the best in the world, the gradual development of our capital markets in the widest possible sense and establishment of a solid back office support industry to support the sector. To enable this I have embarked upon several initiatives, one of which is proposing the

establishment a “Green Paper Committee”. The Committee’s mandate will be to review the financial system of Trinidad and Tobago, and recommend proposals to strengthen the regulatory framework in order to promote a solid foundation for strong and sustainable economic growth.

### CAPITAL MARKET INITIATIVES

In particular, the Committee will be asked to provide recommendations for advancing the progress that has already been made in the completion of the first generation of capital market reforms. We have recognized that a lot more is required if we are to realize our goal of creating a vibrant capital market with new complex investment products, greater investor



participation and increased market activity and liquidity. The Committee will be required to develop a plan which would consider:

1. The development of new export-oriented sectors to help build a long term competitive advantage, and
2. Initiatives to re-vitalize the local stock exchange.

The re-vitalization of the Trinidad & Tobago Stock Exchange (“TTSE”) is critical to achieving our objective of a vibrant and efficient capital market. To this end, it is my intention to double the number of companies listed on the over (36) within the next five (5) years.

Ladies and Gentlemen, the Government has decided to play a leading role in this initiative. Work has already been started on several initiatives geared towards increasing the breadth of the

TTSE, starting with the listing of the CLICO investment funds which monetized the debt owed to holders of short-term investment products of CLICO and the First Citizens Bank Limited. We are also working towards listing:

1. A new company which would hold the National Gas Company's 39.0 percent shareholding in Phoenix Park Gas Processors Company Limited; and
2. The Trinidad and Tobago Mortgage Bank

Several other state enterprises which require strategic investors such as the Vehicle Maintenance Company of Trinidad and Tobago, the National Helicopter Services Limited, the National Flour Mills Limited and the Point Lisas Industrial Port Development Limited have also been identified as possible listings.

Ladies and Gentlemen, apart from the listing of state enterprises in the TTSE, we are also considering entering into discussions with some of the energy companies and the major local conglomerates with regard to the possibility of listing more of their subsidiaries on the stock exchange. It is expected that as market activity increases with more companies listing on the TTSE, we will see an increase in the number of cross listings on the TTSE. The broadening of the stock exchange will open up the possibilities of developing capital market relationships with Central America.

Ladies and Gentlemen, considerable efforts are being placed on attracting small and medium sized enterprises into the local capital market. In 2012, the Government created tax incentives for these businesses to list on the TTSE. However, I have taken cognizance of the fact that despite these incentives there is still

an absence of these firms on the TTSE and so, in the 2014 Budget, I proposed to further amend this tax incentive framework by re-defining the qualifying capital base for these incentives as well as the shareholding requirement.

I have also embarked upon a consultative process with all stakeholders to determine the factors that may be deterring these businesses from coming to the local stock market and what incentives the Government can introduce that would be more effective.

### TTIFC

To further advance our initiatives for deepening and broadening access to capital and financial services, we have breathed new

life into the Trinidad and Tobago International Financial Company (“TTIFC”) whose mandate is to create meaningful jobs for Trinidad and Tobago’s knowledge workers by making it attractive for financial services companies to serve their markets from our shores.

The TTIFC is driving the process of strengthening of the financial services sub-sector with the creation of a Financial Institution Support Services Industry. The transformation of the financial services industry, would involve making Trinidad and Tobago an attractive jurisdiction for regional and international financial institutions to operate specific middle and back-office processing from our shores.

This proposition offers many lucrative opportunities for our country, not the least of which is the diversification of our

economy away from the petroleum sector, which is estimated to contribute 44 percent of GDP.

The creation of the Financial Institution Support Services industry remains a priority for the Government as it is a major initiative to:

- i. Support continued development of the local economy in the creation of sustainable high-value employment opportunities;
- ii. Attract direct investment by financial institutions and service providers;
- iii. Expand and diversify the economy; and
- iv. Increase access to capital for local operators.

The emergence of the Financial Institution Support Services Industry involves the creation of a new industry to support the outsourcing and consolidation of middle- and back-office processing duties for regional financial institutions. These include the processing of financial and related transactions such as SWIFT payments, wire transfers, reconciliations, collections from delinquent customers, accounting and legal services, rolling-out of projects and service call-centers.

The creation of a Financial Institution Support Services industry is also expected to generate substantial benefits for the economy of Trinidad and Tobago. Apart from positioning this country as an attractive destination for financial companies, this initiative is expected to generate approximately 3,000 jobs for knowledge workers over a five year period, and 6,000 – 12,000 in total on a multiplier effect basis. It is also expected to have a

positive impact on GDP with an expected expansion of 1 percent over the five year period with the associated generation of additional revenue through the payment of income and corporation taxes.

Also, Government's plans for a nation-wide broadband network would provide new competitive telecommunications infrastructure needed to improve reliability of service, lower costs, and ultimately enhance the feasibility of processing financial services. These augur well for our competitive environment and the ease with which business is done locally.

### Legislative Initiatives

Ladies and gentlemen, we must acknowledge that the credibility of Trinidad and Tobago as a regional financial centre would have been severely undermined without the implementation of



appropriate legislative and regulatory arrangements. The Government of Trinidad and Tobago has undertaken credible steps towards improving the credibility and integrity of this country as a regional financial centre through the application of best practice standards as advanced in existing legislation, as well as the modernization of the Securities Industry, with the passage of the new Securities Act 2012.

Ladies and Gentlemen, the Insurance industry cannot develop unless its stakeholders have confidence in the system. The meltdown of CLICO and the CL Financial Group placed a significant strain on the industry and has shaken the confidence in which the investing public had in the insurance industry. The Government is focused on building this confidence. To this end we have re-introduced the Insurance Bill in Parliament following its lapse when Parliament prorogued earlier this year.

I would to take this opportunity to reassure you and the wider community that the Insurance Bill will be re-introduced into Parliament this Friday. This Bill will lay a solid foundation for the development of the Insurance industry and the wider financial services system. It incorporates international best practices and will ensure an appropriate level of protection for policy holders and beneficiaries of insurers.

Ladies and Gentlemen, substantial progress is also being made on the new Credit Union Bill and it is my intention to lay this Bill in Parliament before the close of the 2014 financial year. Ladies and Gentlemen, all of these legislative efforts will mitigate destabilizing occurrences in the local and regional financial markets.

## CONCLUSION

Ladies and Gentlemen, as I have touched on the Government's current and proposed initiatives for the financial services industry, I would like to close by sharing with you my vision for this industry.

My vision is to create a system that inspires its players to balance the need for success, with the need for social responsibility.

It is to strike such a profound balance that the sector will be resilient and performance driven, yet at the same time sensitive to its environment and responsive to evolving best practices.

And it is to construct a sector that places the same importance on the creation of an honourable legacy, as it does in the pursuit of profitability.

All of us working together can achieve this vision, especially in the conditions where:

- We have an enviable incentives structure;
- We have a disciplined approach to economic management;
- We have carefully managed pressures on inflation and factors affecting the cost of living; and
- We have built flexible, yet robust regulatory frameworks within which the private sector can thrive.

The success of our aspiration to develop this country as an International Financial Centre, depends on a collaborative approach among the Government and its agencies, the private sector and critical national stakeholders. I want to give the assurance that the Government of Trinidad and Tobago will be a

committed partner in efforts to ensure our business environment is attractive and enabling.

Ladies and Gentlemen.

I thank you!