

**Address by  
SENATOR THE HONOURABLE CONRAD ENILL  
MINISTER IN THE MINISTRY OF FINANCE**

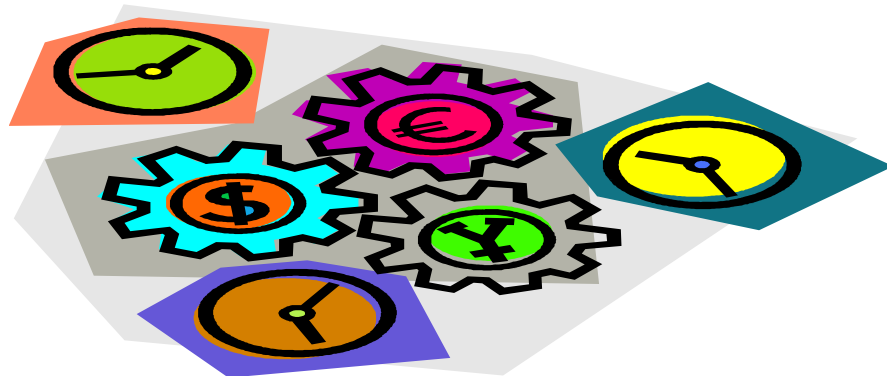
to the

**2005 ANNUAL SENIOR LEVEL POLICY SEMINAR**

on

***LIQUIDITY MANAGEMENT AND BUSINESS  
OPPORTUNITIES IN CSME AND BEYOND***

by the  
**CARIBBEAN CENTRE FOR MONETARY STUDIES**



**TRINIDAD HILTON  
MAY 2 2005**

**Opening Address by Senator the Honourable Conrad Enill**  
**at the**  
**9<sup>th</sup> Annual Senior Level Policy Seminar**  
**May 2, 2005**

Mr. Chairman, Governor of the Central Bank, Distinguished Ladies and Gentlemen

It is for me an honour and privilege to address this distinguished audience of academics, policy makers and market participants from both the public and private sectors and who are specialized in the field of public policy formulation and implementation at this the 9<sup>th</sup> Senior Level Policy Seminar, which is being hosted by the Caribbean Centre for Monetary Studies on the theme **Liquidity Management and Business Opportunities in CSME and beyond.**

I am particularly delighted that this Seminar is being held at a time when the Government of the Republic of Trinidad and Tobago`s own programme of wide-ranging reforms is being undertaken, which in addition to changing the financial landscape in Trinidad and Tobago is also impacting on financial development in the wider CARICOM

region and re-enforcing in this process our commitment in making the Single Market and Economy in CARICOM a reality.

Some ten years ago in 1995, the CCMS held its very first policy Seminar on this theme of Liquidity Management here in Trinidad and Tobago, at a time when economic circumstances were very different in the wider Caribbean region. At that time, intra-regional investment was more limited; the region was still grappling with the implications of the conclusion of the Uruguay Round; liquidity in the various Caribbean territories was more or less relatively tight; and the prospects for the attainment of the Single Market and Economy were not nearly as optimistic.

Today, we operate in different circumstances. Trinidad and Tobago has been playing the leading role in intra-regional investment in CARICOM and we believe there is a greater commitment among the member countries of CARICOM to deepen the integration process.

As you are no doubt aware, Trinidad and Tobago signed the Revised Treaty of Chaguaramas on July 5, 2001 establishing the CARICOM Community including the Single Market and Economy. A major pillar

of the CARICOM Single Market and Economy (CSME) is the free movement of goods, services, capital and labour.

The main purpose of the CSME is to provide a wider economic space that can facilitate increased trade, investment and development for the region as a whole. CARICOM is important because among other attributes it represents Trinidad and Tobago's second largest export market surpassed only by the United States of America. In 2003, Trinidad and Tobago exports to CARICOM amounted to **US\$1 billion** while imports were valued at **US\$94 million** resulting in a trade surplus of **US\$916 million**. Between 1999 and 2004, domestic firms made investments worth approximately **US\$299 million** in the CARICOM region. Many of these investments have been in industries engaged in **financial services** (banking and insurance), **shipping and trading, cement and alcoholic beverages**. CARICOM has therefore emerged as an important market for Trinidad and Tobago, especially within recent years and this has allowed Trinidad and Tobago to provide significant support to the region.

Over the last six years, regional governments and other private sector entities have raised approximately **US\$1.1 billion** on Trinidad and Tobago's capital market.

Trinidad and Tobago has also implemented a CARICOM Trade Support Programme, which is largely aimed at increasing the productive and trade capacity in other member states of CARICOM. An integral aspect of this Programme is the existence of a revolving fund worth TT\$100 million, through which firms in the other member states involved in joint ventures or strategic alliances with their counterparts in Trinidad and Tobago, can access interest-free loans or technical assistance.

**Ladies and Gentlemen**, the Government of the Republic of Trinidad and Tobago has identified as its core objective for Trinidad and Tobago, the attainment of developed-country status by the year 2020 or before. In support of this objective, the Government has recently indicated in its "**White Paper on Financial Sector Reform**" a vision for the development of the financial sector in Trinidad and Tobago. It is our belief that a well-functioning financial services sector that

effectively mobilizes financial resources and channels these to the most productive areas in our economy is an indispensable requirement not only for the sustained growth and development of the Trinidad and Tobago economy but as well for the Caribbean region in general.

In the early 1990's, Trinidad and Tobago embarked upon a programme of trade and financial liberalization with the removal of exchange and capital controls and the liberalization of the foreign exchange markets. **Since that time, our financial system has been experiencing rapid growth and we have witnessed the emergence of a number of financial conglomerates that have been diversifying and expanding the range of their product offerings in both the domestic and regional markets.**

In 1990, the total assets of our financial system amounted to **TT\$31 billion dollars** and based on the most recent estimates that are available for 2004 this figure has increased **almost three-fold to approximately TT\$120 billion.**

This is good news but there are challenges that are associated with increased trade in financial services. Many of our domestic financial institutions have utilized the regional market to diversify their portfolios and increase their returns, but this also brings to the forefront new challenges related to country risk exposure. These challenges have implications for the risk management practices of our institutions as well as for supervisory and regulatory oversight. If not appropriately addressed, they also have the potential to increase systemic risks that arise from contagion effects. To address many of these issues and to strengthen the domestic financial system, my government has developed an action plan and time-table for the implementation of the reforms. Among the core pillars of our reform strategy are the upgrading of our supervisory and regulatory oversight, the upgrading of our financial sector legislation and the development of our financial infrastructure. We transferred in May last year the supervisory oversight of the insurance industry and registered private pension plans from the Office of the Supervisor of Insurance, Ministry of Finance to the Central Bank. This represents but one of the initial steps in our strategy towards the achievement of integrated regulation of the financial sector.

On the legislative front, work is proceeding on the upgrading of the Financial Institutions Act (FIA 1993), the Securities Industry Act (SIA) as well as the Insurance Act, 1980. Many of the proposed amendments to these Acts will contain regulations that would enhance the quality of information provided to the Regulator and disclosed to the public; enable the Regulator to share information with other supervisory authorities; provide for more effective oversight of financial holding companies; promote better standards of corporate governance; improve prudential requirements; and establish safeguards against money laundering and the financing of terrorism. I am aware that, at this very moment, our Central Bank is discussing with the licensed financial institutions the proposed amendments to the Financial Institutions Act.

Ladies and Gentlemen, another key aspect of our reform strategy is the upgrading of our financial infrastructure and by this I mean the development of new financial institutions. Our latest success as recent as last Friday was the creation of the Financial Services Ombudsman. This Office is a collaborative effort between the Central Bank, the commercial banks and the insurance companies. It will



investigate complaints from individuals and small businesses relating to the services provided by the participating banks and insurance companies.

In the drive towards developing a vibrant financial services industry, we have also recognized the importance of establishing a sound architecture that provides our customers with a range of flexible options for making payments in a more efficient and cost-effective manner. We have made major progress with the upgrade in the clearance and settlement arrangements for payments and securities. In 2004, we launched our Real Time Gross Settlement System (RTGS) which will virtually eliminate settlement risk through arrangements at the Central Bank. We also automated the arrangements for issuing government securities and established an electronic register for these securities.

The financial landscape in Trinidad and Tobago also now includes an Automated Credit Bureau, which has the distinct benefit of affording customers a fairer and more accurate assessment of their credit requests. Later this year, an automated Clearing House will be

established to permit faster and more efficient processing of inter-bank credit and debit payments such as payroll, insurance premiums, and utility bills, to mention a few.

As you can observe, we are well on our way with the implementation of our reforms.

Trinidad and Tobago is benefiting from buoyant energy prices, which have resulted in a significant expansion in our real Gross Domestic Product (increased by 6.2 per cent in 2004), a balance of payments surplus (US\$734 million in 2004) and an improvement in Government's fiscal accounts. Unlike the decade of the 1980s, when the Trinidad and Tobago economy was characterized by slow growth, relatively low reserves and a liquidity deficit, the recent surpluses on the balance of payments accounts have not only led to a significant increase in this country's holdings of foreign reserves, but have also contributed to a build-up of liquidity in the financial system.

My Government is committed to the management of this liquidity and recognizes that this not only requires the effective co-ordination of

monetary and fiscal policy but as well, the development of money/capital markets and a financial architecture that can support and sustain the efficient execution of these policies.

One of the core strategies that we have adopted to deal with the build-up of liquidity is the establishment of the Revenue Stabilization and Heritage Fund. We propose to invest a portion of the surplus revenues emanating from the energy sector into an investment portfolio consisting of international and domestic securities that would provide a future stream of income when our oil and gas reserves are exhausted. Through this mechanism, we are able to lock away some of the excess liquidity that exists in our domestic financial system.

Ladies and Gentlemen, I have already outlined as part of our reforms in the financial sector, the strengthening and deepening of our money and capital markets. These initiatives play a key role in the development of our financial infrastructure, but they also contribute both directly and indirectly to more effective management of liquidity. By permitting investors to source funds efficiently in these markets, excess liquid resources can be channeled to viable projects,

especially in the non-energy sector, thus contributing to greater diversification of our productive base and eventually to the overall growth in national income.

Mr. Chairman, distinguished ladies and gentlemen, you have gathered here to discuss an important theme which involves creating an environment for growth and development and generating better standards of living for the citizens of the Caribbean. Let me stress that in order to reap the full benefits of the CARICOM Single Market and Economy and to cope with global competitive pressures, a truly dynamic economic environment needs to be firmly in place. The Government of Trinidad and Tobago backs the drive for reforming our domestic economies. We do not underestimate the difficulties of the task and the necessity to explain tirelessly to the people of Trinidad and Tobago as well as to the Caribbean that all would be better off with the establishment of the CARICOM Single Market and Economy. We consider that we are participating fully in this exercise and I look forward to the conclusions of this high level policy seminar.

Thank You Mr. Chairman.