

Address

By

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At

The Ministry of Finance

TTIFC Symposium

“Expanding and Diversifying the Economy”

Hyatt Regency Hotel, Port of Spain

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President of the Senate

Cabinet Ministers

High Commissioners and Ambassadors

Ministers, Acting High Commissioners and Charge
d’Affaires

Parliamentary Secretaries

Members of the Senate

Governor of the Central Bank

Permanent Secretaries

Senior Government Officials and Heads of
Departments

Specially invited guests

Good morning!

I will like to extend a warm welcome to everyone,
especially our foreign guests, to this two-day
symposium hosted by the Ministry of Finance.

This symposium is designed to inspire critical thought and a spirited exchange of ideas on an important national issue; the most effective manner in which to accelerate the expansion and diversification of our economy.

Ladies and Gentlemen, over the last five years, economic reform in Trinidad and Tobago has also been spurred by unprecedented inflows to the Energy Sector. Our country is now one of the world's top producers of Liquefied Natural Gas. This is in addition to being the world's largest exporter of methanol and ammonia and an emerging world leader in the export of steel.

Our foreign exchange reserves amount to US\$6.1 billion representing 10 months of import cover , well above the international benchmark of 3 months. We reduced the public sector debt from 58.3 percent of GDP in fiscal year 2002 to 28.3 percent of GDP in fiscal year 2007, well below the international benchmark of 50 percent. External Central Government debt been reduced from 17% in 2002 to under 7% in 2007.

Private consumption has strengthened as a direct result of the improvement in employment levels over the years, with the unemployment rate falling to an unprecedented 5.6 percent.

Private consumption has also benefited from rising consumer confidence and a rapid expansion in banking sector credit.

Notwithstanding, these developments Government, through the Central Bank is aggressively utilizing policy instruments to contain increases in the general price level caused by a combination of strong external in-flows, rising public spending and strong demand pressures.

The Government's priority is not only focused on the current state of the economy but also on the future of the economy. The Heritage and Stabilization Fund is one way in which the Government is addressing this issue. Simply put, the profits from our oil revenue have been and will continue to be deposited into this Fund and invested. At the end of the fiscal 2007

deposits into the Heritage and Stabilization Fund amounted to US\$1.766 billion (TT\$11.106 billion).

Our economic performance has not gone unnoticed and has been internationally recognized by the investment grade status awarded by both Standard and Poor's and Moody's.

Ladies and Gentlemen, as a responsible Government, we are committed to both the conceptual and practical application of diversification. We are determined to create viable alternatives to Trinidad and Tobago's non-renewable energy resources which have long been the cornerstone of our economic makeup.

We believe that the time has come, therefore, to implement an alternate strategy that will simultaneously complement the energy sector throughout the remainder of its natural life *and* initiate the sustainable transformation of the economy to ensure its adequate service to future generations.

The utilization of our oil and gas revenue to build a modern, viable and competitive financial services sector represents an important public policy initiative in the same way in which the monetization of gas reserves was utilized to transform the economy from oil based to gas based.

One of the platforms of our commitment to diversification, envisions the establishment of the

Trinidad and Tobago International Financial Centre (TTIFC), to be located in Port of Spain, in fact, right here at Waterfront. In effect, the TTIFC will position the city of Port of Spain as a major international financial market for trading financial products and services.

From an economic perspective, global and domestic trends have been converging to facilitate the establishment of an International Financial Centre in Trinidad and Tobago. As the country continues to modernise and diversify, the financial sector has been playing an increasingly important role and since 2000 has been the fastest growing non-energy sector at an average growth rate of 8.2 percent over the period 2000 to 2007. It has out performed the non-energy

sector as a whole which grew at an average growth rate of 5.6% over the same period. In 2007 the financial services sector contributed 13.5 percent to GDP!

Ladies and Gentlemen, the benefits of establishing the TTIFC could be substantial, in particular, the creation of a sustainable diversified economic model with its associated generation of employment, the management of front office operations, the strengthening of the payments system, the development of a secondary capital market, the development of a depositary receipts market, increased access to capital for small businesses, the creation of a mini-city with integrated living and office accommodation all of which will redound to the

sustainable utilization of the country's oil and gas wealth.

To be specific, we envisage that the TTIFC will be a designated hub that will provide a range of front office financial services including but not limited to banking, asset management, capital markets activities, specialized insurance operations and futures transactions on the international commodities markets. It will not be involved in traditional off-shore banking activities.

The Government sees the concept of the TTIFC as being similar to the International Financial Centres

located in countries such as Singapore, Dubai, and Ireland.

In these countries, IFCs have successfully created an environment for tremendous growth, progress and economic development, while operating under rigorous standards of integrity, transparency, efficiency, independence and responsiveness.

These IFCs have completely transformed the financial conditions of their respective countries, boosting economic activity and increasing employment among citizens and foreign employees alike.

In Ireland for example, the Dublin IFC was established in 1987 and has rapidly become a vital

part of the Irish economy. More than 400 international operations trade there, including half of the world's top 50 banks and half of the top 20 insurance companies. In addition, a sophisticated support network comprising software development, telecommunications, legal and accountancy companies has also developed around the Dublin IFC, adding depth and complexity to its booming operations.

Ladies and Gentlemen, our country's fortuitous location between North and South America will assist in promoting a core business that consists of a regional "captive market" – in other words, significant amounts of foreign funds will unquestionably be

encouraged to flow through our IFC as a convenient regional alternative to New York and Miami.

These foreign earnings from the captive market will afford Trinidad and Tobago the opportunity to determine how the funds are managed. This development could, in effect, lead to a secondary market providing much needed capital to small and micro enterprise; regional governments and larger companies that require funding at competitive rates; other investment management opportunities; and international loans syndication.

With regard to the financial system infrastructure needed to aggressively support an IFC, Trinidad and Tobago has, over the past three decades,

consistently upgraded and reformed a myriad of components therein. So, in essence, we have been making preparations for an IFC for more than a generation.

Here are some of the highlights of what we have done to strengthen the overall infrastructure of the financial system, thus far:

In the 1980s, we established the Trinidad and Tobago Stock Exchange and the Trinidad and Tobago Unit Trust Corporation. These are two pioneering institutions that have advanced capital market development by increasing long term savings and broadening the market's investor base.

In the early 1990s, various structural reforms targeted the interest and exchange rates; the current and capital account liberalization; an upgrade of the regulatory framework for the financial sector; and, the establishment of a Securities and Exchange Commission.

Recent financial system infrastructure improvements encompassed the application of modern technology, including the establishment of a Real Time Gross Settlement System; a Government Securities and Settlement System; and, an upgrade of the Inter-Bank Payment System which utilized international best practices.

In addition, Electronic Trading of securities on the Trinidad and Tobago Stock Exchange was launched in 2005, due to the indispensable nature of the Internet as a tool for daily life. A market-based Electronic Auction system has also been introduced to replace the underwriting system for the distribution of government securities in the primary market. The Auction system has contributed to increased competition and greater transparency with respect to the process of price determination in the government securities market.

Ladies and Gentlemen, Trinidad and Tobago's financial sector is already widely recognized as the strongest in the English-speaking Caribbean. This coupled with the strong foreign reserve position that

the country has attained and the difficulties that regional borrowers face in accessing international markets has promoted Trinidad and Tobago to the main capital market for regional public sector entities and corporations to issue debt securities in substantial amounts.

This is why the natural progression of the regional stock exchange points in the direction of Trinidad and Tobago as the home of the regional stock exchange which will further enhance the stature of the TTIFC.

In addition, the Government is particularly enthused about the introduction of Depositary Receipts as new trading options for local investors. DRs provide a

mechanism for public companies to offer their shares in jurisdictions other than their country of listing.

Using a home grown real world example, the recent merger by amalgamation of RBTT by the Royal Bank of Canada is expected to result in the creation of Trinidad and Tobago Depositary Receipts, which will allow the local “man-and-woman-in-the-street” to invest in an international company. In effect, the DRs related to the RBC merger of RBTT will provide small investors with a stake in one of the world’s premier financial institutions.

The Government will also be encouraging international energy companies such as bpTT and

BGTT and other similar multinationals operating on our shores to offer ownership of their shares through DRs. The tangible benefits to the energy companies in question include an enhancement of their corporate image which will emphasize the separation of the local subsidiary as a distinct entity, and further strengthening of regional ties.

Ladies and Gentlemen, it should be noted that the Government continues to strengthen the Secondary Market for government securities, broadening the range of investment opportunities for investors and facilitating the development of the wider capital market. These reforms have increased market transparency and improved market liquidity.

With regard to Credit Unions, which are a significant component of the financial services industry with over \$4 billion in assets, we are in the process of formulating an appropriate regulatory framework which will allow future participation within the international environment.

In terms of major legislative reforms to fully support the financial services industry, we are in the process of reviewing and finalizing critical amendments to the Financial Institutions Act of 1993, the Securities Industries Act, and the Central Bank Act.

Our country enjoys a highly influential position in the region; we offer a stable political climate; sound

democratic traditions; an investor-friendly environment; and, a flourishing economy.

Additionally, our credit rating is the highest rating in Latin America and ties us only with Bahamas in the Caribbean; and we are the number one destination for debt financing in the Caribbean, servicing foreign governments and corporations. Furthermore, globalization and cross-border expansion of Trinidad and Tobago companies have heightened interest from countless investors over the years. In addition Trinidad and Tobago companies have been investing heavily in regional and Latin American territories.

Among the ideas being considered in shaping the TTIFC is the creation of a Special Economic Zone.

Such a zone can complement an IFC and provide a competitive advantage. An appropriate incentive framework may well serve to encourage financial institutions to locate at the TTIFC and to use this avenue to maximise regional and extra regional opportunities for their continued growth and expansion.

Ladies and Gentlemen, let me now take a moment to update you on the current status of the plans for the establishment of the TTIFC.

With the help of the international consultants, Oliver Wyman, we have divided the process into four distinct phases.

Phase One, the Review and Analysis through Research and Case Studies, has been completed and yielded results consistent with preliminary attempts to establish an IFC. During the process, 14 major IFCs were analyzed.

The Phase One analysis was achieved using four key criteria: Economic and Political Strength and Stability; Regulatory, Legal and Tax Environment; Financial Infrastructure; and, Physical and Business Infrastructure.

For your general information, following completion of Phase One, the recommendations from the consultants included, but were not limited to: the need for continued economic diversification; a review of the

Tax Regime; and, a continued investment in infrastructure to attract desired business.

Phase Two which involved the Identification of Opportunities and the Development of Strategic Options, has also been completed. That study revealed several attractive opportunities which were recommended to help us accomplish our TTIFC aspirations, including prospects in retail and corporate banking, capital markets, insurance and reinsurance and asset management.

This two-day symposium marks the advent of Phase Three, the creation of a marketing and implementation framework. This process undoubtedly requires and deserves communication with YOU, the

stakeholders of the TTIFC, if the initiative is to move forward and be the success that we have already envisioned.

Finally, Phase Four requires the preparation of legislation, regulation, and reports to effect the official establishment of the TTIFC.

We pledge that at the end of this final Phase our IFC will be able to withstand the highest standards of scrutiny and engender total confidence in all participants.

I take this opportunity to emphasize that YOUR ideas, observations and constructive feedback during these two days, together with the application of best

practices from other IFCs, will help shape what the TTIFC will become.

It is envisioned that your feedback will also assist in shaping the TTIFC model that will serve to further diversify the economy while complementing the energy sector; consolidate Trinidad and Tobago's position as the financial centre of the Pan-Caribbean region; expand and enhance our domestic financial services; and, support the country's drive toward developed country status by 2020.

And what it will become, we hope, is something that all of Trinidad and Tobago will be proud. That is, a highly successful venture *and* adventure in the provision of wide-ranging financial services, the

ultimate financial services destination rich with unique possibilities, an initiative that appeals to participants who demand an innovative and responsive marketplace brimming with opportunities and staffed with highly skilled professionals.

In closing, I challenge you to shut your eyes for a moment and visualize the following uniquely “Trini” watershed moment. In a country that has had many watershed moments in the areas of sport, entertainment, culture, and academia, this impending moment in the sphere of business and finance will be one for the ages.

The establishment of the TTIFC will complete our arrival on the grand stage of the international financial

world, and firmly entrench on the national psyche the ideals of Government's conceptual and practical commitment to economic diversification which will benefit future generations.

I thank you for your kind attention and look forward to listening to your contributions and presentations during the next two days.