



THE CARIBBEAN INVESTMENT FORUM 2008

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Tobago**

**KEYNOTE ADDRESS BY
THE HONOURABLE KAREN NUNEZ-TESSHEIRA
MINISTER OF FINANCE**

“Where Global Markets Meet Regional Opportunity”

Mr. Chairman, Richard Banks;

The Honourable David Thompson Prime Minister of Barbados;

Mr. Luc Vanneste Executive Vice-President and
Chief Financial Officer,
Scotiabank;

Mr. Gregory Fisher Managing Director – Investments,
Oppenheimer & Company Inc.;

Mr. Luis Oganés Managing Director, Head of Latin
American Research, JP Morgan;

Mr. Desmond Thomas Senior Country Economist, IADB;

Mr. Gervase Warner Executive Chairman,
Neal and Massy Energy Ltd;

Members of the Media,

Distinguished Ladies and Gentlemen,
Good Afternoon and welcome to you all.

It is indeed a pleasure to address you today on the occasion of the Caribbean Investment Forum 2008, which brings together some of today's most insightful thinkers to engage some of the issues at the cutting edge of development of our region and to add to our understanding of the challenges we face.

Let me begin by thanking Euromoney for co-hosting this important event in Trinidad and Tobago and for the invitation extended to me to present the keynote address.

“Where Global Markets Meet Regional Opportunity” is indeed as wide and complex a topic, as it is timely. The new international financial architecture spurred by globalization marks one of the most radical changes in the past decade or so. It has brought impressive increases both in trade and private capital flows. To use language that has become current, there has been a remarkable and unprecedented acceleration in the pace of globalization. The attendant challenges however, are significant and include exchange rate volatility and other vulnerabilities that demand coherent policy responses at the national level.

As Trinidad and Tobago seeks parity with developed nations, amidst the torrential force of globalization, Government's policy pendulum has swung toward the creation of a prudential framework necessary to support an international financial centre and in tandem, to capture the benefits of cooperation and openness.

Internationally, economic rationales are becoming intertwined with foreign policy goals, engendering new and sophisticated modes of financial markets with emphasis on sustainability, stability and a wider sharing of globalization's benefits. Huge and irreversible technological changes have compressed time and increased the interconnectivity of nations. As such, the contemporary financial system is akin to a lightening conductor in taking money to the safest haven.

However, finance may be set apart from other sectors in its distinctive combination of information asymmetries, providers of funds know less about the ultimate employment of monies than do users) and intertemporal trade, a dollar today in exchange for the promise of a dollar, plus some return, tomorrow.

Moreover, as trade expands and investment links increase, a transparent, efficient international financial centre will become increasingly important as it is widely acknowledged that a proliferation of financial services will greatly facilitate efforts toward Caribbean development and global integration.

Ladies and Gentlemen, for the past several years, Trinidad and Tobago has done much to reinvent itself socially and economically, with proven salutary results for entrenched growth and development.

Indeed, the theme of my discourse today is that by building on this progress and deepening the reforms necessary, Trinidad and Tobago now has a great opportunity to accelerate growth and establish itself as the financial entrepôt of the Caribbean and the instrument of closer ties with the countries of South America.

It is against this background that the impetus for the Trinidad and Tobago International Financial Centre (TTIFC) was envisaged. The TTIFC is the culmination of Government's attempt to raise our nation's profile as a world-class provider of financial services and as the vanguard of the regional integration process.

The international financial centre will offer an attractive array of opportunities in the areas of investment management, international loan syndication and bank office activities, to name a few.

Mr. Chairman, the past five (5) years has witnessed an average growth of 8.8 percent in the financial services sector in Trinidad and Tobago, increasing its share of GDP from 13.5 percent to 14.5 percent. Financial sector assets were valued at TT\$103.9 Billion in 2007, and have grown at an average annual rate of 12.8 percent over the past five years.

The TTIFC, by harnessing the assets of the Caribbean region, reaffirms Government's support for the ideals of regional and international cooperation, and exemplifies our foundational principles

of transparency, integrity and accountability. Moreover, the centre will provide fertile ground for fresh entrepreneurial energies.

Financial centres catalyze development by exerting a great enabling influence within its sphere and by ushering in the most essential ingredient for further development – capital. Notwithstanding our booming energy and energy-based industries, Government has sought economic diversification which includes the development of an active capital market.

The investment of capital in a satisfactory investment climate can have positive feedback effects. Profits themselves generate the possibility of more investments as linkages to upstream or downstream industries will call forth complementary investments and breed confidence in investors.

Capital markets the world over are demonstrating the balance between continuity and change. Their constitution governs entry, conduct and exit. They eliminate lackluster performance, cannibalize mature products yet spawn new distribution systems and foster the growth of new business models.

Mr. Chairman, apart from deliberate Government initiatives to develop an IFC, Trinidad and Tobago has in fact already ensconced itself as a regional capital raising centre through fixed income securities, amassing some \$US2.4 Billion and \$TT40 Billion on its debt market from 2003 to the present. Also, during this period, a

further \$ECS260 million and \$BBD77 million was raised in regional currencies.

In this regard, Trinidad and Tobago has sought the modernization of its capital market infrastructure, the engendering of expertise for its increasingly diverse financial services industry and the appropriate regulatory and legislative arrangements that improve transparency in capital markets.

Investors flock to stable institutional environments where archaic laws and excessive bureaucracy are largely relics of the past. Conscious of this fact and pending legal and administrative reforms to modernize procedures and achieve best international practices, a new Securities Act (SA) has been crafted. The new Act draws on a number of standards set out in the International Organization of Securities Commissions (IOSCO) and seeks to bring the legislation regime governing the securities market into conformity with the highest standards of international best practices.

The changes proffered in the new SA encompass broader enforcement powers of the Trinidad and Tobago Securities and Exchange Commission (TTSEC), more rigid disclosure obligations via new By-Laws, investors' powers and market manipulation and transparency.

The powers of the TTSEC are more fully enunciated in the new SA and oversight powers over market actors are strengthened. Regulatory cooperation has been clarified and allows the TTSEC to cooperate with regulatory authorities at the local and international levels. New offences and increased penalties have also been introduced to eschew non-compliance of disclosure standards.

Investors' powers are enhanced through improved opportunities for redress available to aggrieved investors.

New market manipulation and transparency provisions under the new SA are intended to raise the level of information available in the securities market and augur well for efficiency and fairness.

Ladies and Gentlemen, financial sector deepening required for the TTIFC involves updating legislation and identifying consequential amendments to other legislation.

To this end, we recently completed new flagship legislation governing banks and non-banks, through the Draft Financial Institutions Bill. FIA reform targets the early detection of risks and facilitates prompt corrective action. Other objectives include maintaining an appropriate level of protection for depositors, the supervision of licensees, enhanced corporate governance and greater public disclosure that promotes market discipline.

In January this year, the Central Bank of Trinidad and Tobago launched a secondary market for government securities, a key milestone in the deepening of capital markets. We view this development as a critical ingredient in our nation's financial infrastructure. Such secondary markets as you are all well aware, provide enhanced market making opportunities for government securities and act as a primer to other fixed income securities markets.

The introduction of Trinidad and Tobago Depositary Receipts (TTDRs) is yet another security intended to encourage participation and diversify investment portfolios. TTDRs complement the financial system by eradicating certain impediments to investments, namely unreliable data and custody services, unfamiliar practices, costly currency conversions and undependable settlements. The legislative framework, tailored to support TTDRs, is due to be completed by end of fiscal 2008.

Meanwhile, the Stock Exchanges of Trinidad and Tobago, Jamaica and Barbados already have compatible trading platforms and regulators are currently pioneering ways in which the bourses could become further linked through the establishment of a Caribbean Exchange Network (CXN) which has been delayed pending specific laws that address insider trading.

Mr. Chairman, money laundering distorts markets and economic decisions and can lead to financial instability. Government perceives this scourge and its associated activities to be the greatest impediment to the effective functioning of the international financial centre. Thus, the Central Bank is set to play a key role in ensuring continued integrity of the financial system, by fostering compliance with the Forty Recommendations and Nine Special Recommendations of the Financial Action Task Force (FATF).

Government endorses such efforts to curb the incidence of money laundering and lauds the CBTT for its exemplary work in this regard.

The proposed international financial centre could be a great fillip to the development of the region as infrastructural improvements must meet international standards of safety, aesthetics and functionality to attract and retain businesses and investors. We envisage the unfettered movement of skills, capital and entrepreneurial acumen in lieu of restraint behind demographic boundaries, affording participants a larger common space for the flexing of their energies.

Mr. Chairman, development today is determined by the impact of two major forces: globalization, that is, relentless integration of the world's economies, and localization, as seeking self-determination. Close linkages among trade, finance, investment, reconstruction and development implies that solutions should not be sought in isolation.

The greater fulfillment of Trinidad and Tobago's integration with global markets calls for a marked deepening and widening of markets. As we embark on a challenging new chapter of our nation's development, we look forward, in particular, to capital, management, skilled labor, and marketing expertise being mobilized from all regions and beyond, to exploit viable opportunities from integration which would feed into enhanced standards of living.

The international financial centre dovetails with Government's Vision 2020 and will be strategic in fulfilling the most ambitious promises of integration, as was conceived by our visionary leaders over half a century ago. I am optimistic that in our steadfast endeavors aimed at global repositioning, we can truly forge an economic space with depth and breadth and interface more efficiently and flexibly with the international system.

Every event, national and international, tests our resolve to steer a course for enduring stability and our Vision 2020. Since the first era of globalization, the powerful sway of financial orthodoxy meshed with good governance has sped the creation of capital markets.

While echoes of past financial crises still reverberate, we must heed the message to learn from them.

I believe that decades of resistance have eventually shaped a cross-border consciousness that fosters mutual belonging. Increasingly, in this age of global markets, we comprehend the limits to autonomy. We realize that our national goals are shared goals, our responsibilities are shared responsibilities and our opportunities are shared opportunities. These are the preconditions for all that we can achieve.

I therefore anticipate fruitful and thought-provoking dialogue throughout this Conference.

Ladies and Gentlemen, I thank you.