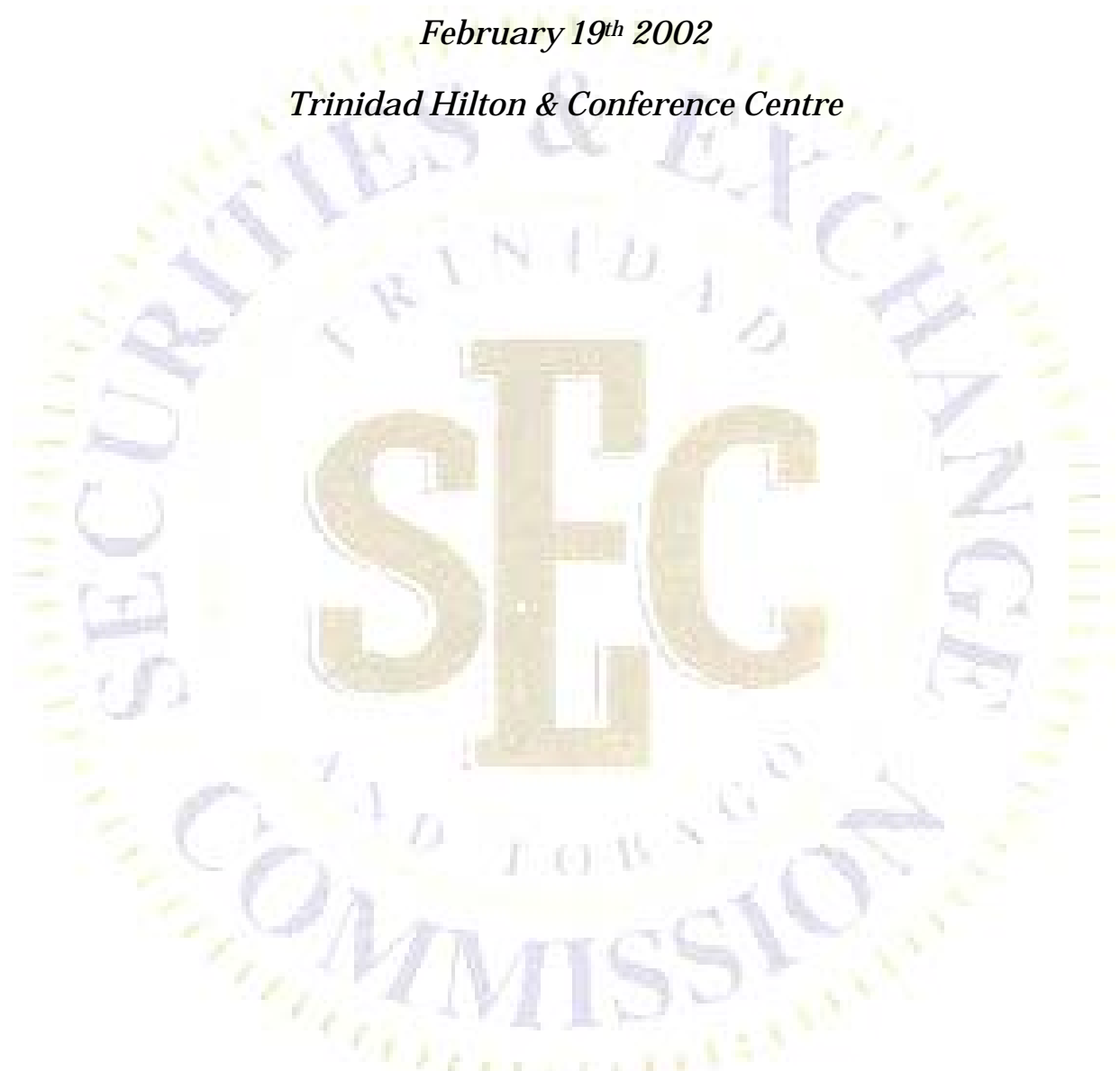


STATEMENT OF THE COUNCIL OF SECURITIES REGULATORS OF THE AMERICAS (COSRA)

February 19th 2002

Trinidad Hilton & Conference Centre



ADDRESS BY-

SENATOR THE HONOURABLE CONRAD ENILL
MINISTER, MINISTRY OF FINANCE

Mr. Chairman, distinguished delegates of the Council of Securities Regulators of The Americas, invited guests:

It is a pleasure to participate at your annual meeting; and it is indeed an honour to be here in the presence of such a distinguished group of delegates. On behalf of the Government of Trinidad and Tobago, I wish to welcome you to Trinidad and Tobago. I have noted that your programme of work is extensive and requires a great deal of your attention. This notwithstanding, I do hope that you will take advantage of your time here to experience our cultural and social life, seeing that this meeting comes just one (1) week after our annual Carnival celebrations.

Mr. Chairman, I wish also to take this opportunity to congratulate the Council of Securities Regulators of The Americas (COSRA) on its efforts to develop and foster the growth of sound equitable securities markets. Your work, together with that of the International Organization of Securities Commissions (IOSCO), has been instrumental in promoting the high standards of regulation that are needed for the maintenance of market integrity. These efforts, I am sure, have also contributed to the substantial cross border capital flows witnessed in recent years.

Mr. Chairman, when I accepted your gracious invitation, I thought it was the perfect opportunity to share some of this administration's views and plans to reform the capital market in Trinidad and Tobago.

Mr. Chairman, over the last two decades, we have made significant institutional changes and structural reforms which have laid the foundation for capital market development. It is clear that capital markets in emerging economies are playing an increasingly prominent role as an avenue for channeling savings to their most productive uses. These markets are also helping to assess and price risk more accurately and efficiently, thereby increasing the availability of credit and lowering its cost. This process supports economic growth, increases employment and improves the general welfare of our population.

While we have been experiencing positive developments, we are nevertheless aware that there are a number of weaknesses that require urgent attention. This urgency has been made more acute by the rapid pace of technological advancement and product innovation taking place worldwide. We believe that reforms are important in fostering our increasing integration

into the world economy and in particular, to enable us to exploit our full potential as a regional financial centre.

Mr. Chairman, the absence of a credible and independent provider of risk assessment has been a limiting factor in the development of the capital market in Trinidad and Tobago and indeed in the region. Poor credit assessment has translated into higher risk premia being paid by issuers of both sovereign and corporate securities.

To address this deficiency, we are at present working with the private sector to establish a Credit Rating Agency which will be capitalized and driven by the private sector. This Agency, we believe, will provide good credit analysis and appropriate benchmarking measures of risk to allow for efficient pricing of securities.

We are mindful that efficient capital markets will only develop if a sound and appropriate legal framework is in place. In this regard, we have recognized that in Trinidad and Tobago our securities regulation and legislation need to be strengthened. We are considering amendments to update our securities legislation to meet the objective of a sound legal framework for the securities market. This review will include enhancements to the regulatory and legislative powers and functions of the Securities and Exchange Commission as well as other regulators in respect of the supervision of the financial system. Issues of risk management practices, regulation and supervision of collective investment funds and their sales agents, corporate governance practices, disclosure standards and enforcement are all being considered at this time.

Mr. Chairman, it has become evident that the existing statutes are limiting the options available to our regulators and it has become quite clear to the Government of Trinidad and Tobago that a clean and full rationalization of the structure of the financial system, including the money and capital markets will require modern legislation.

The review will include an examination of the Foreign Investment Act of 1990, the Insurance Act of 1966, the Financial Institutions Act of 1993, Companies Act of 1995 and the Securities Industry Act of 1995. This exercise is in accordance with the Governments' objective of a complete rationalization of all legislation to keep pace with the expanded activities and increased competition, which have resulted from market realities, financial innovation, technological change, and global competition. This overhaul is to ensure that gaps are

eliminated across all legislation governing financial sector activities thereby addressing the inconsistencies and deficiencies in the entire sector and ensuring that all supervisory powers and provisions accord with international best practices and standards.

In keeping with our commitment to this comprehensive reform of the financial system, we are also addressing certain supervisory inadequacies in the credit union movement. A credit union monitoring unit has been established in the Ministry of Finance charged with developing in conjunction with the relevant interests a coordinated system of surveillance for our credit unions.

This unit will monitor credit union activity with a view to ensuring that credit unions comply with all regulatory requirements regarding performance, thereby maintaining the safety and soundness of the credit union system.

Mr. Chairman, reform of the legal framework while an essential pillar is but one element in the comprehensive reform process in which we are engaged. The Government is aware that good corporate governance influences all stages of the investment process and by extension the ability of the private sector to contribute to socio-economic progress.

In this regard, we are encouraging the Trinidad and Tobago Stock Exchange to establish immediately for all its listed companies a code of good corporate governance, which is consistent with international best practices.

We believe that these reform initiatives would enhance participation in the market. To further promote investor confidence we will encourage greater market disclosure and transparency and create secondary markets with an effective pricing mechanism. The primary mechanism by which government can effect this change is through the establishment of an efficient and liquid government bond market. As a result, this Government is reviewing the approaches to the timing and sequencing of government debt operations.

Given the particular characteristics of our economy, the Government also intends to develop the supply side of the market.

As you may be aware, due to substantial market imperfections, the Government of Trinidad and Tobago in the early 1980s undertook investments in the petroleum and energy-based industries.

As the industry matured, Government began to encourage foreign investment into the sector. The investment flows, which became substantial in the 1990's have contributed significantly to the growth and diversification dynamics of the economy, ensuring in the process, that the current account of the Balance of Payments remained sustainable and viable.

Mr. Chairman, the time has now come when there can be increased domestic private sector investment into the energy sector. The Government is examining the ways in which it can support this initiative. One avenue is to encourage the domestic private sector to form strategic alliances and collective investment vehicles to participate in energy sector investment ventures.

The Government is also in the process of examining its portfolio of investments with a view to increasing the supply of equity securities on the domestic capital market.

The present system of securities trading which involves physical delivery creates extensive delays in the transferring of securities ownership, increases risk in the system, deters investor participation and reduces market liquidity. A modern clearing and settlement system with a centralized depository is a key component for developing a secondary market for securities.

In this regard, we welcome the January 2002 commissioning of the Trinidad and Tobago Central Securities Depository (TTCSD).

The lag between the commissioning and the actual start of operations is to enable the TTCSD to build up a critical mass of securities that will facilitate trading.

Mr. Chairman, this initiative will lead to tremendous benefits. An improved settlement cycle to three days will be met by elated investors - both domestic and international as the transfer of ownership of securities will be processed speedily thereby eliminating substantial risk involved in transferring and holding securities for an inordinate period of time.

The impact of our financial system on the national economy cannot be underestimated and the financial services industry is generating substantial revenue. By any standards the industry's performance is impressive. We need to continue to foster this growth but it will only be accomplished in the context of a healthy domestic financial system with strong and vigilant supervisory authorities. Many challenges lay ahead. But I am confident we are well prepared to meet those challenges. As we forge ahead, we recognize that the industry keeps changing

and therefore our regulators must proceed with steady foresight to ensure that our markets remain robust.

Mr. Chairman, Government will ensure that in the context of our emergence as a regional financial services center, the powers and functions of the securities regulator are consistent with international best practices for securities regulation as espoused by the International Organization of Securities Commissions (IOSCO) and the Council of Securities Regulators of The Americas (COSRA). At the same time, I am sure that COSRA will continue to pay due regard to the special circumstances of small emerging markets such as Trinidad and Tobago.

Mr. Chairman, in closing let me state that on assuming office we reviewed the revenue and expenditure projections for the fiscal year 2002 on the basis of the lower than budgeted oil prices on our revenue and the declining economic activity resulting from the tragic events of September 11, 2001 on the world economy, including Trinidad and Tobago. Let me assure you that this government is very committed to managing our economy in a manner that preserves the country's investment grade status and also in implementing the development and social priorities that we have promised.

To this end, to keep expenditure in line with the revenue the Minister of Finance will limit expenditure, where necessary, pursuant to section 5 subsection 2 of the Exchequer and Audit Act Chapter 69:01 which allows him to limit or suspend any expenditure charged under the Appropriation Act if in his opinion the exigencies of the financial situation render such limitation or suspension necessary.

The oil price assumption of US\$22 per barrel has been revised to US\$20.50 and a number of scenarios of lower prices have been developed to guide the Minister of Finance in his decisions with respect to the limitation or suspension of expenditure.

Mr. Chairman I wish you a productive and successful meeting and I look forward to receiving your recommendations from your deliberations.

Mr. Chairman, I thank you.