

CARIBBEAN GROUP OF SECURITIES REGULATORS CONFERENCE

Panel Discussion
on
Best Practice For Government Intervention
by
Osborne Nurse
And
Eric Bobb

October 22, 2009

Issues for the Region

- Crisis in CL Financial Group Brings Focus on Regional Approaches to:
 - Regulation of Cross Border Financial Firms
 - Crisis Resolution and Safety Nets
 - Regulatory Cooperation

Regulation of Financial Firms

- Lead Regulators and their Role
- Insurance vs. Banking
 - Capital Adequacy (Banking) vs. Statutory Funds
 - Reporting Obligations
- Corporate Structure and Governance
 - CLF:- Insurance; Banking; Securities; Energy Investment ; Manufacturing; Real Estate – Local & Foreign
 - High Leverage; Stat Funds Approach Limiting
 - No CEO at CLICO (3 Years); Occasional Board Meeting
- Product Regulation
- Future Question:
 - Should Major Firms be Closely Held?

Crisis Resolution and Safety Nets

- Systems in Place for Intervention in Banks and for Deposit Insurance
- No Systems for Insurance and Securities Firms
- Relationship between “*Regulated*” and “*Non-Regulated*” companies
- Future Questions:
 - Safety Nets for Insurance Firms? Securities Firms?
 - Governance, Regulatory Structures for Complex Firms?

Principles For Intervention

- Potential and Risk of Systemic Effect
 - Size and Impact of Institution – Too Big to Fail?
 - Integration into Financial System
- Rights to Property
 - Justification for Abrogating Property Rights
- Availability of Safety Nets
 - Deposit Insurance Systems

Brief Review of Banking Failures/Interventions

- USA
 - Savings & Loans and Banks – 1980s
 - Banks, Investment Banks and Insurance – 2008
- Jamaica
 - System Failure – 1990s
- Trinidad & Tobago
 - NFIs – 1986
 - Banks: Co-Op Bank – 1986; Workers' Bank – 1989; First Citizens Bank – 1993
 - CLICO, BA and CIB – 2009

Approaches to Intervention

- Close and Pay Deposit Insurance
 - USA 1980s
 - T&T 1986
- Restructure and Reopen
 - USA 1980s and 2008
 - T&T 1986, 1989, 1993, 2009
- Macro system support – Jamaica

The Trinidad Experience

- Utilised international best practice in selection of intervention measures;
- Depositors/policy holders assured protection
- System confidence restored
- New institutions created have performed well.
Long and stable histories
- CLICO/BA restructure in hand with significant prospects for success

Regulatory Responses and Cooperation

- Differences in Response
 - .T&T : Emergency Intervention with financial support in Insurance and Banking; Attempt to Influence non-regulated entities
- Barbados
 - Influence management and sales of regulated entities;
 - Attempt to influence non-regulated entities
- Others:
 - Closure; Receivership; Form OECS restructured company?
- Cooperation:
 - Slow Movement on College of Regulators

Direction of Changes in Trinidad & Tobago

- Emergency Amendments of IA to permit intervention (Equivalent to Banks)
 - CBTT responsible for funding in Banks; GORTT in insurance
- New IA being prepared and discussed
 - Proposals for new capital adequacy guidelines
- New Credit Union Legislation bringing under CBTT
 - Should CUs be regulated like banks?
- Participation in discussion on College of Regulators and with Regional Regulators on CL Issues