THE PRESIDENT
REPUBLIC OF TRINIDAD AND TOBAGO

CENTRAL BANK OF TRINIDAD AND TOBAGO (CBTT) 50TH ANNIVERSARY GALA 2014

His Excellency Anthony Thomas Aquinas Carmona ORTT. SC. President of the Republic of Trinidad and Tobago addresses the 50th Anniversary Gala of the Central Bank of Trinidad and Tobago at the Point-A-Pierre Staff Club on December 13, 2014.

The Central Bank is celebrating a defining anniversary today, fifty years of service to the people of Trinidad and Tobago, ensuring stability and good governance in our monetary and financial systems, keeping our economy steady and our people privileged to enjoy the benefits of sound and progressive fiscal policies. The genesis of the Central Bank has a patriotic historical context with a motif of resilient independence.

Trinidad and Tobago in the 1960s, with some 900,000 citizens a newly independent nation, had to have a Central Bank to express its new found identity in its own currency. Trinidad and Tobago had a substantial growing economy and in order to maximize the benefits for its citizens to be derived from this sector, proactive and independent monetary policies were most urgently required. This could only be achieved with a Central Bank empowered by law to do so, and staffed by people who had a stake in the country.

Historian Derek Browne in his book 'The History of Money and Banking' stated that "the existing arrangements were unsatisfactory and clearly unsuited to the needs of an independent country of particular concern was the fact that the Government was not in a position to exercise any control or guidance over banks in order to bring about the desired coincidence of national investment needs and commercial bank policy with regards to loans."

The banks all foreign-owned, tended to siphon savings out of territories in which they operated and invested these funds abroad, starving the country itself of capital. To achieve its long-term developmental goals, radical change became necessary.

It is noteworthy that Derek Browne also mentions a very specific economic risk that Trinidad and Tobago as an oil-producing nation faced then. This was the spectre of stagnation in the industry or a fall in the price of oil on the international markets. It seems to me that not much has changed in the vulnerability of our economy over the past fifty years. It was expected that a Central Bank would assist Government in mobilising capital and setting overall conditions for a more diversified economy. With a country almost entirely dependent on the fluctuations of international commodity prices, the Central Bank was also expected to give a sense of order and direction to economic development, fostering monetary stability and confidence in the overall financial system.

Over the past five decades and I wish to commend the Central Bank, it has been involved in shaping a significant amount of financial legislation.

Might I therefore use this momentous occasion to commend the work of the Central Bank of Trinidad and Tobago as the watchdog of our country's economy, monetary policy and financial systems over the past 5 decades. The Bank's staff, past and current, ought to be proud of these contributions which have included expanding the network of commercial bank branches, the establishment of the Stock Exchange, Unit Trust Corporation and the Deposit Insurance Corporation among other necessary institutions, legislative reform focused on the strengthening of financial supervision and infrastructure such as the electronic payments system, the creation of the Financial Ombudsman's Office and the implementation of a monetary policy framework based on the use of the Repurchase (Repo) rate. More recently, the Central Bank launched its Financial Inclusion Development Agency (FIDA) which aims at taking a more structured approach, in the words of Governor Rambarran, *"to financial stability by specialising in financial inclusion education and training."* It is my fervent hope that with these stripes of accomplishment and forward-thinking initiatives, the Central Bank will continue to grow from strength to strength.

In keeping with the demands of an emerging economy, the Central Bank has managed to make important progress in promoting our nation's financial growth and economic development. This progress has not been without its challenges. We all remember painfully, the crash and burn of the financial institutions and trust & mortgage companies in the mid-1980s, the reverberating collapse of the Hindu Credit Union in 2008 and 6 months later, the trauma and haemorrhage to our country's financial, reputational and psychological well-being that was, and today remains, the Clico fiasco.

At the root of all these financial crises - and crises they were, for to quote your very own Governor Jwara Rambarran, they have *"left psychological scars on many of our citizens"*. In 1996, then Chairman of the Federal Reserve Board of the United States of America, the quintessential Alan Greenspan said, *"For at root, money- serving as a store of value and medium of exchange- is the lubricant that enables a society to organise itself to achieve economic progress. It is thus, no wonder that we at the Federal Reserve, the nation's central bank, and ultimate guardian of the purchasing power of our money, are subject to unending scrutiny. Indeed, it would be folly were it otherwise."* The battle however continues between plastic in the form of credit cards, debit cards, retail cards and paper as a monetary tool.

Perhaps it is time for the Central Bank to take an additional look at legislative reform targeted at, for example, the very banks over which it is statutorily required to regulate. The fact that bank charges and interest rates are so exorbitant needs to be examined by the Central Bank in the context of creating a sense of parity and fairness between bank and customer. As it stands, banks are viewed as corporate entities and stifle the fiscal capacity of the man on the street. If the CBTT is promoting financial inclusion, it must consider including the legislative reform necessary for fair and equitable dealings between bank and customer as they relate to credit cards. The Credit Card Act (2009) of the United States, which inter alia, places limits on fees and rate increases and requires consistency in payment dates and time serves as a useful example of central bank intervention at its finest in the interest of ensuring corporate morality. In its press release dated 12 January 2010, the Board of Governors of the Federal Reserve System stated that the rule amending

Regulation Z (Truth in Lending) *"marks an important milestone in the Federal Reserve's efforts to ensure that consumers who rely on credit cards are treating fairly. The rule bans several harmful practices and requires greater transparency in the disclosure of the terms and conditions of credit card accounts."* Far too many harmful practices permeate our local banking industry to the point where our people will continue to feel disadvantaged by the banking sector. The Central Bank must step up to its role in doing away with the lazy economics which has for far too long engage our banks at the expense of its customers.

And what of the ever contentious matter of the shortage of US dollars on the market which has fuelled fiery comment and speculation of factors including capital flight and concern that the economy is in trouble? If it is a possibility that this dearth may not altogether be due to "new patterns of consumer spending", then the Central Bank has a manifest role to ensure that the injected or otherwise transacted US dollars are not absorbed by illegal activities such as the financing of terrorism, money laundering and drug trafficking. We cannot be impervious to the experiences of developed countries and transnational crime in that regard I wish to commend the Central Bank on the following initiative. The recent Memorandum of Understanding signed by the Central Bank, the Financial Intelligence Unit and the Securities & Exchange Commission to exchange information regarding suspicious illegal activities is a step in the right direction. As the country's watchdog in respect of the financing of illegal activities, the role of the Central Bank is clear and must be uncompromising. It must ensure that all financial institutions are compliant. If they are not, the sanctions in the implemented legislation must be enforced. Responsibility remains key.

The Central Bank should however be encouraged by the opportunity that 50 years of existence presents, to reassess challenges, push on and take the further action required to do better for the economy. To this end, I am reminded of two thoughts, which so obvious are sometimes forgotten, penned by Arundhati Roy in her award-winning novel, "The God of Small Things", and those are *(1) Anything can happen to anyone; and (2) It is best to be prepared.* The fact is that the less than desirable episodes that have punctuated, though not overthrown, the economic progress of the last 50 years, did happen. There is no denying that. The other fact which I am pleased to note, are the many efforts which the Central Bank continues to make in repositioning itself to mitigate and prepare for the threats of future challenges, which are inevitable in any financial environment, worthy of scrutiny and conversely, commendation.

All of the foregoing now leads me to the *real* reason I am here this evening. It is with profound pleasure that I join with the CBTT on this special occasion to commemorate its bi-centennial anniversary. Achieving fifty (50) is no small feat. Among its many yearlong activities, the CBTT has chosen to re-launch our nation's $50.00 bill, fittingly and appreciatively gold in colour and made of polymer for enhanced security. In an age where the proliferation of criminal activities and money crimes is made easy by high-tech counterfeiting techniques, the use of polymer is a most welcomed and laudable introduction on the part of the CBTT. This type of innovation gives me confidence that the economic stability of our country's future is in good hands, reflecting the Central Bank's capability and indeed, willingness to respond and adapt to the complexities of globalisation and its impact on our financial markets and economy. Allow me therefore to congratulate the CBTT on the re-launch of the new and improved $50.00 banknote. So spend it wisely or save it, but please do not collect them ALL this time around, as Governor Rambarran has assured their availability and circulation.

As Francois Groepe, Deputy Governor of the South African Reserve Bank in his address at the 18th conference of the Association of African Banknotes and Security Documents Printers (AABSDP) on 17 November 2014 pointed out, *"Banknotes remain the most important contact point for central banks with the public and therefore they play a key role in the reputation and public perception of the central bank."*

While we speak of bank notes, I would like to shift your attention temporarily to coins. Unfortunately, some of our monetary denominations find little utility in our current economic culture and I often wonder about the comparative costs of producing same. I speak loosely of our one (1) and five (5) cent pieces. Other than the token 99 cent deal that we may find at a time when businesses are competing for customers, do we really use these coin pieces for anything. I believe it may be something we should consider in the near future. If I may reference the US Mint's Annual Report 2010, penny and nickel coins were produced at a loss of US$42.6 million, nearly double the (Fiscal Year) 2009 loss of US$22 million. Copper has grown more expensive. In 2014 to make one cent (1 cent) it costs the US $1.83 cents. Let us be blunt ladies and gentlemen you cannot buy anything in Trinidad and Tobago for 1 cent or 5 cents.

At the end of the day, the interests of Trinbagonians and the success of the Central Bank in achieving those interests over the next 50 years, will be measured by economical stabilisation even as those of us still in denial, begin to accept that our oil and gas reserves will not last forever. Governor Rambarran warns us of this eventuality but assures that *"entities such as FIDA will ensure that our people can manage and survive the transition."* In this regard, we must also not be naive to the current decline of the oil prices on the global market. Reputable investment banks have stated that the price of Brent crude oil will drop to US$45 a barrel in 2015. Our economy needs to anticipate the future ramifications of this decline and it is the duty of the Central Bank to exercise the relevant due care and map out viable solutions to deal with what we all hope will not become another crisis. The Central Bank has a key role to play in intervening to ensure that banks do their part in fostering and encouraging activities which could sustain the economy by, for example, giving preferential loans, grants and interest rates to green energy sectors, social enterprises and ethical businesses.

To every governor, deputy governor, legislator, auditor, Financial Service Ombudsman and administrative and other staff, past and present, who has contributed to the fabric of the institution that is the Central Bank, as President, on behalf of our Republic, I extend my gratitude to you all for 50 years of commendable service to our country and its economy.

Congratulations and best wishes to you all.