



# CENTRAL BANK OF TRINIDAD & TOBAGO

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## WELCOME REMARKS

at the

### XXII Annual Conference of the Caribbean Group of Banking Supervisors

by

*Ewart S. Williams*  
*Governor, Central Bank of Trinidad and Tobago*

*May 6, 2004*

It is my pleasure to welcome you to Trinidad and Tobago and to the XXII Annual Conference of the Caribbean Group of Bank Supervisors. Let me say a special welcome to the special guests (from the FED, the BIS, the IMF, etc.).

As you know, within CARICOM, there is a host of regional associations, some of which exist for little more than ceremony. The Caribbean Group of Bank Supervisors is certainly not one of those.

In fact, whether you like it or not, you have become a critical part of the region's financial infrastructure with the rather onerous responsibility of contributing to the enhancement of bank supervisory practices in the

region, and in so doing, ensuring the robustness of our financial systems. And you don't need to be reminded that strong financial systems, which are able to withstand exogenous shocks, are an essential pre-requisite to the achievement of sustained growth and development.

As bank regulators, you know better than I that the rapid transformation of our financial sectors is creating major challenges for regulation and supervision. **Firstly**, the universalization of banking is increasingly blurring the boundaries between banks and non-banks. **Secondly**, financial innovation and the increased use of “off-balance sheet operations” are making traditional bank supervision techniques obsolete. And **thirdly**, financial engineering and technological changes are putting pressures on the limited regulatory resources, making efficient surveillance a formidable undertaking.

Against this background, a regional group like yours becomes critical, not only as a promoter of an annual conference, but as a permanent mechanism for dialogue, technical assistance, training, the sharing of experiences - generally for any type of collaboration that would help ease our individual resource constraints.

The theme of your conference, **“Towards Effective Regional Financial Sector Supervision within a Globalized Context”**, could not be more appropriate as the topics on the agenda are precisely what we are grappling with currently.

For example, the mergers, acquisitions and strategic alliances that have taken place over the last few years are making many financial institutions in each of our countries essentially regional institutions, subject to regulation by multiple jurisdictions. Under these

circumstances, the **“Harmonisation of our Legislative and Regulatory Framework”** (one of the conference topics) is an urgent imperative.

The supervisory methodologies in all our jurisdictions need to evolve to deal with the reality of financial groups and financial innovation. I am therefore pleased to see that you would be addressing issues related to both **risk-based** and **consolidated supervision**.

These methodologies will have implications for **“Corporate Governance”**, which in my view, needs to be more specifically defined in the context of our own cultural norms and our unique forms of business organisation. Recent well-publicised corporate scandals in the U.S. and Europe seem to suggest that we cannot simply import foreign concepts of corporate governance to fit our circumstances.

With the impending incorporation of the CARICOM countries into the larger hemispheric trade grouping, it's important that you analyse the implications of the **FTAA for regional supervision**. Indeed, increased competition from new entrants into the financial sector could radically change the operating environment and present new regulatory challenges.

The increasing use of the financial system to fund criminal activity and the greater sophistication of the techniques being employed justify a panel discussion on **anti-money laundering techniques and the combating of terrorist financing**.

With banks throughout the region making greater use of new technologies and interacting more closely with the global marketplace, **the implications of e-banking**, including the heightened operational risk, is also a timely discussion.

I notice that there will also be a panel **discussion on Basel II**, which has generated much debate in the region. Notwithstanding the Basel Committee's declaration that this Accord is intended only for internationally active banks, we need to be wary lest multilateral agencies use adherence to this yardstick as an indicator of financial sector soundness. It would be very interesting to see your recommendations as to an appropriate regional response.

**In short, you have an excellent agenda ahead of you that should generate very stimulating debate.**

Let me end by recognising the Secretariat of the Caribbean Group of Banking Supervisors and its Coordinator, the Bank of Jamaica. I know that you have been trying to deal with a very heavy work programme (in addition to your normal duties). Just consider it a labour of love **for the development of the region.**