

The Imperative of Strong Corporate Governance for Financial Stability



CENTRAL BANK OF
TRINIDAD & TOBAGO

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Main points



1. The global financial crisis highlighted the dangers of weak governance for economic stability.
2. Company incentive systems can sow the seeds for failure in the absence of diligent oversight.
3. International experience led to improvements in the governance framework for financial institutions.
4. Considerably more attention is being paid to governance in Central Banks worldwide.
5. Market manipulation and collusion have tainted well-established statistical indicators.
6. Trinidad and Tobago's financial institutions play a crucial role in saving and investment activities.
7. Episodes of financial failure in Trinidad and Tobago can be linked in part to governance issues.
8. The current two-layer governance framework needs to evolve further.
9. The Central Bank is moving to fortify governance internally and in the oversight of licensees.
10. Companies themselves must adhere to principles of integrity, transparency and proper controls.
11. There must be concerted vigilance to ensure that good governance remains well entrenched.

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The global financial crisis highlighted the dangers of weak governance for economic stability.



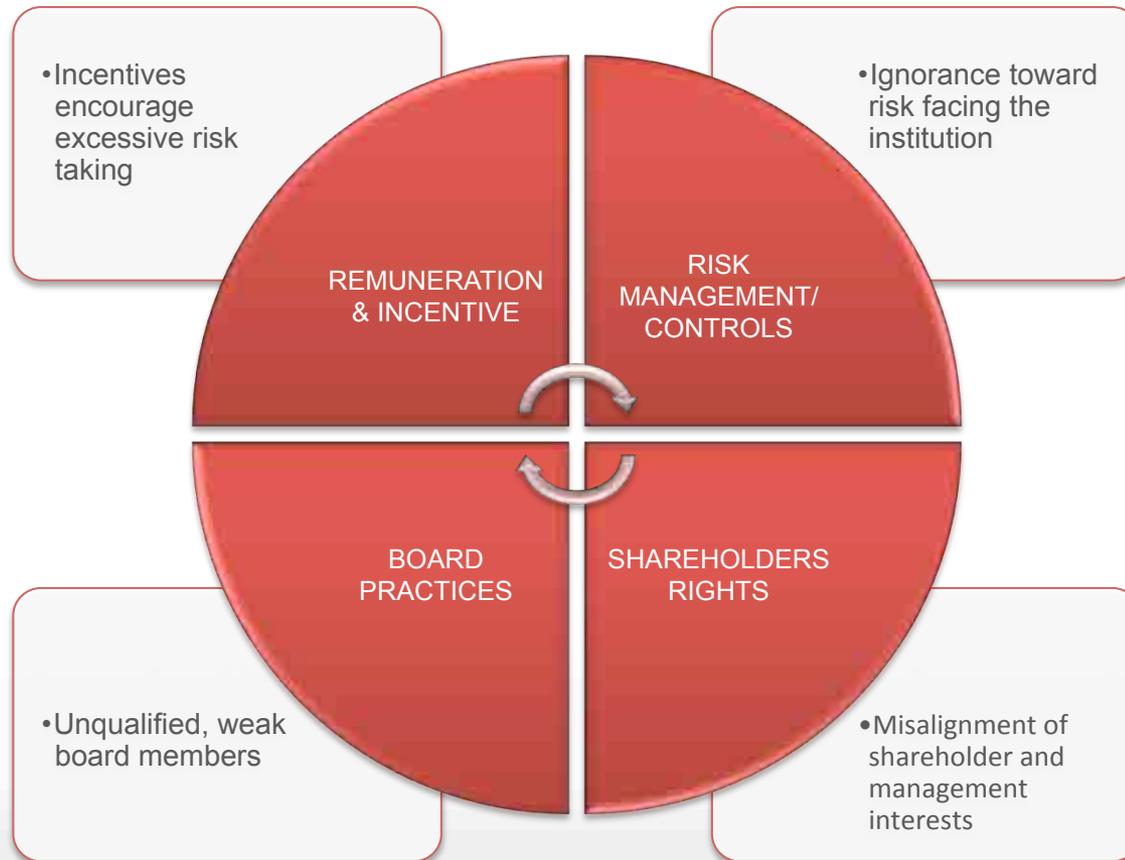
**GOVERNANCE
WEAKNESSES**

**ECONOMIC
DEVELOPMENTS**

**SUPERVISORY
GAPS**

**SUBPRIME
DIFFICULTIES**

Company incentive systems can sow the seeds for failure in the absence of diligent oversight.



Source: BBC

3

International experience led to improvements in the governance framework for financial institutions.



**Dodd-Frank
Legislation**

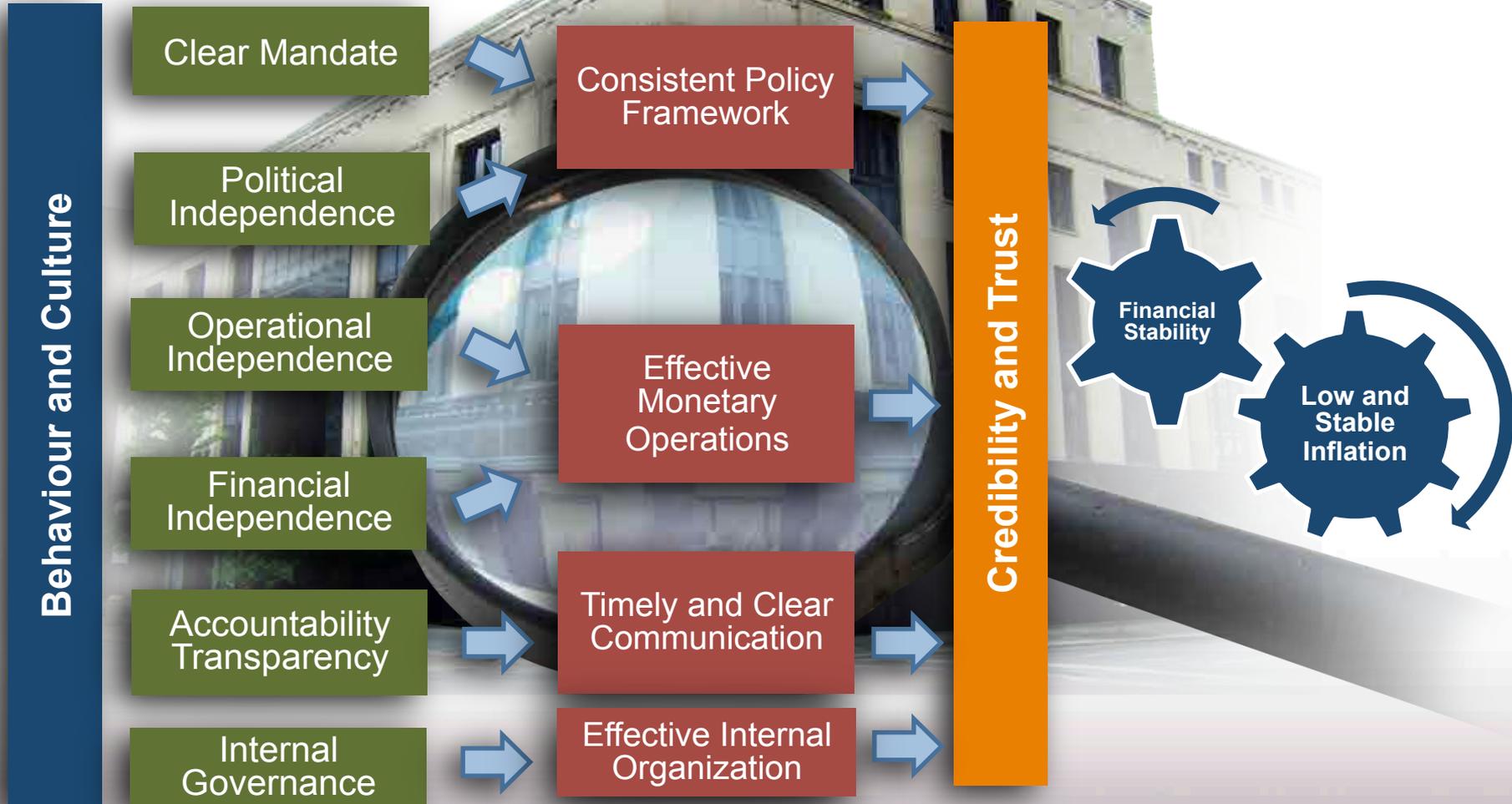
OECD
CORPORATE
GOVERNANCE
PRINCIPLES

FINANCIAL
Stability
Board

CARIBBEAN
Group of
Banking
SUPERVISORS

**NATIONAL
FRAMEWORKS**

Considerably more attention is being paid to Governance in Central Banks worldwide.





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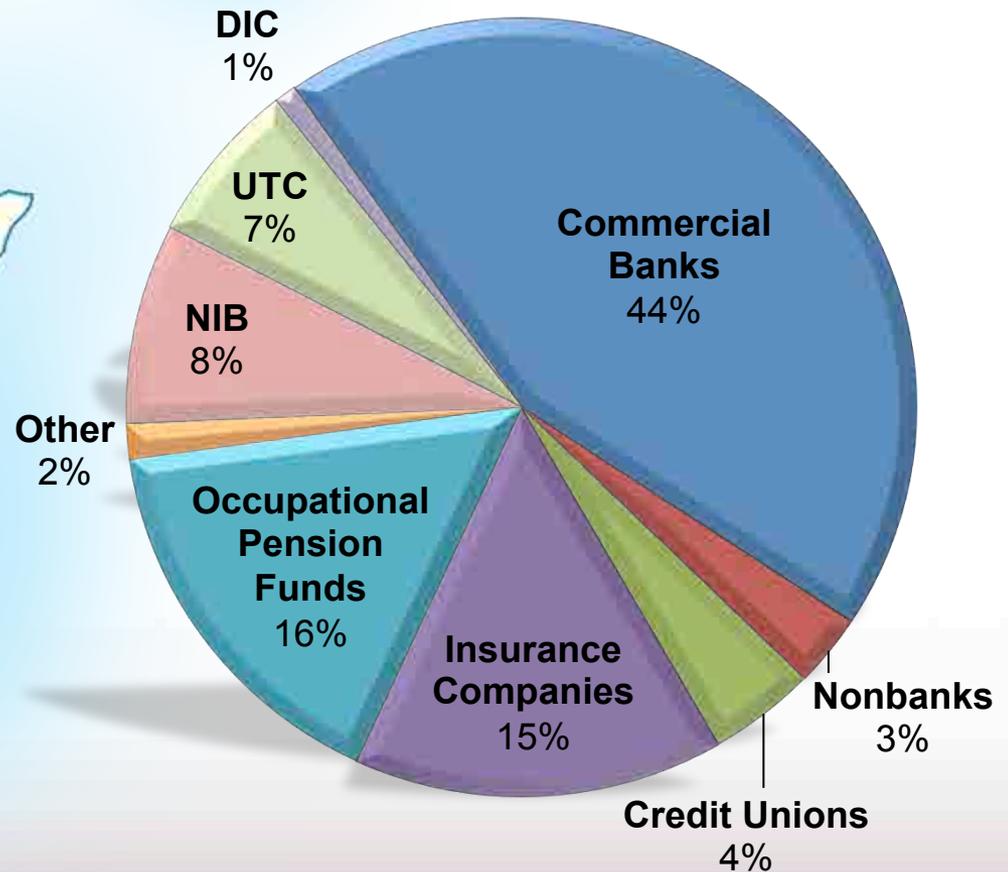
Trinidad and Tobago's financial institutions play a crucial role in saving and investment activities.



Assets
216%: GDP

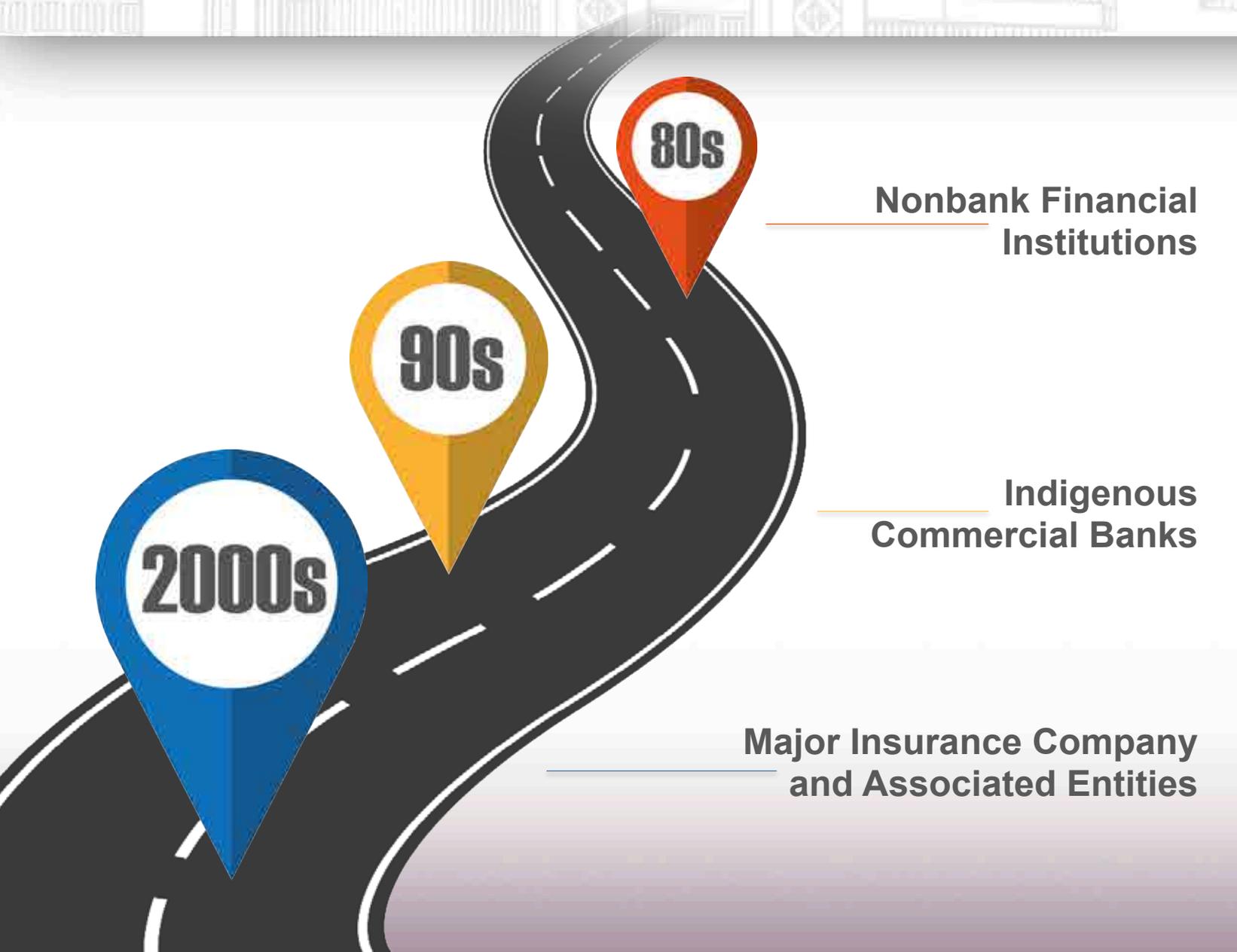


Share of Assets in 2016



Source: Central Bank of Trinidad and Tobago

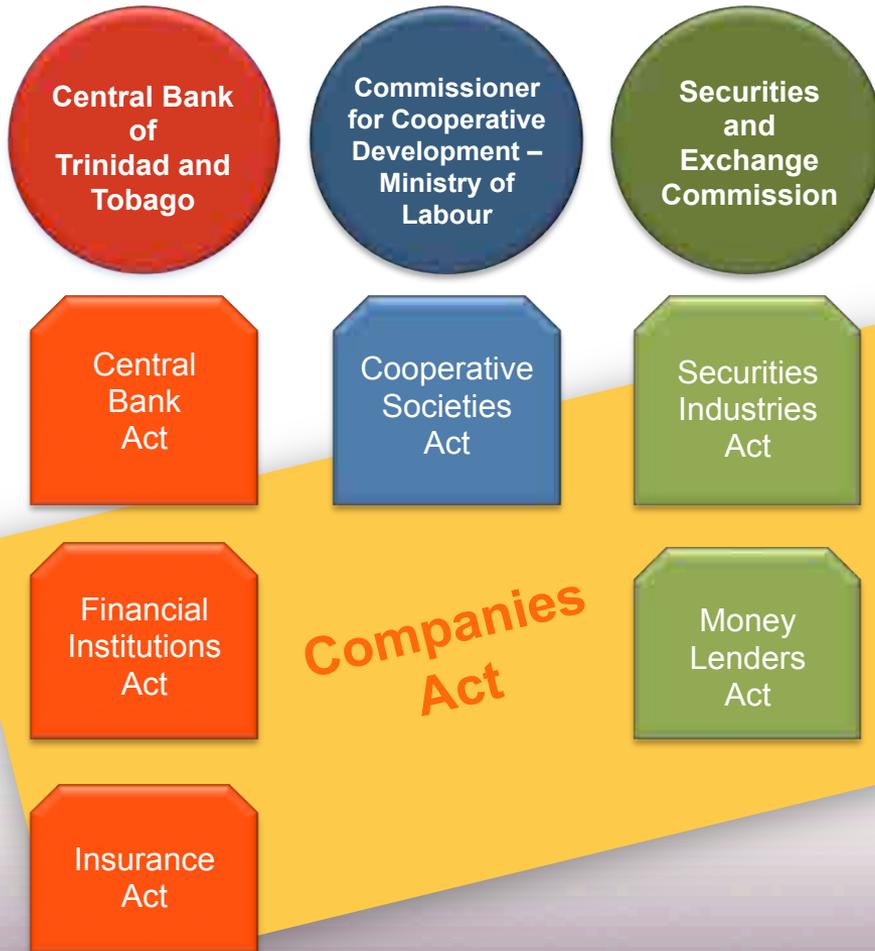
Episodes of financial failure in Trinidad and Tobago can be linked in part to governance issues.



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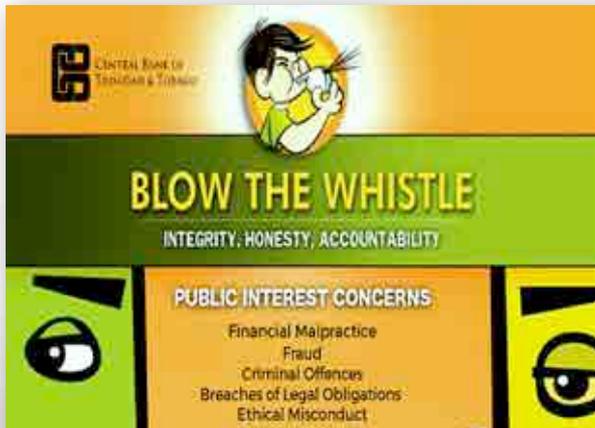
Layer One: Legal / Regulatory



Layer Two: Company Specific Codes

- BATT Code of Banking Practices
- ATTIC Code of Conduct
- Corporate Governance Code (2013)
- Company Bye-Laws / Internal Procedures

The Central Bank is moving to fortify governance internally and in the oversight of licensees.



Corporate Governance
Guideline;
Fit and Proper
Guideline

Onsite Examinations -
Assessment of Board,
Board Committees and
Senior Management

**Governance
in
Licensees**

Fit and Proper
assessments of Directors
and Main Management
Positions

Quarterly Meetings with
Institutions
Review of Board Minutes
and Papers

Companies themselves must adhere to principles of integrity, transparency and proper controls.



There must be concerted vigilance to ensure that good governance remains well entrenched.



Stakeholders (depositors, shareholders, regulators, investors etc.) must insist on regular and timely access to relevant, sufficient and reliable information

They must freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities

Employees should also insist on high standards and form an active part of the governance processes.



Thank You