ANNUAL REPORT 2003

CENTRAL BANK OF TRINIDAD AND TOBAGO

Cover Design

All denominations of the Trinidad and Tobago Currency Notes were redesigned to include additional security features and enhancements for recognition by the visually impaired.

Letter of Transmittal

CENTRAL BANK OF TRINIDAD AND TOBAGO

EWART S. WILLIAMS
Governor

December 31, 2003

The Honourable Minister of Finance
Ministry of Finance
Eric Williams Finance Building
Independence Square
PORT OF SPAIN

REF.:CB-G-300/2003

Dear Minister

In accordance with Section 53(1) of the Central Bank Act Chap. 79:02, I enclose herewith the Report of the Central Bank of Trinidad and Tobago for year ended September 30, 2003, together with a copy of the Annual Audited Statement of Accounts certified by the Auditors.

Sincerely

Ewart S. Williams

Encls.:

Our Purpose

According to the *Central Bank Act* the primary purpose of the Bank is the promotion of monetary, credit and exchange conditions most favourable to the development of the economy of Trinidad and Tobago.

Our Vision

In a financial environment being continually redefined by the forces of innovation and globalisation, the Bank is committed to ensuring that *(i)* its operating practices are aligned with the best international norms *(ii)* its working environment encourages individual and collective excellence, initiative and creativity.

Board of Directors

Seated

Mr. Ewart S. WILLIAMS *(centre)*
Governor and *Chairman*

Ms. Amoy CHANG FONG *(right)*
Deputy Governor, Operations

Dr. Shelton NICHOLLS *(left)*
Deputy Governor, Research and Policy

Standing from left to right

Dr. Trevor BYER
Director, Intra-Caribbean Gas Pipeline Company; Senior Associate, Kenesjay Systems Limited

Mr. Carlyle GREAVES
Director of Planning, Office of Planning and Development, UWI

Professor Selwyn CUDJOE
Professor, Africana Studies, Wellesley College, Massachusetts

Ms. Amelia CARRINGTON, S.C.
Attorney-at-Law; Former Solicitor General

Ms. Barbara CHATOOR
Former Executive Director of the South Trinidad Chamber of Industry and Commerce

Dr. Rolph BALGOBIN
Executive Director, UWI Institute of Business

Mr. Kyle RUDDEN
Consulting Actuary and CEO, KR Consulting (Trinidad) Limited

Mr. Leroy MAYERS
Permanent Secretary, Ministry of Finance

Inspector of Banks

Ms. Catherine KUMAR

Mr. Henry JEFFERS
Advisor to the Governor

Management Team

Mrs. Nicole CROOKS
Senior Manager, Human Resource and Organisational Development

Mr. Hollis DE FOUR
Senior Manager, Corporate Services

Ms. Joan JOHN
Senior Manager, Operations

Mrs. Margaret SEALY
Deputy Inspector of Banks

Mrs. Lynette ADAMS
Manager, Human Resources

Mrs. Elizabeth AUSTIN
Manager, General and Facilities Services

Mr. Kenneth COKER
Manager, Banking Operations

Mrs. Caramae FARMER
Manager, Payment Systems

Dr. Penelope FORDE
Manager, Research

Mrs. Jennifer GREAVES
Manager, Information Technology Services

Ms. Dara E. HEALY
Manager, Corporate Communications

Ms. Radica MAHARAJ
Manager, Legal

Ms. Hazel MARCELLE
Ag. Head, Domestic Market Operations

Mr. Faizool MOHAMMED
Manager, Bank Inspection

Mr. Shabirul MOHAMMED
Manager, Finance and Accounting

Ms. Marlene MURRAY
Manager, Insurance Supervision

Ms. Ann Marie NARINE
Manager, Policy and Support, Bank Inspection

Ms. Suzanne ROACH
Manager, Internal Audit

Mr. Lester SHIM
Ag. Head, Reserve Management

Mrs. June STEWART
Manager, Knowledge and Information Management

Ms. Janice WOODS
Manager, Organisational Development and Project Implementation Support

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Governor Ewart S. Williams

The Governor's Remarks

In 2003, the Trinidad and Tobago economy continued to register strong growth based largely on developments in the energy sector. However, for another year, growth in the non-energy sector has languished. While this is partly due to the slow economic recovery in the regional economies, it certainly points to our limited success in strengthening the links between our "on-shore" and "off-shore" economy as well as the urgent need to develop new sources of export-led growth in the non-oil sector. It is becoming increasingly clear that an agile export based non-energy economy, is a pre-condition for sustainable growth and employment creation.

Central Banks in developing countries have an essential role to play in setting the stage for meaningful economic diversification.

> Firstly, through the promotion of macro-economic stability;
>
> Secondly, through the maintenance of a sound and well-regulated financial system that encourages savings and facilitates the transfer of resources to priority sectors; and
>
> Thirdly, through the development of a modern financial system infrastructure including a capital market.

Over the last several years, the Central Bank of Trinidad and Tobago sought to improve its monetary policy framework and to upgrade the regulatory and supervisory regime in the face of rapid globalisation and the accelerated expansion in the domestic financial sector. The Bank has also been involved in initiatives to develop the domestic capital market.

In 2002, the Bank introduced a new interest rate policy (the repo rate) as its major instrument of monetary policy. Through an intensified use of open market operations geared to manage bank liquidity, the Central Bank now seeks to influence the level of commercial bank interest rates through variations in the "repo rate" – the rate at which it is prepared to provide overnight accommodation to the banks.

To underscore its commitment to a market based monetary policy, the Bank, in October 2003, announced a phased reduction in the cash reserve requirement of commercial banks, from 18 percent to 9 percent over a period of 18 months.

As a first phase towards the development of a broader capital market, the Bank, in collaboration with the Ministry of Finance, has taken decisive steps to reform the market for Government securities. The reform initiative includes the introduction of an auction system for Government securities to replace the current under-writing arrangements; the establishment of a pre-determined issuance schedule over a range of maturities and specific steps to promote the creation of a secondary market.

Significant developments are also taking place in the area of financial sector supervision. After two years of preparation, the Central Bank is about to assume, from the Office of the Supervisor of Insurance in the Ministry of Finance, the responsibility for the regulation and supervision of insurance companies and pension funds. The necessary organisational changes in the Bank Inspection Department have been made and the legislative amendments to the Insurance Act have been finalised and are now before the Parliament. It is expected that the legislation would be approved early in the first quarter of 2004.

The incorporation of the insurance companies and pension funds under the regulatory ambit of the Central Bank is the first phase of a more comprehensive approach to financial sector supervision which envisages the establishment of an integrated supervisory authority either within or outside the Central Bank.

The growth prospects for the Trinidad and Tobago economy in 2004 are very favourable based on the further strengthening of the global economy, continued buoyancy in energy prices and ongoing capacity expansion in the energy sector. Inflation is forecast to remain under control while the balance of payments and the external reserves position should remain strong.

During the coming year, the Central Bank will be involved in several initiatives aimed at enhancing the country's financial infrastructure. These include:

(i) Legislative reforms to bring our supervisory and regulatory regime in line with international standards. *The Financial Institutions Act* is being revised to provide for consolidated supervision as well as for more effective cross-border supervision and information sharing. In addition to the transfer of regulatory and supervisory authority in respect of insurance business and pension funds, more substantive amendments to the *Insurance Act* are expected to bring the relevant legislation more in line with international best practice.

(ii) The National Payments System Project which aims to make the payments and settlement systems in the country more efficient by modernising and integrating the various parts and bringing them into an orderly supervisory framework. The project will include:

 (a) The automation of interbank transactions and large value payments to be settled on the banks' accounts at the Central Bank

 (b) An automated government securities depository and

 (c) An automated clearing house

(iii) The establishment of a Regional Credit Rating Agency and an automated Credit Bureau to help creditors in the pricing of risks. The Credit Rating Agency will provide ratings to governments and firms wishing to raise capital from markets or lending institutions. The Credit Bureau will be a shared database of consumer credit information which will be available to lenders and borrowers.

In 2004, the Bank will celebrate the 40th anniversary of its establishment and while we will reflect on past achievements, we must continuously work at making our contribution to the country's economic development more meaningful and relevant. I wish to thank the Board of Directors, and the management and staff of the Bank for their excellent support of our ambitious work programmes.

December 31, 2003

Part 1: Overview of The Economy

SUMMARY OF ECONOMIC DEVELOPMENTS JANUARY - SEPTEMBER 2003[1]

Latest available data for the first nine months of 2003 revealed that output in the domestic economy grew by 3.4 percent well in line with achieving a growth rate of 4-5 percent for the year as a whole. This growth was supported mainly by robust activity in the energy sector where real value added grew by 12.6 percent on account of a 6.5 percent increase in crude petroleum production and increased LNG production with the commissioning of a third LNG plant.

Activity in the non-energy sector was somewhat weaker by comparison, expanding by just 0.6 percent in the same nine-month period. Distribution grew by 6.9 percent and Transport, Storage and Communications grew by 6.3 percent. Construction activity increased by 3.8 percent, somewhat lower than the 5.7 percent growth rate recorded for 2002. The performance of the Manufacturing sector improved slightly as real value increased by 1.4 percent compared to a decline of 1.0 percent in the nine month period to September 2002 and the decline for whole year 2002 of 2.9 percent.

Inflation in the domestic economy has remained relatively low in 2003. The latest available data from the Central Statistical Office suggest that headline inflation fell to 2.98 percent in the twelve months to September 2003 from 4.2 percent in the twelve month period to September 2002. Core inflation, which excludes the relatively volatile food component, remained subdued below 1.0 percent. Although prices are expected to remain relatively low, wage agreements concluded in 2003/2004 could exert some upward pressure on headline inflation.

The stronger growth performance of the economy has contributed generally to a lowering in the rate of unemployment in 2003. Preliminary estimates compiled by the Central Statistical Office indicate that the unemployment rate was 10.3 percent at the end of September 2003, lower than the 10.6 percent recorded at the end of September 2002, but slightly higher than the rate of 10.2 percent recorded at the end of June 2003. The increase in the rate of unemployment in the third quarter of 2003 was partly due to the loss of jobs resulting from the restructuring of the operations of CARONI (1975) Limited and the national carrier, BWIA West Indies Airways Limited.

In fiscal year 2002/2003, the central government, posted a surplus of $958.4 million on its fiscal operations, a turnaround from the deficit of $354.3 million recorded in the previous fiscal year.[2] Total revenue amounted to

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[1] The whole year report for calendar 2003 will be available in the Annual Economic Survey which will be published by the end of the first quarter of 2004.

[2] The surplus of $958.4 million is higher than the surplus quoted by the Ministry of Finance because of the difference in the treatment of the transfer of $497.4 million to the Revenue Stabilisation Fund.

$16,997.7 million while expenditure was $16,039.3 million. The 20.5 percent expansion in revenue was mainly attributed to developments in the energy sector as oil prices averaged US$29.60 per barrel compared with US$24.01 per barrel in fiscal year 2001/2002. Consequently, oil revenue grew by 82 percent to $6,283.4 million in fiscal 2003 and its share to total revenue rose from 25 percent to 37 percent. Of this amount, the central government allocated $497.4 million to the Revenue Stabilisation Fund, increasing the accumulated balance to $1,548 million at the end of September. Expenditure was also higher in the fiscal year by 10.9 percent, as all categories of expenditure increased. Spending on wages and salaries rose by 8.3 percent, goods and services by 14.3 percent, interest payments by 3.5 percent and transfers and subsidies by 15 percent. Capital expenditure also increased by 12.4 percent from the $918 million spent in fiscal 2002.

Preliminary estimates from the Central Statistical Office indicate that total exports for the first nine months of 2003 amounted to US$3,473.7 million, compared with US$2,952.9 million recorded for the corresponding period in 2002. Total Imports for the first nine months of 2003 amounted to US$2,714 million compared with US$2,709.7 million recorded in the period January-September, 2002. The balance of payments is expected to achieve a surplus of US$137.2 million by the close of 2003. This surplus, which is about three times that (US$48.9 million) recorded for 2002, takes into consideration capital outflows of some US$600 million reflecting large placements of regional government securities and foreign acquisitions of the domestic financial sector.

In the capital markets, preliminary data to September 30, 2003 indicated a 28 percent fall in TT-dollar funds mobilised on the domestic bond market, which totalled $4,031 million, as compared to the $5,601 million raised over the preceding 2001-2002 fiscal year. The year-on-year decline in TT-dollar placements must be viewed in light of an increase in foreign currency denominated placements which amounted to US$507 million by September, 2003 as compared with the US$247 million raised at the close of September 2002.

Long-term regional debt securities totalling US$395 million were issued on the domestic market, more than double the value for the year ended September 2002. These comprised ten US-dollar securities with a combined face value of $324 million, three Eastern Caribbean-dollar securities totalling EC$91 million and one Barbados-dollar placement totalling BD$23.5 million.

On the equities market, in the twelve months to September 2003, the composite stock price index (1983 = 100) which began the fiscal year at 488.61 surged to all-time highs reaching the 600 mark, implying cumulative gains of 22.8 percent. The All Trinidad Index (1999 = 100) rose by some 37.9 percent over the same period. As a result of this growth, the market capitalisation as at September 2003 exceeded TT$18 billion or 50 percent higher than the value at the end of the previous year.

The increased demand for foreign exchange from regional bond placements and private sector borrowers to bridge funding gaps led to periodic pressures in the foreign exchange market. The Central Bank therefore added liquidity to the market of approximately US$500 million for the period January-December 2003.

Net foreign exchange reserves amounted to US$2.2 billion at the end of December 2003 representing an estimated import cover of 6.3 months of goods and non-factor services.

Part 2: Review of Operational Activities

MONETARY AND FINANCIAL POLICY

During the financial year, monetary policy was conducted against a background of slow growth in the non-oil economy and easy liquidity conditions, related to sluggish private sector credit demand and sizeable domestic fiscal injections.

While the government achieved an overall surplus at the end of the fiscal year, the unevenness of the cash flows related to the government's spending activities within the domestic economy and the large domestic fiscal deficit resulted in sizeable injections into the financial system. The domestic fiscal deficit contributed to an injection of $3,200 million into the financial system for the year. Delays in the issue of central government bonds to refinance the redemption of callable bonds also contributed to the liquidity build-up, especially towards the middle of 2003. Thus, there was an expansion in liquidity from early July as the central government redeemed a total of $2,000 million in high-cost domestic debt, with the refinancing occurring late in August and September.

The excess liquidity situation put downward pressure on the entire structure of short-term domestic interest rates, which however fluctuated in response to changes in liquidity conditions. In the inter-bank market, overnight rates invariably remained below the reverse repo rate, hovering in the range of 4.20-4.70 percent in the period before August and a range of 4.20-4.40 percent thereafter. Discount rates on 3-month treasury bills increased from an average of 4.50 percent in early 2003 to as high as 5.03 percent at the end of May, before falling to 4.80 percent by the end of September.

There was also a downward trend in interest rates in the major industrialised countries as central banks sought to provide the stimulus to weak economic activity by lowering or leaving unchanged their key policy rates. Relative interest rate movements led to a widening of the gap between 3-month treasury bill rates in the United States and Trinidad and Tobago. At the end of September, this differential stood at 386 basis points compared with 346 basis points in January.

Quoted retail interest rates in Trinidad and Tobago also declined in light of prevailing liquidity conditions and a continued softening of international interest rates. The prime lending rate held at 11.50 percent for most banks throughout the fiscal year, but competitive pressures compelled a few banks to price some of their lending activities at interest rates much lower than prime. With respect to deposit rates, the weighted average six-month deposit rate fell to 2.52 percent at the end of August 2003, from 3.15 percent at the start of the year.

Credit did not appear to have responded to the overall easier liquidity conditions and low interest rate environment as commercial bank lending to the private sector increased by only 2.9 percent over the twelve months to September 2003. This subdued credit growth for the second consecutive year seemed to suggest that there was little private sector investment or that the private sector was financing its investment from retained earnings.

Against the background of weak credit demand and low inflation, the Central Bank maintained a relatively accommodative monetary policy stance, though it occasionally stepped up open market operations to neutralise part of the fiscal injection. Sizeable interventions in the foreign exchange market also absorbed some of the liquidity. The repo rate was reduced by 25 basis points in early September to 5.0 percent.

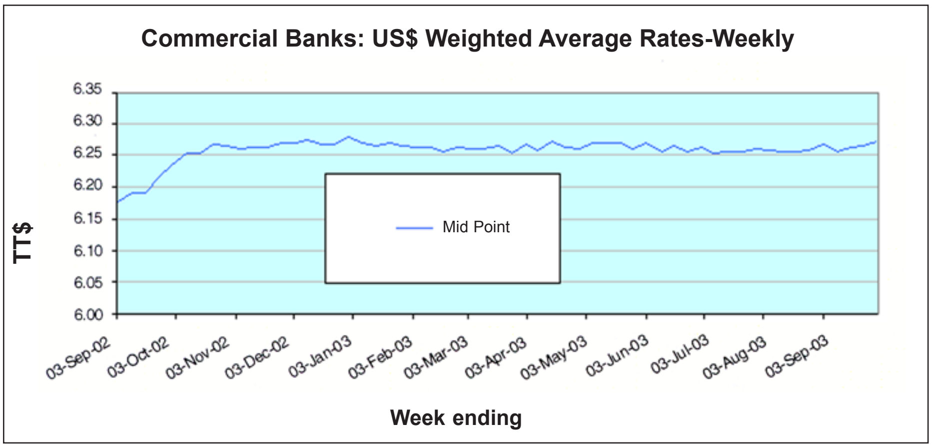
The Bank's ability to conduct Open Market Operations was enhanced, following Parliamentary approval in January 2003 to increase the issuing limits under the legislation governing the issue of Treasury Notes and Treasury Bills. The limits were increased from \$3 billion to \$8 billion. With the new limits in place, the outstanding issues of Central Bank Notes totalling \$1,775 million were retired as individual issues matured. The total amount of Open Market issues outstanding was \$2,159 million at the end of September 2003 compared to \$3,047 million a year earlier.

In September 2003, the Central Bank signalled its intentions to further reduce the cash reserve requirement for commercial banks on a phased basis over the medium term, so as to lower intermediation costs in the financial system. The Bank also declared its intention to unify the requirement for banks and non-bank financial institutions over a period of eighteen months. Commercial banks were subject to a reserve requirement of 18 percent of prescribed liabilities and held non-statutory reserves in the form of treasury bills equivalent to 5 percent of prescribed liabilities. A reduction of 4 percentage points was in fact effected on October 22 2003 and the additional reserves of 5 percent was removed. In response to these changes, commercial banks lowered prime to 9.50-9.75 percent. The reserve ratio for non-bank financial institutions which is 9 percent of deposit liabilities was left unchanged.

FOREIGN EXCHANGE MARKET

Conditions in the domestic foreign exchange market were relatively stable through most of the calendar year. However, there were periods of relative tightness largely associated with comparatively high levels of outflows to finance acquisitions in regional economies by domestic firms and through capital market issues by regional governments. Available information suggests that for the calendar year 2003 foreign acquisitions sourced from the local foreign exchange market totalled US$200 million, compared to US$61 million for the previous calendar year. In addition, US dollar denominated bonds placed by regional governments on the domestic capital market rose to US$428 million, compared to US$70 million in 2002.

Purchases of foreign exchange from the public for the year ended December 31 2003 totalled $2,062.3 million and sales $2,615.9 million compared to $2,003.1 million and $2,315.4 million respectively for 2002. The growth in sales reflected not only the large increases in regional investment activity, but also the steady expansion in trade related demand over the period. In the context of the comfortable level of reserves and the continuing competitiveness of the export sector, the Central Bank sold a net US$506 million to the financial system in order to deal with the imbalances in the market over the period. At the end of 2003, gross official reserves of foreign exchange stood at US$2.2 billion, representing 6.3 months of import cover. Overall, the exchange rate remained relatively stable. The weighted average selling rate of the US dollar ranged between TT$6.2817 and TT$6.2999 while on the buying side the rate ranged between TT$6.1650 and TT$6.2808.



BANKING OPERATIONS

Currency in Circulation

The Bank completed the introduction of banknotes with upgraded security and other features with the issue of the redesigned $1, $10 and $100 denominations on May 13, 2003. The upgraded security and other features form part of the Bank's strategy to reduce the risk of counterfeiting and to make the notes more easily identifiable by the visually impaired. Older notes will continue to circulate as legal tender until they are withdrawn from circulation due to normal wear and tear.

Currency in circulation at the end of the period averaged $1,918 million representing an increase of 14.3 percent over the previous year. This growth in currency was slightly above the 11 percent increase recorded in the previous financial year and compares with an annual average increase of 9.9 percent over the period 1997-2003. During the review period, currency in circulation displayed its usual seasonal peak in December 2002 with a high of $2,027 million. The increase in December 2002 was consistent with earlier comparable periods. Table 1 shows the highs and low of currency in circulation during the year.

TABLE 1

Currency in Circulation
October 2002 - September 2003
Dollars Million

Months	High	Low	Average
2002			
October	1,743.2	1,628.2	1,673.8
November	1,765.3	1,673.2	1,720.6
December	2,027.2	1,749.2	1,914.0
2003			
January	2,009.1	1,706.4	1,789.2
February	1,844.6	1,718.3	1,748.0
March	1,882.7	1,773.6	1,827.0
April	1,865.3	1,819.3	1,842.0
May	1,889.0	1,782.7	1,836.7
June	1,919.3	1,862.0	1,880.3
July	1,914.8	1,802.5	1,851.3
August	1,926.6	1,836.0	1,875.9
September	1,948.7	1,975.6	1,917.6

New notes and coins issued during the year amounted to $1,075 million, an increase of 3.5 percent over the previous year, while re-issues rose by 5 percent to $1,190 million. As in the previous year, currency returned into circulation was dominated by the $100 notes and the 25 cents coin. During the review period, $100 notes accounted for 79.9 percent of the notes returned into circulation while 99.5 percent of the coins re-issued were the 25 cents denomination.

Reserve Accounts of Banks and Non-Bank Financial Institutions

The statutory reserve requirement remained unchanged during the financial year. However, reflecting a 5.3 percent growth in prescribed liabilities, the cash balances held by commercial banks amounted to $2,870 million, an increase of 5.9 percent over the previous year. Cash balances held by non-banking financial institutions amounted to $648 million, an increase of 27.8 percent. Compared with the previous year, the prescribed liabilities of non-banking institutions grew by 25.5 percent.

On October 22, 2003, after the end of the financial year, the Bank lowered the reserve requirement for banks from 18 percent to 14 percent. This was part of the plan to lower the cost of bank intermediation and unify the reserve ratio for banks and non-banking financial institutions. Licensees, for the most part, met their reserve requirements in a timely fashion as a consequence of which there were few instances of shortages on reserve accounts.

Agency Functions

During the review period, the Banking Operations Department continued to administer the following agency functions on behalf of the Government:

Public Sector (Arrears of Emoluments) Bonds

The Bank continued to encash bonds issued under the *Public Sector (Arrears of Emoluments) Act 1995*. Although the bonds matured on January 31, 2001, the Bank continues to redeem outstanding bonds when presented for payment and thus redeemed a total of $1.9 million of these bonds, compared with $6.1 million in the previous year.

Tax-Free Bonds

Two issues of tax free bonds issued under the *Development Loans Act Chap 71:04* matured during the year, a 7-year issue of December 1995 and the 10-year issue of October 1992. Principal repayments and total interest payments amounted to $7.7 million and $1.7 million, respectively.

At the end of the financial year, there were just three outstanding 10-year bonds issued between January 1993 and December 1995 under the *Development Loans Act Chap 71:04*.

Downtown Owners and Merchants Association (DOMA) Facility

The Downtown Owners and Merchants Association (DOMA) Facility was established in response to the need to rebuild sections of the business area of downtown Port of Spain following the destruction of property in 1990. Under this facility, the Central Bank makes interest subsidy payments on behalf of the Government of Trinidad and Tobago to beneficiaries in respect of loans contracted with financial institutions.

During the year under review, twenty-one companies made claims for and received through their commercial banks, interest subsidies totalling $1.3 million. The accumulated amount of subsidies paid as at September 30, 2003 was $79.2 million, of which $53 million has been reimbursed by the Government. Three loans were liquidated during the year.

Lines of Credit

The Business Expansion and Industrial Restructuring Loan Facility (BEIRL) was established through a loan agreement between the Government of Trinidad and Tobago and the World Bank in 1993. This loan facility provided financing for business enterprises in non-traditional activities and is administered through the commercial banking system. Loan disbursements under the BEIRL facility ceased in 1999 but repayments are expected to continue until 2006.

As at September 30, 2003, a total of fifty-six loans representing an amount of US$3.6 million (TT$22.7 million) of the US$16.2 million disbursed under the facility remained outstanding. At the end of the review period, a total of thirty-five loans had been liquidated.

FINANCIAL SECTOR DEVELOPMENTS

Appointment of New Inspector of Banks

Effective September 2, 2003, Ms. Catherine Kumar was appointed Inspector of Banks. She succeeded Mr. Henry Jeffers, who retired after serving 18 years in that capacity. Prior to her appointment, Ms. Kumar was Chief Operating Officer of a major insurance company operating in the domestic market. She joined the Bank at a critical time as the Bank prepared to bring insurance companies and pension funds under its regulatory and supervisory purview.

Banking System Stability Review

Against the backdrop of a buoyant economy, Trinidad and Tobago's financial system remained sound with most licensees[3] recording strong profits over the year.

With high levels of liquidity in the banking system and the continued

[3] Institutions licensed under the Financial Institutions Act, 1993.

decline in interest rates, there was a significant increase in loan marketing by licensees. While such action has the potential to result in relaxation of underwriting standards, available data suggests that this did not lead to deterioration in asset quality. Rather, there was a decline in the ratio of past due loans in excess of 3 months to gross loans to 2.3 percent in September 2003 from 3.5 percent a year earlier.

The strength of the financial system was also evident in the generally robust capital ratios reported for licensees. Capital ratios averaged 21.9 percent (see Table 2), well in excess of the statutory minimum requirement of 8 percent and licensees easily met the additional 10 percent capital charge for foreign exchange risk introduced in September 2000.

Table 2

Commercial Banks and Non-Bank Financial Institutions Selected Indicators

	Commercial Banks			Non-Bank Financial Institutions			Total Banking System		
	Sept 03	Sept 02	Change (%)	Sept 03	Sept 02	Change (%)	Sept 03	Sept 02	Change (%)
Gross Assets (TT$Mn)	41,400.0	39,792.0	4.0	20,015.0	16,423.0	21.9	61,415.0	56,215.0	9.3
Foreign Currency Assets	9,197.0	10,309.0	-10.8	6,675.0	5,677.0	17.6	15,872.0	15,986.0	-0.7
Gross Loans	15,597.0	14,825.0	5.2	6,839.0	5,801.0	17.9	22,436.0	20,626.0	8.8
Gross Investments	7,924.0	8,210.0	-3.5	8,458.0	6,952.0	21.7	16,382.0	15,162.0	8.0
Total Liabilities (TT$Mn)	35,826.0	34,547.0	3.7	16,723.0	13,914.0	20.2	52,549.0	48,461.0	8.4
Foreign Currency Liabilities	10,492.0	11,250.0	-6.7	6,890.0	5,683.0	21.2	17,382.0	16,933.0	2.7
Deposits	23,362.0	21,291.0	9.7	6,131.0	6,144.0	-0.2	29,493.0	27,435.0	7.5
Borrowings up to one year (excluding fund raising instruments)	1,887.0	2,168.0	-13.0	758.0	543.0	39.6	2,645.0	2,711.0	-2.4
Other Current Liabilities	3,935.0	4,524.0	-13.0	7,826.0	5,305.0	47.5	11,761.0	9,829.0	19.7
Money Market and Fund Raising Instruments	1,781.0	1,681.0	5.9	2,408.0	4,145.0	-41.9	4,189.0	5,826.0	-28.1
Long-Term Liabilities	3,092.0	2,856.0	8.3	1,810.0	1,724.0	5.0	4,902.0	4,580.0	7.0
Fund Raising Instruments	395.0	300.0	31.7	608.0	618.0	-1.6	1,003.0	918.0	9.3
Other Long-Term Liabilities	1,430.0	1,429.0	0.1	681.0	437.0	55.8	2,111.0	1,866.0	13.1
Asset Quality Ratios (%)									
Gross Loans/Gross Assets	37.7	37.3		34.0	35.3		36.5	36.7	
Gross Investments/Gross Assets	19.1	20.6		42.1	42.3		26.6	27.0	
Past due loans > 3 months/ Gross Loans	1.6	3.5		3.9	3.3		2.3	3.5	
Loan Loss Provision/ Total Loans	3.7	3.8		1.5	1.3		3.0	3.1	
Liquidity Ratios (%)									
Liquid Funds/ Deposit Liabilities & Interbank Funds	28.6	25.8		40.2	30.5		31.1	26.9	
Liquid Funds/ Gross Assets	16.7	14.6		12.7	12.5		15.4	14.0	
Capital Ratios (%)									
Deposit Liabilities/ Share Capital & Statutory Reserves	11.4	10.5		6.5	7.1		9.8	9.5	
Core Capital/Total Risk-Adjusted Assets	17.1	17.7		18.6	19.2		17.7	17.9	
Total Qualifying Capital/ Total Risk-Adjusted Assets	20.7	20.4		23.9	23.2		21.9	21.0	

Source: Central Bank of Trinidad and Tobago

Bank Service Charges

In early 2003, a study of bank service charges was conducted by the Central Bank and recommendations made for banks to identify and eliminate 'nuisance' charges. The Central Bank and the Ministry of Legal Affairs also engaged the services of a consultant to conduct an independent study on the level of charges for bank services and transactions. Following this review, banks gave commitments to review their charges and eliminate some of them before the end of the year. As a first measure, the transaction charge imposed by some banks on the payment of utility bills over the counter was removed. Subsequently in October, the banks agreed to waive service charges on a number of transactions including third party withdrawals, returned deposit items, withdrawals without passbooks and encashment of cheques at different branches.

An awareness campaign was also launched to educate the public on accessing banking services and on ways in which service charges could be avoided or minimised.

DEVELOPMENTS IN THE SUPERVISION OF FINANCIAL INSTITUTIONS

Bank Supervision

The Bank Inspection Department, the supervisory arm of the Central Bank, delivered on its mandate during the year by conducting risk-based on-site examinations of licensees, analysing financial and other data and continuously monitoring their operations to track changes in their risk profile. In light of the rapid growth and expansion in the activities of banking institutions, there was also ongoing dialogue and formal interface with banks' management to better understand their business strategies and assess the appropriateness of their risk management systems.

New Licensees

The number of financial institutions licensed to conduct business in Trinidad and Tobago increased to twenty-three (of which six have full banking licences) with the issue of a license to Guardian Asset Management Limited (GAM) with effect from February 28, 2003. GAM is a wholly owned subsidiary of Guardian

Holdings Limited and is licensed to engage in four classes of business, namely, Trust Company, Merchant Bank, Unit Trust and Financial Services.

Bank Acquisitions

Two financial institutions expanded their operations into other countries in the region during the period under review: -

- Republic Bank Limited acquired a 65 percent shareholding in the Barbados National Bank in July 2003.
- RBTT Financial Holdings Limited[4] acquired 100 percent shareholding of Ernst & Young Trust Corporation of Barbados in July 2003. That institution was subsequently renamed RBTT Trust Corporation.

In August 2003, Republic Bank Limited also entered into an agreement with the Central Bank of the Dominican Republic for the purchase of Banco Mercantil[5] and immediately assumed management of that bank.

The Central Bank recognises that acquisitions provide licensees with avenues for growth and portfolio diversification. However, it also appreciates that there is a heightened risk of contagion of the domestic financial system. The Department has therefore proposed legislative amendments to strengthen cross-border supervision. Pending enactment of such legislation, the Department is working to improve dialogue with other regulatory authorities on systemic issues of mutual interest.

Update on Integrated Supervision Project

The Bank Inspection Department accelerated work on the Integrated Supervision Project in preparation for assuming the role of regulator and supervisor for insurance companies and pension funds. This is in addition to its current mandate to regulate commercial banks and other institutions licensed under the Financial Institutions Act, 1993 (FIA). A key element in furthering the project was the drafting of the Insurance (Amendment) Bill, 2003, to vest supervisory authority over insurance companies, insurance intermediaries and pension funds with the Central Bank. This Bill was laid in Parliament and is expected to be enacted in early 2004.

The Department reorganised its internal operations in preparation for its new role. These preparations involved:

- The adoption of a new structure and recruitment of additional qualified staff within the Bank Inspection Department to deal with the expanded supervisory responsibilities. A key aspect of this new structure is the formation of a Market Conduct Unit. This Unit will monitor banks, insurance companies and other intermediaries to ensure that they operate with the necessary knowledge, skills and integrity when dealing with their customers and conduct their business in

[4] It should be noted that RBTT Financial Holdings Limited is not a licensee. This holding company is however the parent of three licencees namely RBTT Bank, RBTT Merchant Bank and RBTT Trust.

[5] Most of the transaction occurred in the period ended September 30, 2003.

accordance with best international practice. Initially, the Unit will undertake an assessment of the prevailing conditions and practices in the insurance marketplace, which is now coming within the purview of the Bank. Thereafter the Unit will seek to educate the public on acceptable business practices in the banking and insurance industries.

- The implementation of training programmes conducted with the help of technical assistance from the Office of the Superintendent of Financial Institutions, Canada and the International Monetary Fund.

Money Laundering

The Central Bank circulated draft revised anti-money laundering guidelines to its licensees for comment. The new guidelines took into account the revised guidelines issued in June 2003 by the Financial Action Task Force (FATF)[6] to address the increasingly sophisticated techniques used to disguise the true ownership and control of illegal proceeds. The FATF guidelines were also expanded to include recommendations to combat terrorist financing in light of the growing incidence of global terrorism.

The new Central Bank guidelines were also developed in the context of new and proposed legislation to deal with anti-money laundering and terrorist financing in Trinidad and Tobago. Some of the major revisions are as follows: -

- Widening of the definition of Money Laundering to include the proceeds of criminal activity other than drug trafficking;

- The requirement that licensees introduce measures to prevent terrorist financing;

- Specification of records that must be kept by licensees and the time period for which these records must be kept.

- Enhanced customer due diligence procedures for higher risk customers such as correspondent banking relationships, referrals and politically exposed persons.

The development of similar guidelines for the insurance industry is in progress

[6] The FATF sets standards and promotes policies to combat money laundering and terrorist financing and has called upon all countries to bring their national systems for combating money laundering and terrorist financing into compliance with the new FATF Recommendations.

and will be discussed with the industry.

Update On The New Basel Capital Accord (Basel II)

The Basel Committee for Banking Supervision issued its third consultative paper (CP3) in April 2003 for comment by July. In that document, the Basel Committee attempted to refine several aspects of the proposed new Capital Accord: For example, the treatment of credit extended to small and medium enterprises, past due loans, and operational risk. The Committee also stated that it recognised that developing countries might not be able to implement the proposed new Accord by 2006. Since the issue of the CP3, the United States has stated that it intends to apply Basel II to only twenty (20) of its internationally active banks. For ten (10) of those banks, the new Accord would be mandatory and a further 10 will apply it voluntarily. China and India have also opted out of Basel II.

The proposed new Accord holds significant implications for Caribbean economies. As a result of this, the Caribbean Group of Banking Supervisors (CGBS) established a Regional Working Committee to examine issues related to Basel II which were common to each member country.

The Committee met at the Bank of Jamaica in June 2003. A key issue raised was that compliance with the new Accord might be considered by multilateral agencies when assessing the robustness of financial systems in the Caribbean. The Committee also discussed the following issues:-

(1) The region's ability to successfully implement the proposed new accord given the tremendous supervisory capacity and technical skills required to do so.

(2) The urgency of conducting a Quantitative Impact Study for each country to inform the regional position on Basel II; and

(3) The impact of Basel II on capital flows to the region.

Subsequent to that meeting, the members of the Regional Working Committee, which included representatives from the Central Bank of Trinidad and Tobago, formulated regional comments and recommendations on Basel's CP3.

Some of these recommendations are:-

(1) The Basel Committee should clearly indicate the avenues by which the region can actively participate and benefit from the Working Committee established to assist non-Group of 10 (G-10) supervisors and banks in the transition to the new Accord.

(2) The Basel Committee should enunciate the lack of relevance of some aspects of Basel II to emerging economies and the need for an extended timetable for implementation.

(3) Credit extended to emerging economies should be assigned a lower risk category than is currently proposed, similar to the approach taken to treat with extension of credit to small and medium enterprises. The regional body expressed the view that the higher capital requirements for exposures to most Caribbean economies would result in a reduction of capital flows to high-risk regional economies. This reduction from developed and other developing countries would impede further development of markets within the region.

(4) Operational risk measurements should be transferred from Pillar I (minimum capital requirements) to Pillar II (supervisory review process) to allow for greater supervisory discretion.

In addition to the regional comments, members of the Committee were encouraged to submit individual comments on the CP3 to Basel. All comments are available for viewing on the Basel Committee's website *(http://www.bis.org).*

Financial System Infrastructure

The Banking Services Ombudsman

The Office of the Banking Services Ombudsman commenced operations on May 19, 2003. The purpose of the Office is to facilitate the resolution of customers' complaints from the six commercial banks and their licensed subsidiaries operating in Trinidad and Tobago.

The Ombudsman is expected to render independent and prompt resolution to complaints using the following criteria: law, best practices in the financial services sector and guidelines issued by the Central Bank. Mrs. Judy Chang, a Chartered Accountant and former partner in a leading Accountancy and Audit practice, was appointed as the Ombudsman.

Since its establishment, complaints received by the Office were largely related to ATM transactions, transactions on accounts and loans and other credit facilities.

National Payments System

The Central Bank is working with the commercial banking sector and other private sector groups to implement a broad-ranging reform programme for the National Payments System. The programme embraces a Real Time Gross Settlement (RTGS) system which the Central Bank will install and which will have automated linkages to the proposed Automated Clearinghouse (ACH). This Clearinghouse will handle the electronic clearance and settlement of retail payments, a government securities depository at the Central Bank, and the Central Securities Depository (TTCD)[7]. The programme also includes an Automated Credit Bureau (ACB) which will provide a shared database of consumer credit information. The commercial banks are implementing the ACH while the ACB is a joint project of the banks and the Trinidad and Tobago Chamber of Commerce. The reform programme also includes revision of the legal framework to support the payment systems.

The following is the vision statement for the National Payments System:

> *"Trinidad and Tobago will have a NPS that is modern and efficient, that is periodically updated using proven technologies; that is widely viewed as fair, reliable, cost efficient, well managed and supervised and dynamic in its provision of services. The system will be supported by a sound legislative framework and will inspire the confidence of both the domestic and international community."*

In May 2003, the Bank established a Payments System Department to concentrate fully on the implementation of the reform and ultimately to undertake oversight of the payment system. The first of two phases of the reform programme was completed in mid-July 2003. This was the definition of the new strategic architecture and the preparation of the Request For Proposals (RFP) for the RTGS system and related applications including a Government Securities Depository (GSD). The RTGS system will provide real time settlement of large value and time critical payments between participants while the GSD system will provide an online, automated central registry for government debt instruments. The first phase also included, inter alia, outreach programmes for the stakeholders in the financial system and training courses for staff.

The second phase of the reform programme began in July 2003 when the RFPs for the RTGS system were distributed to prospective vendors. This phase is scheduled for completion at the end of 2004 when the RTGS and related linkages are operationalised. By December 2003, the Bank had selected a vendor to implement the new system.

With regard to work on developing the legal environment consistent with the proposed payment architecture, in October 2003 the Bank engaged a local legal consultant to conduct a complete and comprehensive review of the current

7 A subsidiary of the Stock Exchange which began operations in January 2003.

legal framework for payments clearance and settlement systems as a pre-study for the preparation of any additional laws and regulations required to support a modernised payments clearance and settlement system. This pre-study will form the basis from which an external legal consultant will assess the needs and provide draft documentation for the proposed legal framework. This is expected to be completed early in 2004.

The Bank continued to participate in the ACH Project Review Committee working with the commercial banks on the introduction of the ACH. The ACH will be called the Trinidad & Tobago Inter-bank Payment System (TTIPS). In July 2003, several representatives from the Committee, including Central Bank representatives, attended a Payments System Institute course in the USA, conducted by the National Automated Clearing House Association (NACHA) Institute to gain a better understanding of electronic payment issues. NACHA standards will be used by TTIPS. The Committee engaged consultants to assist with the implementation of the TTIPS. The consultants have so far assisted with the drafting of the rules and regulations which are currently under review by the Committee. The RFP for the automated clearinghouse has also been drafted and is expected to be distributed early in the new financial year.

The Bank's tenure as Vice Chairperson of the Working Group for Payments Systems in Latin America and the Caribbean (WPGS-LAC) ended in June 2003. The Bank, however, continues to actively participate as a member of the WGPS-LAC. This group was created to provide a forum to discuss and promote regional issues relating to payment systems and to facilitate access to the expertise of various banks and international agencies in the industry. At the last meeting it was noted that the work of the Group had promoted a better understanding of the BIS Core Principles for Systemically Important Payment Systems and helped national payment systems to gradually achieve a better degree of observance of international standards and best practices.

Credit Bureau

Another key milestone in the Trinidad and Tobago financial landscape in the past year was the development of an appropriate legal framework for the licensing and operation of credit bureaus.

A credit bureau maintains a database of information on consumer credit in a financial system and compiles reports on the creditworthiness of individuals. It is recognised in many developed financial systems that an efficient and reliable credit reporting system reduces credit risk and encourages competitive lending practices. Other expected benefits are lower transaction costs for lenders and better credit terms for borrowers.

The Bankers Association initiated the introduction of an automated credit bureau in Trinidad and Tobago within the context of the *Secured Transactions Project* sponsored by the Multilateral Investment Fund of the IADB. The main objective of the Secured Transactions Project, which was well advanced by September 2003, is to establish an efficient legal and institutional framework for secured transactions. This will improve and broaden access to credit services, specifically for small and medium-sized enterprises, by means of -:

- Modernisation of the registry system and legislation for secured transactions – the Moveable Property Security Act;

- Establishment of a legal and technical framework for an efficient credit bureau system – the Consumer Fair Reporting Act and the Automated Credit Bureau.

Revisions were made to the draft Consumer Fair Reporting Bill which has been circulated to interested parties for further comment. Under the proposed legislation the Central Bank will be the licensing authority for credit bureaus. The legislation is being designed to ensure that credit reports are accurate and fair, information on borrowers is kept confidential and the rights and responsibilities of both creditors and debtors are clearly articulated.

Credit Rating Agency

The Central Bank worked with an industry group, comprising commercial banks and other financial institutions operating in the local as well as regional markets, to explore the establishment of a credit rating agency. Such an agency was seen as an important part in the financial infra-structure since it would improve the availability and quality of credit information on governments and firms raising capital from markets or lending institutions. This should enhance access to the market as well improve the pricing of such capital issues. The Steering Committee for the project commissioned a feasibility study and on the basis of the report agreed to proceed with the establishment of a regional credit rating agency which would serve a regional market. Participation in the capital of the proposed company would be open to financial institutions throughout the region, from both the public and private sectors.

The Credit Rating Agency is expected to be functional by the end of the first quarter of 2004.

RESEARCH ACTIVITIES

The Research Department continued to focus on economic analysis and to provide policy advice. In keeping with the decision to reduce the reliance of monetary policy on the reserve requirement for the banking system, the Department prepared background policy briefs.

The Department also worked on Research Papers for presentation at internal seminars and regional meetings on topics such as: the re-basing of real GDP, small business use of bank credit and a creditor's perspective of the HIPC initiative. These and other papers will be published in a Working Paper series in the first quarter of 2004.

The Department participated in regional conferences and was closely involved in the hosting in Port of Spain of the Meeting of the Steering Committee of the Caribbean Regional Technical Assistance Centre (CARTAC) on February 14 and the XVIth Technical Group Meeting[8] of the Inter-Governmental Group of 24 (G-24) on February 13-14, for which Trinidad and Tobago had responsibility as the First Vice-Chair of the Group. Trinidad and Tobago assumed the Chairmanship of the Group in September at the Annual Meetings of the World Bank and the IMF.

ADMINISTRATION

Organisation Restructuring

The Bank completed an organisation restructuring exercise aimed primarily at:-

- Ensuring that the Bank is appropriately structured and resourced to meet the new challenges of the 21st century. Some of the changes included staff recruitment and administrative systems to undertake the added mandate of supervising insurance companies and pension funds; streamlining the Investment Department into two separate functional areas, one for Domestic Market Operations and the other for Foreign Reserve Management; a new Payments System Department to implement the reform of the National Payments System and establishment of a Banking Services Ombudsman's office.

- Enhancing career opportunities and job satisfaction for staff.

- Improving the pace of implementation of major transformation projects.

Staffing

Appointment of Deputy Governor

Effective February 3, 2003 Dr. Shelton Nicholls was appointed Deputy Governor. During the period September 1987 to September 1990, Dr. Nicholls worked at the Bank, before leaving to further his studies in Economics.

Prior to his appointment, Dr. Nicholls was a lecturer in Economics, and Executive Director of the Caribbean Centre for Monetary Studies (CCMS), at the University of the West Indies, St. Augustine. He brings to the Bank considerable knowledge and experience in monetary and financial policy, international trade and economic statistics.

The following persons were also recruited at the executive and management levels in an attempt to strengthen the management capability of the Bank:-

- April 2003 – Mrs. Nicole Crooks as Senior Manager Human Resource & Organisational Development
- May 2003 – Mrs. Marlene Murray as Manager Insurance Supervision
- May 2003 – Mrs. Judy Chang as Banking Services Ombudsman

The Bank's complement of staff increased by 6.4 percent to reflect a total of 399 employees (23 at the executive/ management level; 114 professionals; 188 associate and 74 security staff).

A number of opportunities were created and employees were promoted and re-assigned to meet new challenges. At the senior level, Mrs. Margaret Sealy, formerly Manager Bank Inspection was promoted to the newly created position of Deputy Inspector of Banks and Ms. Ann Marie Narine as Manager Policy & Support. Mr. Faizool Mohammed was re-assigned to the position of Manager Bank Supervision, Mr. Shabirul Mohammed as Manager Finance & Accounting, and Ms. Caramae Farmer as Manager Payments Systems Unit. Mr. Charles de Silva, formerly Advisor to the Governor, was appointed Technical Assistant in the Office of the Executive Director for Trinidad & Tobago's constituency at the International Monetary Fund for a period of two (2) years from April 2003. The Bank lost 17 employees through retirement, resignation and deaths during the period.

The Bank reviewed its performance management systems. A competency model was developed and the performance appraisal system revised to include among other things a 360 degree Feedback system.

Staff Development

In order to meet the challenges of the changing work environment the Bank continued to place emphasis on the development of its human capital. This was reflected in the expenditure on training and development which totalled approximately 6.4 percent of the payroll cost representing just under $3 million.

Training on core central banking areas such as Research, Domestic Markets, Reserve Management and Bank and Insurance Supervision continued. In addition to the technical programmes, the Bank increased its focus on the management and supervisory groups in an effort to enhance leadership, management and supervisory capabilities in the organisation. A Management Development Programme targeted at the management group was one of the major interventions designed to improve management competencies and training was also conducted in project management.

Several in-house programmes were conducted, aimed at engendering a more customer focused, results oriented organisation. There was a high level of participation throughout the Bank.

The Bank continued to support staff efforts to enhance their skills and competencies by way of the Study Incentive Scheme. A total of 13 persons utilized the Study Incentive Scheme while a total of 9 persons completed their course of study.

Employee Relations

The Bank completed the compensation negotiations with the representative staff unions for the 2000-2002 period and signed off Collective Agreements with the Banking, Insurance & General Workers' Union and the Estate Police Association.

The Bank's Sports and Cultural Club, which is organised and managed by the staff, with funding from the Bank on an annual basis, maintained a vibrant programme of activities throughout the past year. In 2003 the football team won the prestigious Inter-bank Competition for the third successive year. The Bank Notes Chorale was revived and will host a Christmas concert at the end of November 2003.

Technology Infrastructure

In addition to the technology systems which are an integral part of the reform of the National Payment Systems, the Bank acquired and upgraded systems to support improvements in ongoing operations.

As part of a programme to improve the management of international reserves, the Bank sought a portfolio management system to provide automation of settlements and accounting for transactions, as well as provide risk monitoring and performance measurement tools. System specifications were completed and the search process is expected to be completed by the first quarter of calendar 2004.

The Bank is well on the way to consolidating its internal processes with the implementation of an Enterprise Resource Planning (ERP) application. This project, carded to be completed in the third quarter of 2004, is expected to bring many of the internal processes, together with the data and information on these processes, into one repository. Best practices will be brought to bear on these internal processes with the use of the new technology. The project is expected to provide staff with online access to update data and information created by the organisational processes for which they have responsibility. Online view access to all data and information required to perform the job as well as any information that can impact on the job function, will also be easily accessible. The ERP application is expected to improve productivity and a significant additional effort will be required to transform the way work is done at the Bank.

The next phase of business transformation takes place immediately following the ERP implementation. This phase will extend beyond the next financial year and will focus on providing broader and deeper analysis of the Bank's activities i.e. more business intelligence and executive information on the internal functions.

REGIONAL DEVELOPMENTS

Regional Stabilisation Fund

Discussions continued at the regional level on the establishment of a formal regional fund to support member countries of CARICOM facing financial difficulties. Funding is expected from the larger economies including Trinidad and Tobago.

ATTENDANCE AT INTERNATIONAL MEETINGS

The Bank was represented at the following international meetings in the financial year ended September 30, 2003: (see table below).

OTHER ACTIVITIES

The Bank hosted the 17th Eric Williams Memorial Lecture which is held annually in memory of the country's first Prime Minister. His Excellency Festus G. Mogae, President of the Republic of Botswana, was the feature speaker at the Lecture which was held on June 13, 2003. His topic was "Regional Trading Blocs as Instruments of the Integration of Small Economies into the Global Economy". His presentation was well received, having regard to the intensive discussions taking place at the regional and global level on liberalising trade in goods and services.

The Bank assisted in co-ordinating meetings held in Port of Spain in February by the Caribbean Regional Technical Assistance and Co-operation (CARTAC) and the Intergovernmental Group of 24 (G-24) Technical Group.

The Bank sponsored a cultural presentation to celebrate Divali, the Hindu Festival of Light, on October 29, 2002. This was open to the public. For Emancipation Day which fell on August 1, the staff produced cultural displays and performances which were shared with the rest of staff and families. Presentations were also organised on the Plaza during the Carnival season.

Name of Meeting	Date	Place
XXXIVth Annual Conference on Monetary Studies	October 11-14, 2002	Georgetown, Guyana
CARICOM Central Banks Governors' Meetings	November 22, 2002	Nassau, The Bahamas
Steering Committee of CARTAC	February 14, 2003	Port-of-Spain, Trinidad
XVIth G-24 Technical Group Meeting	February 13-14, 2003	Port-of-Spain, Trinidad
Annual Meeting of the Inter-American Development Bank	March 20-27, 2003	Milan, Italy
Spring Meetings of the International Monetary Fund and the World Bank	April 10-14, 2003	Washington D.C. USA
CARICOM Central Banks Governors' Meetings	May 22-23, 2003	Bridgetown, Barbados
Bank of England Meeting of Governors	June 26-27, 2003	London, England
Annual General Meeting of the Bank for International Settlements	June 28-30, 2003	Basle, Switzerland
Institutional Investors' Round table	August 5, 2003	New York, NY, USA
Annual Meetings of the International Monetary Fund and the World Bank	September 18-23, 2003	Dubai, United Arab Emirates

Part 3: Financial Statements & The Report of the Auditor General

REVIEW OF FINANCIAL STATEMENTS FOR THE YEAR ENDED

The Financial Statements of the Bank for the year ended September 30, 2003, with comparative figures for the previous year, are shown on pages 39 to 41.

Highlights

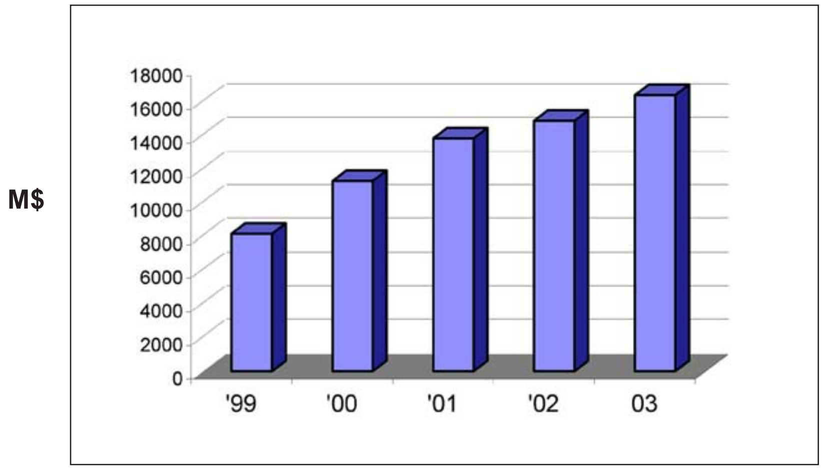
The size of the Bank's Balance Sheet grew by 10.1 percent in the financial year ended September 2003, dominated by the growth in foreign currency assets of $1.4 billion, with a corresponding increase of $1.1 billion in Government deposits. As a result of the continued decline in international interest rates, gross income for the year fell by 11.1 percent to $341.9 million. Operating expenditure also declined by 12.4 percent due mainly to a lower level of domestic interest rates. The surplus after depreciation and other provisions was $102.5 million of which $6.2 million was transferred to the General Reserve Fund and $96.3 million to the Consolidated Fund of the Government.

Assets

Total assets of the Bank as at September 30, 2003 rose to $16.4 billion. This was 10.1 per cent higher than the financial year ended September 2002. This is consistent with the sustained growth in the Bank's Total Assets over the period FY99 to FY02 as illustrated in Chart I below. Most of the growth in FY03 occurred in external assets which are made up predominantly of foreign investments. Foreign investments which grew over the financial year from $13.5 billion to $14.9 billion accounted for 91.0 percent of total assets. Other assets total $1.1 billion of which 54.0 percent related to items in the process of collection and 18.0 percent to securities denominated in domestic currency.

Chart I

Comparison of Bank's Total Assets FY 99 - FY 03



Liabilities

Total Liabilities was affected mainly by Other Deposits which rose to $1.1 billion, primarily from higher levels of Government deposit balances in the fourth quarter of the financial year ended September 30, 2003. The increase in Demand Liabilities was partially offset by a decrease of $0.7 billion in Other Liabilities and related to a fall in the level of Open Market Securities outstanding.

Capital

The Bank's Paid-up Capital and Reserves rose to $200.0 million from $193.8 million as at September 30, 2003. This resulted from a transfer out of the net surplus for the year ended September 30, 2003 of $6.2 million to the General Reserve Fund in accordance with Section 35(3) of the Central Bank Act 1994. The Paid-up Capital remained unchanged at $100.0 million. Both Capital and Reserves have reached the limit authorised under the Central Bank Act.

Income

Gross Income for the year to September 30, 2003 amounted to $341.9 million, 11.1 percent lower than gross income of $384.8 million recorded in the previous year. This decrease stemmed from an $18.0 million fall in Foreign Currency earnings and a lower level of foreign exchange gains as reflected in Other Income.

Foreign Currency earnings was the single largest source of Income, accounting for 68.0 percent of Gross Income.

Expenditure

Gross Expenditure for the year ended September 30, 2003 declined by $32.1 million or 12.0 percent from the previous year. The decrease in expenditure was due primarily to the lower level of interest paid on deposit liabilities of the Bank. Interest paid which acounts for 42.4 percent of total expenditure declined by $42.4 million. Other Operating Expenses (which includes Administrative Expenditure) increased by $9.4 million and accounts for 44.6 percent of total expenditure.

Surplus

After charges of $11.8 million were made for Depreciation, and $6.2 million was transferred to the General Reserve Fund, a Net Surplus of $96.3 million was left to be transferred to the Consolidated Fund of the Government in accordance with Section 35(3) of the Central Bank Act, 1994. This was 19.3 percent higher than the previous year.

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE CENTRAL BANK OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED 2003 SEPTEMBER 30

The accompanying Financial Statements of the Central Bank of Trinidad and Tobago for the year ended 2003 September 30 have been audited. The Statements comprise a Balance Sheet as at 2003 September 30, a Statement of Earnings and a Cash Flow Statement for the year ended 2003 September 30 and Notes to the Financial Statements for the year ended 2003 September 30, numbered one (1) to sixteen (16).

2. These Financial Statements are the responsibility of the management of the Central Bank of Trinidad and Tobago. The Auditor General's responsibility is to audit these Financial Statements and to report thereon in accordance with section 52 of the Central Bank Act, Chapter 79:02.

3. The examination was conducted in accordance with generally accepted Auditing Standards. These Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

4. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of information in the Financial Statements. The Auditor General is of the view that the audit which was conducted provides a reasonable basis for the opinion expressed at paragraph 5.

OPINION

5. The Financial Statements and Notes attached, as outlined at paragraph 1 above, are in agreement with the books of the Central Bank of Trinidad and Tobago and present fairly, in all material respects, the state of affairs of the Central Bank of Trinidad and Tobago as at 2003 September 30 and the results of its operations and its cash flows for the year ended 2003 September 30 in accordance with generally accepted accounting principles.

Republic of Trinidad & Tobago
JR
2003.12.23
AUDITOR GENERAL

2003 DECEMBER 23

Jocelyn Thompson

JOCELYN THOMPSON
AUDITOR GENERAL

BALANCE SHEET

as at September 30 2003

(Expressed in Trinidad and Tobago Dollars)

ASSETS	NOTE	2003 $000	2002 $000
EXTERNAL ASSETS			
Foreign Currency Deposits		**8,932,828**	9,944,127
US Dollar Securities		**5,953,843**	3,545,709
Other Foreign Currency Securities		**7,059**	6,662
International Monetary Fund - Holdings of Special Drawing Rights		**4,553**	1,827
Foreign Interest Receivable		**25,114**	27,851
Subscription to Int'l Financial Institutions		**110,005**	110,005
		15,033,402	13,636,181
OTHER ASSETS			
Trinidad and Tobago Dollar Securities		**191,062**	208,474
Net Pension Asset		**86,513**	52,704
Other	3	**839,724**	725,303
		1,117,299	986,481
FIXED ASSETS	4	**260,666**	265,208
		16,411,367	14,887,870
LIABILITIES, CAPITAL AND RESERVES			
DEMAND LIABILITIES			
Notes in Circulation		**1,818,258**	1,605,451
Coins in Circulation		**88,696**	81,501
Deposits by Commercial Banks		**3,734,461**	2,917,960
Deposits by (Non-Banking) Financial Institutions		**647,788**	517,624
Deposits in Foreign Currencies		**139,148**	144,566
Other Deposits		**6,115,837**	5,022,940
		12,544,188	10,290,042
OTHER LIABILITIES			
International Monetary Fund - Allocation of Special Drawing Rights		**398,897**	376,422
Provision for payment into the Consolidated Fund		**96,293**	80,714
Other		**2,340,259**	3,217,171
Provisions	5	**831,730**	729,767
		3,667,179	4,404,074
CAPITAL AND RESERVES			
Capital: Authorised $100,000,000			
Issued and fully Paid Up	6	**100,000**	100,000
General Reserve Fund	7	**100,000**	93,754
		200,000	193,754
		16,411,367	14,887,870

The attached notes on pages 43 to 49 form an integral part of these Financial Statements.

Governor

Deputy Governor

STATEMENT OF EARNINGS

for the year ended September 30 2003

(Expressed in Trinidad and Tobago Dollars)

	NOTE	2003 $000	2002 $000
INCOME			
Interest on Sterling Balances and Securities		**8,529**	11,427
Interest on U.S. Dollar Balances and Securities		**218,113**	234,294
Interest on Other Foreign Currency Balances and Securities		**6,030**	5,018
Interest on Trinidad and Tobago Dollar Securities		**26,859**	27,302
Other Income		**82,408**	106,765
TOTAL INCOME		**341,939**	384,806
LESS EXPENDITURE			
Printing, Minting and Other Expenses on Notes and Coins		**29,568**	28,686
Other Operating Expenses	8	**101,567**	92,173
Interest Paid		**96,492**	138,886
TOTAL EXPENDITURE		**227,627**	259,745
SURPLUS BEFORE DEPRECIATION AND OTHER PROVISIONS		**114,312**	125,061
Less: Provision for Depreciation		**11,773**	14,316
Other Provisions	9	**0**	21,063
		102,539	89,682
Transfer to Paid Up Capital	10	**0**	0
Transfer to General Reserve		**6,246**	8,968
NET SURPLUS		**96,293**	80,714

The attached notes on pages 43 to 49 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

for the year ended September 30 2003

(Expressed in Trinidad and Tobago Dollars)

	2003 $000	2002 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit for the Year	**96,293**	80,714
Adjustment to reconcile net profit		
for the year to net cash provided (used) by operating activities:		
Depreciation	**11,773**	14,316
Gain on disposal of fixed assets	**(70)**	(312)
Loss on disposal of fixed assets	**17**	5
Transfer to General Reserve	**6,246**	8,968
Net Cash provided by Operating Activities	**114,259**	103,691
CASH FLOWS FROM INVESTING ACTIVITIES		
International Monetary Fund Holding		
of Special Drawing Rights	**(2,726)**	(1,062)
Overseas Securities	**(2,408,531)**	(1,330,280)
T&T Government Securities	**17,412**	(14,356)
Additions to Fixed Assets	**(7,268)**	(15,728)
Proceeds from Disposal of Fixed Assets	**90**	324
Foreign Interest Receivable	**2,737**	29,982
Net Pension Assets	**(33,809)**	(4,445)
Other Assets	**(114,421)**	(79,607)
Net Cash used by Investing Activities	**(2,546,516)**	(1,415,172)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment to Treasury	**(80,714)**	(135,326)
Notes and Coins in Circulation	**220,002**	186,501
Deposits by Non Financial Institutions	**130,164**	3,511
Deposits of Commercial Banks	**816,501**	(306,099)
Deposits by International Monetary Fund	**22,475**	18,522
Other Deposits	**1,092,897**	(115,775)
Foreign Liabilities	**(5,418)**	(24,303)
Other Liabilities	**(774,949)**	1,309,866
Net Cash provided by Financing Activities	**1,420, 958**	936,897
Net Increase/(Decrease) in Cash	**(1,011,299)**	(374,584)
Cash at Beginning of Year	**9,944,127**	10,318,711
Cash at End of Year	**8,932,828**	9,944,127
Balances held abroad	**8,932,828**	9,944,127

The attached notes on pages 43 to 49 form an integral part of these Financial Statements.

Notes to Financial Statements

for the year ended September 30 2003

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The Central Bank of Trinidad and Tobago was established as a body corporate in 1964 under the Central Bank Act (Chapter 79:02) (The Act) with the principal objective of promoting monetary credit and exchange conditions as are most favourable to the development of the economy of Trinidad and Tobago. The Bank has the exclusive right to issue and redeem currency notes and coins in Trinidad and Tobago, and is empowered to inter alia, act as banker for, and render economic, financial and monetary advice to the Government of Trinidad & Tobago; open accounts for, and accept deposits from the Government, local Government, statutory bodies, commercial banks and other financial institutions. It also has the authority to make advances, purchase from, sell and discount bills of exchange and promissory notes on behalf of the above institutions; and purchase and sell foreign currencies and securities of other Governments and international financial institutions.

2. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and no account has been taken of the effects of inflation in these Statements. The Financial Statements have also been prepared in accordance with Standards issued by the International Accounting Standards Committee (IASC) and in keeping with the requirements of the Central Bank Act (Chapter 79:02).

The preparation of Financial Statements in conformity with the IASC standards requires management to make estimates and assumptions that affect the amount of assets and liabilities reported and to disclose contingent assets and liabilities at the Balance Sheet date.

(b) Fixed Assets - Depreciation

Fixed Assets are recorded at their cost of acquisition less accumulated depreciation. Additions or improvements to assets during the year, which significantly add to the value of or extend the useful life of such assets are capitalised as part of the cost. When an asset is retired or sold, the cost and accumulated depreciation are extracted from the respective accounts and any gain or loss arising is dealt with in the Earnings Statement. Depreciation is charged on a straight-line basis, at the rates stated under for the assets shown:

Furniture	10% - 12 1/2% pa
Fixtures & Fittings	2% pa
Motor Vehicles	33 1/3% pa
Machinery & Equipment	12 1/2% - 33 1/3% pa
Leasehold Properties	over the period of the lease
Central Bank Building	2% pa
Library Books	10% pa

(c) Foreign Currencies

Assets and Liabilities denominated in Foreign Currencies are recorded at book rates established by the Bank during the year. Foreign currency transactions are translated into Trinidad and Tobago dollars at the exchange rates ruling on the date of the transactions and any gains or losses on exchange which arise from normal trading activities are included in the determination of Income. At Balance Sheet date, these assets and liabilities are converted at market rates of exchange for the particular currency in terms of the TT Dollar. Changes in fair values are recognised in the Income Statement for the year.

(d) Investments

Investment in Securities for trading purposes are stated at fair values based on quoted market prices and any realised or unrealised gains and losses on these investments are reported in the Income Statement.

Where Securities are redeemable on fixed dates they are carried at their amortised cost and any reduction in market value is not taken into account, unless they are considered to be permanent.

(e) Loans and Advances

Loans and advances are shown net of allowances for losses. Any interest arrears are accrued and provided for immediately.

Determination of allowances for losses are based on annual appraisal of each loan or advance and specific provisions are made when, in the opinion of management, credit risk or economic factors make the full recovery doubtful. Provisions created are shown as a charge in the

Income Statement.

(f) Printing and Minting Expenses

The cost of printing notes and minting coins is expensed when the units of currency are issued to the banking sector.

(g) Bad and Doubtful Debts

Pursuant to *Section 35 (4) of the Central Bank Act*, provisions are made for bad and doubtful debts in the Accounts. In this regard, the relevant assets are shown on the Balance Sheet net of an amount, which in the opinion of the Directors, is required as a specific provision.

(h) Employee Benefits

The Bank implemented IAS 19 (Revised 1998) – Employee Benefits, on October 1, 1999. This Standard prescribes the accounting and disclosure requirements for employee benefits.

(i) Pension Obligations

The Bank operates a Defined Benefit final salary pension plan, the assets of which are held in a separate trustee-administered scheme. The Scheme's accounting costs are assessed on the basis of the projected unit credit method which charges to the Income Statement the cost of providing pensions in order to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries. Valuations are carried out every three years, the last being done on September 30,1999.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gain or loss exceeds the greater of 10% of the defined benefit obligation and 10% of the fair value of the plan assets.

(j) Income and Expenses

All significant items of Income and Expenditure are accounted for on an accrual basis.

3. OTHER ASSETS

Other Assets comprise:

2002 $000		2003 $000
186,524	Finance Lease	168,644
79,683	Loans	66,556
29,756	Stock of Notes and Coins	26,796
400,949	Items in the Process of Collection	559,605
28,391	Other	18,124
725,303	Total Other Assets	839,724

4. FIXED ASSETS

	Land & Buildings	Long Lease Property	Short Lease Property	Motor Vehicles, Machinery & Equipment	Furniture, Fixtures & Fittings, Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
COST						
At September 30, 2002	339,537	3,690	92	80,935	30,454	454,708
Additions (Expenditure at cost)	-	569	-	3,489	3,211	7,269
Disposals during the year	-	(155)	-	(4,610)	(10)	(4,775)
At September 30, 2003	339,537	4,104	92	79,814	33,655	457,202
ACCUMULATED DEPRECIATION						
At September 30, 2002	114,480	1,166	92	57,879	15,883	189,500
Provision for the year	6,734	108	-	3,691	1,241	11,774
Disposals during the year	-	(127)	-	(4,601)	(10)	(4,738)
At September 30, 2003	121,214	1,147	92	56,969	17,114	196,536
NET BOOK VALUES						
At September 30, 2003	**218,323**	**2,957**	**-**	**22,845**	**16,541**	**260,666**
NET BOOK VALUES						
At September 30, 2002	225,057	2,524	-	23,056	14,571	265,208

5. PROVISIONS

The Bank has a policy of providing for all known and foreseeable expenditure and losses in the accounts and has adopted a prudential approach of provisioning to preserve sufficient funds to cater for adverse trading developments that may arise from its activities.

6. ISSUED & FULLY PAID UP CAPITAL

Provision is made in Section 34 (5) of the Central Bank Act, for the Paid Up Capital of the Bank to be increased each year by an amount of not less than fifteen percent (15%) of the amount to be paid into the Consolidated Fund, until the Paid Up portion of the Authorised Capital is equal to the Authorised Capital. At September 30, 2001 the Paid Up Capital was equal to the Authorised Capital of $100 million.

7. GENERAL RESERVE FUND

Provision is made in *Section 35 (3) of the Central Bank Act* for the Bank to place in the General Reserve Fund or the Special Reserve Funds, or in both, an amount not exceeding ten (10%) percent of the Net Profit of the Bank for each financial year. An amount of $6,246,000 equivalent to 6.1% of profits, was credited to the General Reserve Fund for the year ended September 30, 2003. (For financial year 2002, $8,968,000).

8. OTHER OPERATING EXPENSES

Other Operating Expenses comprise:

2002 $000		2003 $000
54,589	Staff Costs	59,705
5,501	Utilities	7,188
2,037	Insurance	2,354
3,733	Computer Services	2,871
7,959	Maintenance	8,620
18,354	Other	20,829
92,173	Total Other Operating Expenses	101,567

9. OTHER PROVISIONS - EARNINGS STATEMENT

Provisions are made within the meaning of *Section 35 (4)(b) of the Central Bank Act*, and comprise the following:

2002 $000		2003 $000
21,063	Provisions	-
21,063	Total Provisions	-

10. CAPITAL AND RESERVES

	Paid Up Capital $000	General Reserve $000	Profit & Loss A/c. $000
Balance at September 30 2002	100,000	93,754	80,714
Profit for the year before Appropriation	-	-	102,539
Transfer to Paid Up Capital	-	-	-
Transfer to General Reserves	-	6,246	(6,246)
Payment to Consolidated Fund	-	-	(80,714)
Balance at September 30, 2003	100,000	100,000	96,293

11. TAXATION

Section 55 of the Central Bank Act Chapter 79:02 exempts the Bank from the provisions of any Act relating to income taxation, company taxation and from the payment of stamp duty.

12. PENSION PLAN

The amounts recognised in the Balance Sheet are as follows:

	Year End 30/09/03 $000	Year End 30/09/02 $000
Defined Benefit Obligation	145,803	120,755
Fair Value of Assets	(354,881)	(308,224)
	(209,078)	(187,469)
Unrecognised Gains/(Loss)	13,994	11,352
Un-utilized Assets	108,571	123,413
Net IAS 19 Defined Liability /(Asset)	**(86,513)**	**(52,704)**

The standard requires financial assumptions used in the calculation of the Net Pension Asset to be based on market expectations that are neither imprudent nor excessively conservative. Consequently, adjusting the annual rate of salary increases from 5.5 percent to 5.0 percent and setting the discount rate at 7.0 percent increased the Net Pension Asset at September 30, 2003 to $86.5 million. (September 30, 2002, $52.7 million).

Reconciliation of Opening and Closing Defined Benefit Assets

	2002/2003 $000	2001/2002 $000
Opening Defined Asset	(52,704)	(48,259)
Plus Pension Cost	(32,693)	(3,349)
Less Bank Contribution Paid	(1,116)	(1,096)
Closing Defined Asset	**(86,513)**	**(52,704)**

The amounts recognised in the Income Statement at September 2003 were as follows:

	2002/2003 $000	2001/2002 $000
Current Service Cost	3,382	2,481
Interest on Defined Benefit Obligation	9,508	8,613
Expected Return on Plan Assets	(30,741)	(27,825)
Movement in Unutilised Assets	(14,842)	13,382
Net Pension Cost	**(32,693)**	**(3,349)**

Return on Plan Assets

	2002/2003 $000	2001/2002 $000
Expected Return on Plan Assets	30,741	27,825
Actuarial Gain/(Loss) on Plan Assets	17,579	2,554
Actual Return on Plan Assets	**48,320**	**30,379**

Actuarial Assumptions

Discount rate	7%
Expected return on Plan Assets	7.75%
Projected future rate of salary increase	5.0%
Value of Pension Scheme Assets	Market value at Balance Sheet date

13. CAPITAL COMMITMENTS

There were no outstanding commitments for capital expenditure at September 30, 2003 (2002 - NIL).

14. CONTINGENT LIABILITIES

Contingent Liabilities have arisen in the normal course of business. These comprise several High Court actions brought against the Bank for which unspecified damages have been claimed. The majority of these matters have not yet been listed for hearing, consequently, it is not possible to quantify an amount for damages at this time, as these matters are not likely to be settled in the forseeable future.

15. RELATED ENTERPRISES

Section 36 (g) of the Central Bank Act, Chapter 79:02 empowers the Bank with the approval of the Minister of Finance, to acquire, hold and sell shares or other securities of any statutory body or company registered under the Companies Ordinance, for the purpose of promoting the development of a money or securities market in Trinidad and Tobago or for financing the economic development of Trinidad and Tobago. The Bank has investments in two related enterprises, these are shown at cost in the Financial Statements.

(a) Deposit Insurance Corporation

The Central Bank holds the total Issued Capital of the Deposit Insurance Corporation (the Corporation) in the amount of $1,000,000. The Accounts of the Corporation are not consolidated with the Bank's Accounts because the operations, control, assets and liabilities of the Corporation are governed by the provisions of the *Central Bank Act and Financial Institutions (Non-Banking) (Amendment) Act 1986*. A separate set of financial statements are prepared and published annually by the Corporation.

(b) Trinidad and Tobago Unit Trust Corporation

The Bank has an investment of $2,500,000 in the initial Issued Capital of $5,000,000 of the Trinidad and Tobago Unit Trust Corporation.

16. STATEMENT ON ASSETS AND LIABILITIES

The Bank, to the best of its knowledge, has accounted for all its assets and liabilities at September 30, 2003.

Appendices

Operational Statistics

TABLE A.1

Currency in Circulation
1994 - 2003
(Dollars Thousands)

Years	Total Notes In Circulation	Total Coins	Total Currency In Circulation
1994	901,697	47,685	949,382
1995	1,014,108	50,895	1,065,003
1996	1,110,313	54,756	1,165,069
1997	1,263,843	59,629	1,323,472
1998	1,271,699	63,764	1,335,463
1999	1,688,151	68,266	1,756,417
2000	1,625,822	72,004	1,697,826
2001	1,766,309	76,924	1,843,233
2002	1,920,702	83,912	2,004,614
2003	2,204,120	90,663	2,294,783

As at December 31 each year.

TABLE A.2
Central Bank Statement of Liabilities and Assets, FY 2002 - FY 2003
(Dollars Thousands)

	Liabilities								Assets							
		Deposits							External Assets							
End of Month	Currency in Circulation[1] Total	Commercial Banks	Non-Bank Financial Institutions	Government & Governmental Organisations[2]	International Organisations	Other Liabilities	Capital & Reserve Funds	Total Liabilities	Balances With Banks Abroad[3]	Other Foreign Securities	Gold Subscription To International Monetary Fund	Subscriptions To International Organisations	SDR's	TT Dollar Securities	Other Assets Including Fixed Asset	Total Assets
2001/02																
October	1,509,323	3,196,279	511,267	4,970,729	17,115	4,414,510	184,786	14,804,009	9,059,437	2,935,439	25,402	84,603	3,475	194,078	2,501,575	14,804,009
November	1,568,696	2,997,098	509,072	4,594,952	17,036	4,760,582	184,786	14,632,222	9,129,015	2,732,746	25,402	84,603	1,224	193,331	2,465,901	14,632,222
December	1,847,499	3,465,824	504,907	4,207,467	18,780	4,544,345	184,786	14,773,608	8,924,324	3,047,560	25,402	84,603	1,224	193,540	2,496,955	14,773,608
January	1,613,629	2,900,818	504,150	4,828,686	18,648	4,938,534	184,746	14,989,251	9,080,975	3,145,447	25,402	84,603	3,160	193,540	2,456,124	14,989,251
February	1,593,356	2,999,465	502,939	4,213,041	17,815	5,107,763	184,786	14,619,165	9,016,436	2,873,957	25,402	84,603	1,492	193,590	2,423,685	14,619,165
March	1,654,141	3,196,320	497,334	3,964,499	19,423	5,193,866	184,786	14,710,369	8,615,641	3,339,319	25,402	84,603	1,492	193,472	2,450,440	14,710,369
April	1,620,600	2,990,175	493,976	3,927,270	19,837	5,468,505	184,786	14,705,149	8,371,391	3,586,881	25,402	84,603	1,474	193,572	2,441,826	14,705,149
May	1,677,408	2,960,588	502,982	4,028,630	19,408	5,523,451	184,786	14,897,253	8,305,126	3,821,983	25,402	84,603	752	192,822	2,466,565	14,897,253
June	1,619,377	3,244,252	514,800	3,970,678	21,717	5,739,702	184,786	15,295,312	8,282,953	4,255,792	25,402	84,603	777	192,722	2,453,063	15,295,312
July	1,677,197	2,806,402	525,461	4,176,671	21,501	5,939,625	184,786	15,331,643	8,100,211	4,468,107	25,402	84,603	777	199,573	2,452,970	15,331,643
August	1,689,901	3,133,614	508,211	3,876,548	21,550	5,957,909	184,786	15,372,519	9,016,881	3,609,137	25,402	84,603	1,827	192,506	2,442,162	15,372,518
September	1,686,952	2,917,960	517,624	5,231,850	22,292	4,317,438	193,754	14,887,870	9,944,127	3,552,371	25,402	84,603	1,827	208,474	1,071,066	14,887,870
2002/03																
October	1,743,226	3,045,191	515,426	4,983,637	22,634	5,104,124	193,754	15,607,992	9,084,584	3,596,262	25,402	84,603	1,827	208,520	2,606,794	15,607,992
November	1,749,240	3,106,529	501,504	4,558,355	22,316	5,119,809	193,754	15,251,507	9,450,782	2,903,071	25,402	84,603	1,827	191,778	2,594,044	15,251,507
December	2,009,146	3,071,633	508,738	4,380,648	22,955	5,076,646	193,754	15,263,520	9,142,417	3,211,546	25,402	84,603	2,370	202,393	2,594,788	15,263,520
January	1,734,664	3,102,313	520,056	4,629,480	23,248	4,896,622	193,754	15,100,137	8,640,338	3,579,201	25,402	84,603	2,370	191,719	2,576,504	15,100,137
February	1,835,994	3,502,334	514,920	4,129,462	23,265	4,709,411	193,754	14,909,140	8,442,183	3,536,452	25,402	84,603	2,834	191,719	2,625,947	14,909,140
March	1,834,622	3,269,245	523,476	4,201,462	24,009	5,088,252	193,754	15,134,820	8,176,465	4,023,983	25,402	84,603	2,995	193,472	2,627,900	15,134,820
April	1,861,820	2,892,491	547,203	4,478,822	24,713	4,921,454	193,754	14,920,257	6,858,162	5,088,792	25,402	84,603	3,015	191,758	2,668,525	14,920,257
May	1,875,668	3,130,558	546,910	4,002,076	22,882	4,891,288	193,754	14,663,136	5,773,137	6,013,016	25,402	84,603	3,574	190,996	2,572,408	14,663,136
June	1,870,965	3,740,010	559,396	4,422,210	17,575	4,537,842	193,754	15,341,752	5,659,112	6,644,326	25,402	84,603	3,645	322,903	2,601,761	15,341,752
July	1,886,536	3,328,638	586,508	5,142,357	17,632	4,470,703	193,754	15,626,128	6,273,028	6,414,007	25,402	84,603	3,645	282,483	2,542,960	15,626,128
August	1,914,543	3,374,406	620,349	4,289,728	17,383	4,952,789	193,754	15,362,952	6,304,054	6,278,187	25,402	84,603	4,662	189,953	2,476,091	15,362,952
September	1,906,954	3,734,461	647,788	6,496,165	18,570	3,407,429	200,000	16,411,367	8,932,828	5,960,902	25,402	84,603	4,553	191,062	1,212,017	16,411,367

Source: Central Bank of Trinidad and Tobago

[1] Including Tellers' balances

[2] Includes Exchequer, Trust Funds and Other Public Deposits, Government SDR Allocation and Other Deposits

[3] Includes Foreign Currencies on hand

Table A.3

Commercial Banks: Average Deposit Liabilities, Required Cash Reserves and Actual Cash Reserves

for the Year Ended September 2003

Reserve Period Ending	Average Deposit Liabilities ($000)	Required Cash Reserves (18%) ($000)	Average Actual Cash Reserves ($000)
01-Oct-02	15,214,956	2,738,692	2,738,747
08-Oct-02	15,252,211	2,745,398	2,750,957
15-Oct-02	15,285,083	2,751,315	2,751,959
22-Oct-02	15,254,667	2,745,840	2,745,971
29-Oct-02	15,183,417	2,733,015	2,733,286
05-Nov-02	15,204,950	2,736,891	2,737,034
12-Nov-02	15,118,811	2,721,386	2,721,435
19-Nov-02	15,101,311	2,718,236	2,718,312
26-Nov-02	15,149,594	2,726,927	2,726,790
03-Dec-02	15,181,450	2,732,661	2,732,660
10-Dec-02	15,187,550	2,733,759	2,733,845
17-Dec-02	15,211,600	2,738,088	2,737,836
24-Dec-02	15,315,444	2,756,780	2,758,566
31-Dec-02	15,354,544	2,763,818	2,768,505
07-Jan-03	15,450,317	2,781,057	2,781,137
14-Jan-03	15,572,600	2,803,068	2,800,548
21-Jan-03	15,632,917	2,813,925	2,814,546
28-Jan-03	15,614,067	2,810,532	2,810,889
04-Feb-03	15,594,139	2,806,945	2,806,701
11-Feb-03	15,576,544	2,803,778	2,804,001
18-Feb-03	15,533,011	2,795,942	2,795,338
25-Feb-03	15,525,517	2,794,593	2,795,017
04-Mar-03	15,540,506	2,797,291	2,795,662
11-Mar-03	15,455,411	2,781,974	2,782,045
18-Mar-03	15,385,728	2,769,431	2,769,528
25-Mar-03	15,306,983	2,755,257	2,755,536
01-Apr-03	15,222,667	2,740,080	2,739,071
08-Apr-03	15,167,111	2,730,080	2,729,953
15-Apr-03	15,114,561	2,720,621	2,720,842
22-Apr-03	15,078,900	2,714,202	2,714,309
29-Apr-03	15,040,094	2,707,217	2,707,287
06-May-03	15,052,194	2,709,395	2,708,992
13-May-03	14,985,800	2,697,444	2,697,865
20-May-03	14,958,689	2,692,564	2,692,650
27-May-03	14,955,583	2,692,005	2,691,928
03-Jun-03	14,918,072	2,685,253	2,685,221
10-Jun-03	14,907,378	2,683,328	2,683,939
17-Jun-03	14,955,289	2,691,952	2,692,120
24-Jun-03	15,005,844	2,701,052	2,701,414
01-Jul-03	15,039,444	2,707,100	2,707,265
08-Jul-03	15,099,544	2,717,918	2,717,937
15-Jul-03	15,116,650	2,720,997	2,721,104
22-Jul-03	15,097,528	2,717,555	2,719,954
29-Jul-02	15,156,133	2,728,104	2,728,216
05-Aug-03	15,186,289	2,733,532	2,733,642
12-Aug-03	15,253,300	2,745,594	2,745,814
19-Aug-03	15,417,461	2,775,143	2,775,217
26-Aug-03	15,569,117	2,802,441	2,802,649
02-Sep-03	15,757,861	2,836,415	2,836,628
09-Sep-03	15,869,511	2,856,512	2,857,962
16-Sep-03	15,903,422	2,862,616	2,862,817
23-Sep-03	15,921,311	2,865,836	2,872,079
30-Sep-03	15,947,644	2,870,576	2,870,998

Table A.4

Non-Bank Financial Institutions: Average Deposit Liabilities, Required Cash Reserves and Actual Cash Reserves

for the Year Ended September 2003

Reserve Period Ending	Average Deposit Liabilities ($000)	Required Cash Reserves (9%) ($000)	Average Actual Cash Reserves ($000)
01-Oct-02	5,739,078	516,517	517,693
08-Oct-02	5,752,622	517,736	518,561
15-Oct-02	5,746,544	517,189	518,374
22-Oct-02	5,745,022	517,052	519,569
29-Oct-02	5,764,533	518,808	521,311
05-Nov-02	5,717,167	514,545	516,094
12-Nov-02	5,683,356	511,502	512,425
19-Nov-02	5,637,322	507,359	508,050
26-Nov-02	5,577,722	501,995	502,573
03-Dec-02	5,642,722	507,845	509,053
10-Dec-02	5,608,433	504,759	505,895
17-Dec-02	5,569,833	501,285	502,388
24-Dec-02	5,567,822	501,104	503,865
31-Dec-02	5,602,600	504,234	497,055
07-Jan-03	5,627,256	506,453	507,871
14-Jan-03	5,627,456	506,471	507,493
21-Jan-03	5,643,067	507,876	508,479
28-Jan-03	5,673,456	510,611	511,201
04-Feb-03	5,771,878	519,469	520,050
11-Feb-03	5,812,322	523,109	523,598
18-Feb-03	5,822,611	524,035	524,499
25-Feb-03	5,829,689	524,672	525,038
03-Mar-03	5,717,467	514,572	514,920
11-Mar-03	5,696,222	512,660	513,006
18-Mar-03	5,704,211	513,379	513,773
25-Mar-03	5,743,322	516,899	517,315
01-Apr-03	5,813,211	523,189	523,476
08-Apr-03	5,925,489	533,294	533,630
15-Apr-03	5,980,789	538,271	538,592
22-Apr-03	6,020,444	541,840	542,120
29-Apr-03	6,069,133	546,222	546,531
06-May-03	6,075,211	546,769	547,364
13-May-03	6,090,467	548,142	548,635
20-May-03	6,109,833	549,885	550,349
27-May-03	6,091,722	548,255	548,694
03-Jun-03	6,070,367	546,333	546,951
10-Jun-03	6,091,744	548,257	549,191
17-Jun-03	6,091,011	548,191	553,787
24-Jun-03	6,132,111	551,890	549,223
01-Jul-03	6,192,822	557,354	559,396
08-Jul-03	6,247,978	562,318	564,415
15-Jul-03	6,300,344	567,031	567,666
22-Jul-03	6,374,322	573,689	574,058
29-Jul-03	6,434,244	579,082	579,803
05-Aug-03	6,508,644	585,778	586,399
12-Aug-03	6,596,144	593,653	594,070
19-Aug-02	6,664,211	599,779	600,187
26-Aug-02	6,788,422	610,958	611,373
02-Sep-03	6,888,011	619,921	620,371
09-Sep-03	6,969,700	627,273	627,953
16-Sep-03	7,080,067	637,206	637,904
23-Sep-03	7,150,811	643,573	645,255
30-Sep-03	7,188,256	646,943	648,247