CENTRAL BANK OF
TRINIDAD AND TOBAGO

ANNUAL REPORT 2005

Central Bank of Trinidad and Tobago
P.O. Box 1250
Port of Spain
Republic of Trinidad and Tobago
www.central-bank.org.tt

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OUR PURPOSE

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.

LETTER OF TRANSMITTAL

CENTRAL BANK OF
TRINIDAD & TOBAGO

Ewart S. Williams
Governor

December 30, 2005

The Honourable Patrick Manning
Prime Minister of the Republic of Trinidad and Tobago
and Minister of Finance
Office of the Prime Minister
White Hall
Queen's Park West
Port of Spain

REF: CB-G: 235/05

Dear Prime 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 the year ended September 30, 2005, together with a copy of the Annual Audited Statement of Accounts certified by the auditors.

Yours sincerely,

Ewart S. Williams

Encls.

CONTENTS

BOARD OF DIRECTORS

Mr. Ewart S. Williams
Chairman of the Board
Governor

Dr. Shelton Nicholls
Executive Director
Deputy Governor

Ms. Joan John
Executive Director
Deputy Governor

Ms. Alison Lewis
Date of Appointment:
November 12 2004
Public Service Director
Permanent Secretary,
Ministry of Finance

Mr. Norris Campbell
Date of Appointment:
July 8 2004
Ordinary Director
Chartered Accountant
B.Sc. FCCA

Ms. Barbara Chatoor
Date of Appointment:
July 2 2003
Ordinary Director
B.A., National University of Ireland
Diploma in Education,
UWI, St Augustine

Mr. Carlyle Greaves
Date of Appointment:
April 11 2003
Ordinary Director
M.A. Development Economics
M.A. Latin American Development Studies

Ms. Amelia Carrington S.C.
Date of Appointment:
April 11 2003
Ordinary Director
Attorney-at-Law

Prof. Selwyn Cudjoe
Date of Appointment:
April 11 2003
Ordinary Director
Ph.D. American Studies
Professor

Central Bank Act

Section 5: *The Bank shall be managed by a Board of Directors comprised of a Governor, not more than two Deputy Governors and not less than six other directors, two of whom may be public service directors.*

Section 7(4): *The ordinary directors and the public service directors shall be appointed for a term of three years.*

GOVERNOR'S FOREWORD

While we have certainly had our share of challenges, the year 2005 has been a very good one for Trinidad and Tobago. The economy has continued to perform strongly as we continue to reap the benefits of a favourable international environment and the sensible management of our energy resources. The growth of the economy in 2005 is expected to at least match the rate of 6½ percent seen in 2004, and the external and fiscal positions are exceptionally strong and are projected to remain so over the medium term. If there is a downside to this cheerful picture, it has been the re-emergence in 2005 of inflationary risks which have the potential to undermine our national prosperity and which will need to be decisively managed in the months ahead.

A strong, technically and technologically equipped central bank has a key role to play, in ensuring the continued healthy development of the economy, and an especially important mission to safeguard the stability and soundness of the financial system. The evolving nature of this challenge requires the Bank to be equally dynamic, by continuously enhancing its capacity and improving the instruments and practices through which it delivers on its objectives.

The main objective of the Bank's monetary policy is to maintain low inflation and to ensure orderly conditions in the foreign exchange market. Developments in the international and domestic economy in 2005 posed stern challenges to the Bank in both these areas, as the strength of the balance of payments spilled over into rapid liquidity growth and rising demand pressures. The Bank adjusted its monetary stance and improved policy implementation to deal with the inflation challenge. In the foreign exchange market, new arrangements were instituted to help smooth temporary imbalances and promote greater exchange rate flexibility.

The enlargement of the Bank's responsibilities for financial supervision has coincided with a period of extraordinary dynamism in the local financial sector. The scale and pace of structural change are reflected in part by the increasingly important role of Trinidad and Tobago as a regional financial centre and the expanding regional presence of our home-based financial institutions. While these are healthy developments, they have significantly complicated the regulatory and supervisory challenges faced by the Bank, and increased the burden on available skills and resources.

In 2005, the Bank continued to respond both technically and organisationally to the new challenges. A draft revised Financial Institutions Act, containing significantly enhanced prudential and enforcement provisions, was completed during the year and should be on the parliamentary agenda in early 2006. At the same time, new initiatives for the

strengthening of insurance regulation have been substantially advanced and should also come to fruition in the New Year. Through a process of internal reorganisation and consolidation, the supervisory function has been given a more relevant structure that acknowledges the differences in complexity among supervised institutions.

During the last fiscal year the Bank, in addition to its oversight responsibilities, maintained its role as a prime mover in the development of the domestic financial system. The introduction of a Real-time Gross Settlement System has not only brought greater ease and flexibility to the conduct of large payment transactions, it has also made the financial system safer by reducing settlement risk. The expected launch of an Automated Clearing House facility early in the New Year will bring similar benefits to the inter-bank cheque clearing process.

As the Bank continues to rise to its evolving institutional and policy challenges it remains committed to fostering its communication with the public and to promoting public understanding of its policies and actions through a variety of media. The launch of the Bank's Money Museum in 2005 was one expression of this commitment, the response to which, in terms of the sustained high level of visitor interest, has been especially gratifying. The Bank will be seeking to intensify its interaction with the public in the coming year.

While Trinidad and Tobago's current economic circumstances are indeed enviable in many respects, the past experience of other similarly placed countries shows that managing the kind of prosperity we now enjoy holds many perils of its own. The challenges in the months ahead, particularly on the macroeconomic front, will be no less severe than those we have had to face in 2005. We feel confident that we have the resilience and the capacity to successfully confront them.

Governor

CORPORATE GOVERNANCE AND ORGANISATION STRUCTURE

CORPORATE GOVERNANCE

The governance framework for the Central Bank includes both structural and operational elements. The structural element deals with the assignment of responsibilities. At the top of this structure is the Board of Directors whose responsibilities are defined in the Central Bank Act (CBA), the Financial Institutions Act (FIA) and the Insurance Act (IA). The Board is comprised of the Governor, two Deputy Governors and six other Directors, in accordance with the CBA. There are two standing committees of the Board, the Audit Committee and the Personnel Committee, each comprising of non-executive Board members. The Audit Committee reviews the financial statements, the work programme and the budget, and ensures the effectiveness of the Bank's systems of accounting, internal controls and disaster preparedness. The Personnel Committee reviews human resource policies and compensation issues.

The day-to-day administration of the Bank is the responsibility of the Governor as the Chief Executive Officer. There are two Deputy Governors whose duties are defined by the Governor. One Deputy Governor has been assigned responsibility for Research and Policy and the other for Operations. The supervision of the financial system is the responsibility of the Inspector of Financial Institutions who also reports to the Governor.

The operational element of the governance framework includes a number of management committees, documented job roles and defined authorities and responsibilities for delivering the organisation's objectives. The long-standing and permanent management committees are: the Monetary Policy Committee, whose technical arm is the Monetary Policy Support Committee, and the Financial Stability Committee. The Bank also has a Tenders Committee and an Information Management Steering Committee.

The Monetary Policy Committee includes the Governor and the two Deputy Governors. This body meets monthly to make decisions related to monetary policy and is responsible for setting the Repo rate. This Committee also has responsibility for the Monetary Policy Report which is published twice each year.

The Financial Stability Committee takes a broad view of the domestic financial system to identify risks, threats and early warning signs of difficulty and recommends strategies for strengthening the system. The members of this Committee include the Governor, Deputy Governors and the Inspector of Financial Institutions.

The Tenders Committee ensures that the Bank uses open and fair means for selecting suppliers. In 2005, a major

review of the tendering process was initiated with a view to rationalising the procedures and increasing transparency. The Information Management Steering Committee ensures that the Bank's technology strategy is aligned to its overall objectives.

In 2005, the Bank hosted a corporate governance seminar in collaboration with the Centre for Central Banking Studies, Bank of England. The seminar was attended by members of the Board and Management of the Bank, as well as by board members of regional central banks.

In the context of broader efforts to strengthen its risk management framework, the Bank undertook a major revision of its Business Continuity Plan during the course of the year. This Plan identifies the critical functions that the Bank must continue to perform in the event of a disaster and establishes a business continuity infrastructure to support these functions. The main objectives of the Business Continuity Plan are:

- to ensure that the Bank's core business functions recover as quickly and as effectively as possible following any unforeseen event that interrupts normal business operations; and
- to minimize financial losses to the Bank that may arise from a disaster.

The supporting infrastructure for business continuity includes an Alternative Site and Command Centre for the conduct of the Bank's affairs in the event that its primary site becomes inoperable. The management of the Business Continuity Plan is the responsibility of the Business Continuity Planning and Recovery Organisation (BCPRO), which consists of a management team and four mission-critical business continuity teams (Business, Administration/ Communication, Facilities and Information Technology) drawn from various functional areas in the Bank.

The Bank is in the process of co-ordinating its business continuity and recovery strategy with major stakeholders including the newly created Office of Disaster Preparedness and Management (ODPM), the Bankers Association of Trinidad and Tobago, relevant financial institutions and a number of other support agencies.

ORGANISATION STRUCTURE

Senior Management Team

Governor – Mr. Ewart S. Williams

Deputy Governor, Research and Policy – Dr. Shelton Nicholls

Deputy Governor, Operations – Ms. Joan John

Inspector of Financial Institutions – Mrs. Catherine Kumar

Senior Manager, Corporate Services – Mr. Hollis De Four

Senior Manager, Human Resources and Communications – Mrs. Nicole Crooks

Senior Manager, Internal Audit and Corporate Governance – Mrs. Jennifer Greaves

Deputy Inspector of Financial Institutions – Ms. Wendy Ho Sing

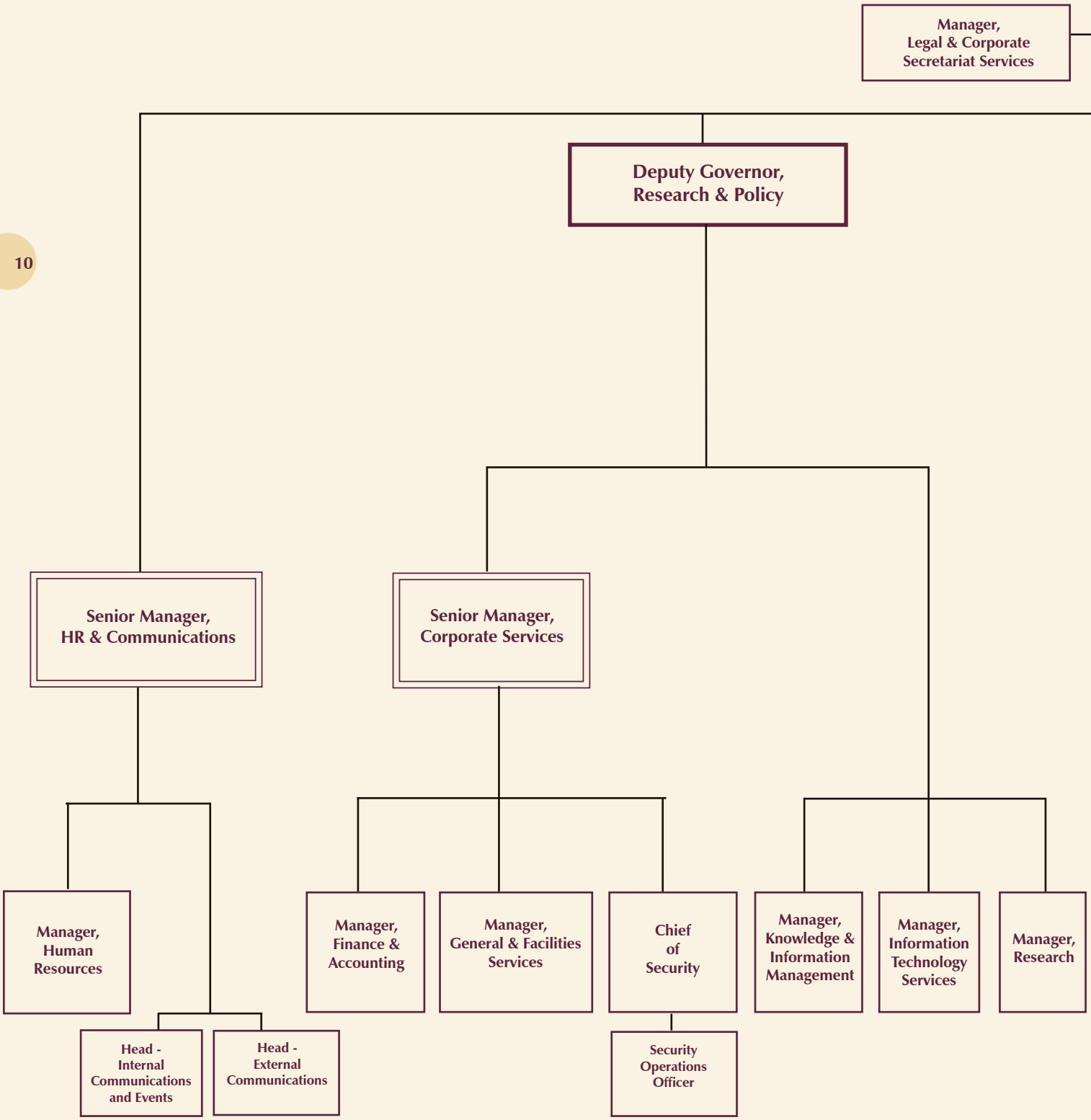
Senior Manager, Operations – Vacant

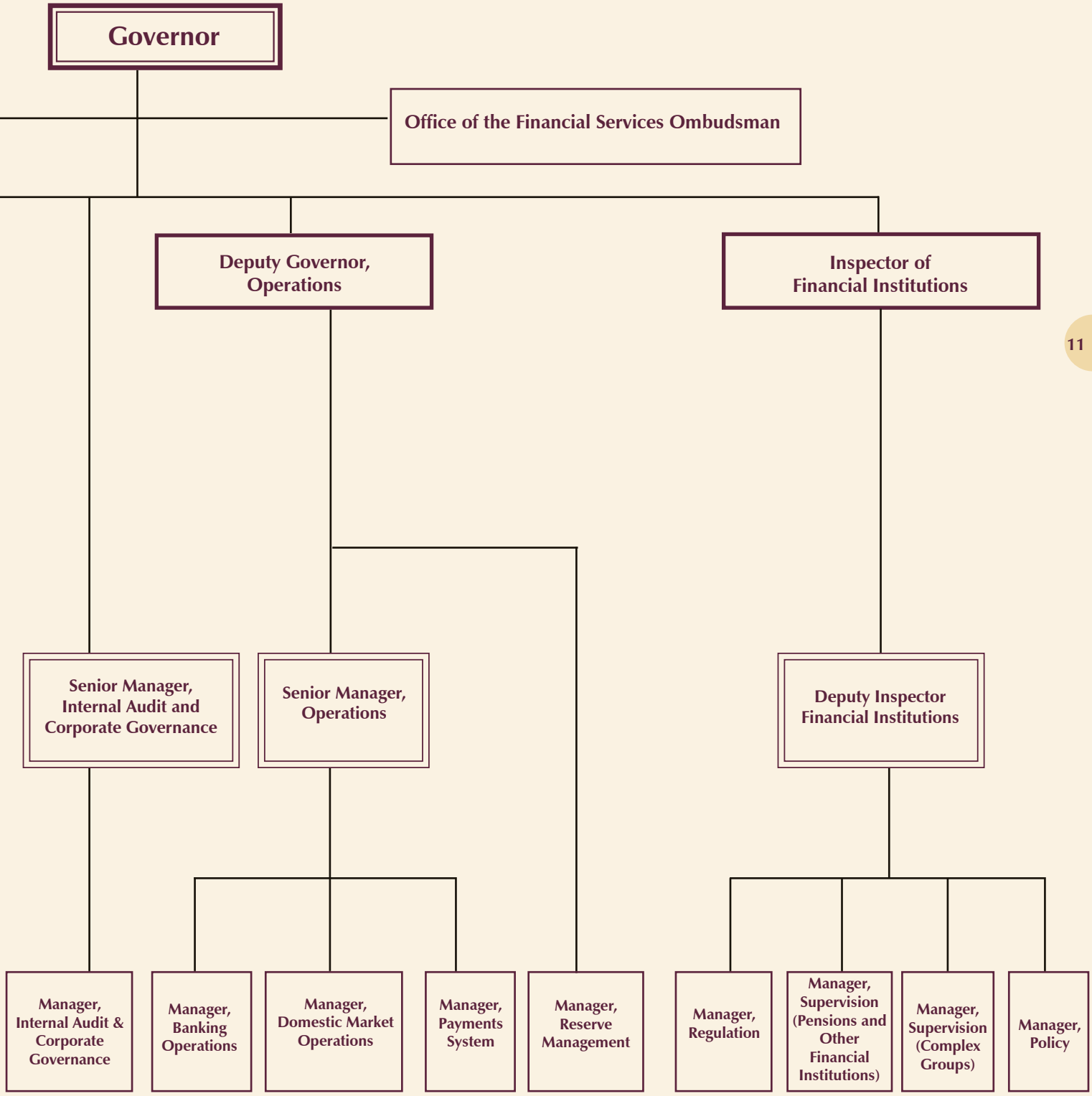
The Organisational Chart which follows shows how responsibility for the various functions is delegated.

CENTRAL BANK OF TRINIDAD AND TOBAGO

ORGANISATIONAL CHART

September 30, 2005




Governor
Office of the Financial Services Ombudsman
Deputy Governor, Operations
Inspector of Financial Institutions
Senior Manager, Internal Audit and Corporate Governance
Senior Manager, Operations
Deputy Inspector Financial Institutions
Manager, Internal Audit & Corporate Governance
Manager, Banking Operations
Manager, Domestic Market Operations
Manager, Payments System
Manager, Reserve Management
Manager, Regulation
Manager, Supervision (Pensions and Other Financial Institutions)
Manager, Supervision (Complex Groups)
Manager, Policy

REVIEW OF 2004 - 2005

MANAGERS AND DEPARTMENTAL HEADS

Mrs. Lynette ADAMS
Manager, Human Resources

Mrs. Elizabeth AUSTIN
Manager, General and Facilities Services

Mrs. Sherry-Ann BACHEW-RUDD
Manager, Legal and Corporate Secretariat Services

Ms. Sharon BRAITHWAITE
Manager, Supervision – Pension and Other Financial Institutions

Mr. Kenneth COKER
Advisor, Research Department

Mrs. Zoraida DOOKIE
Manager, Information Technology Services

Mrs. Caramae FARMER
Manager, Payments System

Dr. Penelope FORDE
Manager, Research

Major Doddridge JACK
Security Operations Officer

MANAGERS AND DEPARTMENTAL HEADS

Mr. Victor MALONEY
Head, Internal Communications and Events

Ms. Hazel MARCELLE
Manager, Domestic Market Operations

Mr. Shabirul MOHAMMED
Manager, Finance and Accounting

Ms. Ann-Marie NARINE
Manager, Policy

Ms. Suzanne ROACH
Manager, Internal Audit and Corporate Governance

Mr. Lester SHIM
Manager, Reserve Management

Mr. Carl STEWART
Manager, Regulation

Mrs. June STEWART
Manager, Knowledge and Information Management

Ms. Janice WOODS
Manager, Banking Operations

INTRODUCTION

The Central Bank Act, 1964 (amended 1994) defines the purpose of the Bank as *"the promotion of such monetary credit and exchange conditions as are most favourable to the development of the economy of Trinidad and Tobago"*. The Bank is also authorised by the Financial Institutions Act, 1993 to license and supervise financial institutions. The Bank's responsibility for supervision was broadened to include insurance companies and private pension funds in 2004. Consequently, the Bank's major activities in financial year 2004-2005 centred around the following:

- monetary policy (including responsibility for stability of the exchange rate);
- financial system stability;
- currency issue;
- banker to the Government as well as its agent for treasury securities;
- foreign reserves management; and
- economic, financial and monetary research.

During the year, the Bank placed particular emphasis on building capacity to meet its expanded supervisory responsibilities, on strengthening implementation of monetary policy, on enhancing its technology, and on developing its human resources. In addition, the Bank undertook a variety of outreach programmes to educate and inform the general public about its core activities.

MONETARY POLICY

The main objective of the Bank's monetary policy is to maintain low inflation and an orderly foreign exchange market so as to facilitate sustained growth in output and employment in the domestic economy. During 2005, monetary policy was tightened as international and domestic economic developments led to a build-up of inflationary pressures. This was a change from the more accommodative stance which the Bank had maintained in 2004 as it sought to stimulate growth in the non-energy sector.

The Economic Environment

In the international economy, soaring energy prices led to rising inflationary pressures. The Federal Reserve Bank continued to raise interest rates at a measured pace to contain inflationary expectations. By November, the federal funds rate had climbed to 4.0 per cent, leading to a narrowing of the differential between TT and US interest rates. The differential between the 90-day treasury bill rates fell to around 1 per cent at the end of November 2005, compared with a differential of over 3 per cent a year earlier.

The domestic economy grew at a robust pace in 2005 as the energy sector maintained its strong rate of expansion in the face of a steady increase in crude oil and natural gas production and record oil prices. Economic

activity in the non-energy sector also picked up significantly, particularly in the construction, distribution and transportation, communication and storage sub-sectors. In tandem with the strong growth of the economy, the merchandise trade account and the overall balance of payments registered sizeable surpluses, resulting in an accumulation of foreign exchange reserves.

Inflationary pressures gathered momentum in 2005, against the background of the sharp pick-up in economic activity and a strong expansion of liquidity. The latter was driven by a rise in fiscal injections to a monthly average of $586 million from $262 million in 2004. Headline inflation remained above the Bank's target range of 4 to 5 per cent as unfavourable weather conditions and higher transportation costs led to a sharp increase in food prices. Headline inflation measured 6.9 per cent year-on-year to October 2005, compared with 4.5 per cent for the corresponding year-earlier period. Core inflation, which excludes the impact of food prices, also increased on a year-on-year basis to 2.6 per cent in October 2005 from just under 2 per cent in the 12 months to October 2004.

Monetary Policy Actions

With the emergence of inflationary pressures and the narrowing of the differential between TT and US short-term interest rates, the Bank raised its policy interest rate – the Repo rate – four times during the year (in March, July, September and November) by 25 basis points on each occasion. As a result, the Repo rate climbed from 5 per cent in January to 6 per cent in November.

The Bank also de-linked the special deposit rate from the Repo rate with effect from September 1, 2005. At the same time, it reduced the rate on special deposits from 3.50 per cent to 2.50 per cent. Previously, the special deposit rate was at two percentage points below the Repo rate. Special deposits are used by financial institutions to place their excess funds, as an alternative to open market securities. These actions were taken in light of the liquid conditions in the market and were also intended to encourage greater participation in open market operations. The monthly average balances held in special deposits - one of the Bank's indicators of excess liquidity - averaged $553 million in 2005, compared with $303 million in 2004.

In an effort to stem the expansion in liquidity, the Bank engaged in more active open market operations during the year. Net sales of open market securities amounted to $3.1 billion over the financial year ended September 2005, compared to $1.2 billion in the corresponding year-earlier period.

The Bank also maintained the cash reserve requirement of commercial banks at 11 per cent of prescribed liabilities during 2005, thereby postponing implementation of the third phase of the reduction in the reserve ratio that had been planned for this year. The first two phases occurred in October 2003 and September 2004 and saw a cumulative reduction in the reserve requirement from 18 per cent to 11 per cent.

The liquid conditions which prevailed throughout the year curtailed the pass-through effect of the Repo rate increases to other key market rates. The inter-bank rate stood at 4.30 per cent in November, virtually unchanged from the level in January, while the average yield on three-month treasury bills rose to 5.01 per cent in November 2005, 25 basis points above yields at the beginning of the year.

FOREIGN EXCHANGE MARKET

Commercial banks' purchases of foreign exchange from the public in 2005 (January to November) rose at a slower pace than in 2004, while sales of foreign exchange grew faster than in 2004. Purchases increased by 8.6 per cent to US$2,310.6 million in 2005, compared with a 15.3 per cent rise to US$2,127.8 million in 2004. Sales grew by 25 per cent to US$3,264.6 million in 2005, compared with a growth of 11 per cent in 2004.

On a net basis, the Bank sold US$615 million in the domestic market in the 11 months to November 2005, compared with US$360 million in the corresponding period of 2004. This implied that approximately one quarter of official foreign exchange receipts from the energy sector during the period was transferred directly to the non-oil economy.

The public's demand for foreign exchange was high throughout the year. This was driven by the sharp growth in nominal incomes and imports as well as an increasing requirement for portfolio and other foreign investments. Foreign exchange demand for investment-related activities amounted to US$492 million, compared with US$280 million for the corresponding period in 2004.

In October 2005, the Bank, after discussions with the commercial banks, adopted new arrangements to address the imbalances in the foreign exchange market. The main elements of the new arrangement were as follows:

- a pre-announced schedule for foreign exchange sales to give greater certainty and predictability to the market;
- additional unscheduled sales based on supply and demand conditions;
- banks agreed to maintain the existing average spread between buying and selling rates, with posted rates bearing some

reasonable relationship to weighted rates. The exchange rate for the US dollar remained relatively stable, although displaying some upward movement towards the end of the period. The selling rate of the US dollar averaged TT$6.2998 and the buying rate TT$6.2317

FINANCIAL STABILITY

Financial Sector Reform

Preparation of draft amendments to the Financial Institutions Act, 1993 (FIA) and the Insurance Act (IA) was significantly advanced during the year. The amendments aim to give the supervisor enhanced powers to manage systemic risk, protect the interests of policyholders and depositors and to strengthen prudential regulation of financial institutions in a rapidly changing domestic and international environment. In addition, the amendments will bring Trinidad and Tobago's financial legislation and supervisory practices closer in line with international best practices.

The Bank also issued several guidelines which serve to complement current legislation in the areas of protecting customer information, risk management and fitness and propriety of officers. The guidelines were developed based on international standards and were circulated to the local financial services industry for comment before being issued. Financial institutions are expected to comply with the principles and standards that are embodied in these guidelines.

Legislation

Financial Institutions Act 1993 (FIA)

The Bank developed a number of draft amendments to the FIA which took into account internationally established supervisory core principles and the views of the stakeholders in the domestic financial services sector. The amendments are incorporated into a draft Bill which includes, *inter alia*, clearly stated objectives for the regulatory responsibility of the Bank, provisions for the sharing of information with other regulatory agencies locally and in other jurisdictions, and a broader range of 'fit and proper' criteria for controlling shareholders of financial institutions. It also provides for the imposition of civil money penalties as an immediate enforcement tool and alternative to prosecution through the court system, for breaching certain sections under the Act.

Insurance Act (IA)

The Bank plans to issue a policy paper on amendments to the IA in June 2006. The amendments are being developed, in consultation with stakeholders in the financial services industry, to ensure consistency with the amendments to the FIA where appropriate, and with the adoption of the *Insurance Core Principles* for the local environment.

The amendments are expected to cover, *inter alia*:

- increasing capital requirements;
- establishing financial holding companies to separate the financial entities within mixed conglomerates;
- easing the restrictions on permissible investments in the statutory fund;
- strengthening the restriction against declaring shareholder dividends under certain circumstances; and
- new requirements for information disclosure, and the strengthening of provisions relating to intervention by the regulator.

Guidelines

Guidelines were issued in 2005 in respect of:

- *Fit and Proper Criteria.* This lists the criteria that should be used by financial institutions in determining whether a person is fit and proper to hold a senior level position in a financial institution;
- *Securing Customer Information.* This sets out a standardised framework for an effective customer information security programme designed to preserve the integrity and confidentiality of customer records and information. The framework will also protect against unauthorised access to, or use of, such information;
- *Prudent Approach to Investment and Lending.* This provides the boards of directors and management of financial institutions with a prudential framework for making investment and lending decisions.

A Guideline on Corporate Governance is being drafted for issue early in 2006. This Guideline is designed to ensure that the boards of directors and senior management of financial institutions are fully cognizant of the need to adopt sound principles and practices for the governance of the institutions that they oversee.

Draft Guidelines on Pensions Disclosure and Provisioning for Asset Impairment are in the process of being prepared for discussion with stakeholders. The purpose of the Guideline on Pensions Disclosure is to promote transparency by providing trustees with a framework for establishing frequent communication with those to whom they are accountable. The Guideline encompasses the minimum criteria outlined in the provisions of the IA, and builds on the frameworks outlined by the Organisation for Economic Cooperation and Development, the International Association of Insurance Supervisors (IAIS) and the Office of the Superintendent of Financial Institutions.

The draft Guideline for the Measurement, Monitoring and Control of Impaired

Assets require that institutions licensed under the FIA and the IA have adequate processes for:

- ensuring that the valuation of assets is market-based;
- determining adequate allowances for credit losses; and
- ensuring that there is timely recognition of identified losses.

Monitoring the Financial Services Sector

Banks and Non-Banks

The Bank continued to monitor licensees to ensure that the risks associated with rapid expansion and product and market diversification were adequately managed. The Bank completed on-site reviews of six banks and non-banks, focusing on corporate governance, risk management, regulatory compliance and financial analysis. The reviews showed that banks and non-banks were strengthening their risk management frameworks as well as governance structures and practices.

Insurance Companies

The Bank commenced on-site reviews of insurance companies late in 2004. As at November 2005, ten such reviews had been completed, with a focus on corporate governance, risk management and internal controls. The Bank is working with the institutions to implement measures to address areas of weakness.

In order to strengthen its monitoring of the insurance sector, the Bank took steps in 2005 to ensure the more timely submission of financial results. Commencing with the quarter ended June 2005, insurance companies were required to submit quarterly returns one month after the end of the quarter. The Bank expects to be able to issue its first quarterly financial analysis of the insurance sector in early 2006 following an assessment of the adequacy of the format and comparability of the data submitted.

The Bank continued to monitor compliance by insurance companies with deadlines for filing their annual returns, as this has been an area of concern. There was a marked increase in the timeliness of submissions compared to prior years. In addition, compliance with the Statutory Fund and Statutory Deposit conditions of the IA improved significantly.

The Insurance and Pensions Report, 2002, which replaced the former Supervisor of Insurance Report, was submitted to the Ministry of Finance to be laid in Parliament. The Report for 2003 is scheduled for completion early in 2006 and the one for 2004 later in the year.

Private Pension Funds

During the year, focus was placed on getting pension funds to bring the filing of financial statements up to date.

The Bank also conducted the first on-site examination of pension plans which focused on adequate separation of the functions of investment managers, trustees and fund administrators as well as adequate disclosure to pension plan members.

Based on the partial data available, many pension plans were over-funded in 2005, partly as a result of asset price increases in local stock and property markets. The rise in equity values during the year placed some plans in contravention of the IA as the equity share of their investment portfolios exceeded the 50 per cent limit imposed by the Act. During the year, the Bank worked with the trustees to reduce the excess levels of equity in the respective plans.

Institutional Developments

Establishment of the Office of the Financial Services Ombudsman (OFSO)

In collaboration with both the banking and insurance sectors, the Central Bank established the *Office of the Financial Services Ombudsman (OFSO)* on May 1, 2005, to replace the Office of the Banking Services Ombudsman. The responsibilities of the OFSO with regard to insurance companies include first party complaints and third party complaints involving amounts below $25,000 from small businesses and individual policyholders.

Regulatory Policy Council

A Regulatory Policy Council for the financial sector was established in July 2005. The Council, which is chaired by the Governor, comprises the Permanent Secretary, Ministry of Finance, who represents the Minister of Finance, and the heads of the following regulatory agencies:

- the Trinidad and Tobago Securities and Exchange Commission;
- the Trinidad and Tobago Stock Exchange; and
- the Deposit Insurance Corporation.

The main functions of the Council are:

- to develop complementary supervisory initiatives and harmonised solutions to regulatory issues;
- to prevent and eliminate conflicts and unintended supervisory gaps in financial services supervision; and
- to co-ordinate financial services supervisory activities and to work with trade associations to develop joint projects that complement these activities.

A Memorandum of Understanding will be developed to cover the sharing of relevant information on individual enterprises and persons once the appropriate legislation is enacted.

Reorganisation of the Financial Institutions Supervision Department

The Financial Institutions Supervision Department was reorganised into four distinct units to facilitate more effective regulation and supervision of the financial services sector. Regulation, a new unit, was established to monitor the institutions at the sector level, improve regulatory compliance in the industry and implement a market conduct supervisory framework. The Policy Unit maintained responsibility for updating legislation, issuing prudential guidelines and incorporating new supervisory good practices into the local system.

The Supervision Unit was divided into two separate groups, one with responsibility for complex financial institutions and the other for all other institutions. Complex institutions are defined as those companies that form part of local financial conglomerates with lines of business spanning more than one financial activity or financial and non-financial activities. The new structure also brings the supervision of banks and insurance companies under one integrated umbrella.

Working Group on Capital Adequacy Model for Life Insurance Companies

The solvency regime contemplated by the current IA has a number of shortcomings and is not fully compliant with the Insurance Core Principles established by the IAIS. Consequently, the Bank has formed a working group with representation from the industry to develop a suitable capital adequacy model for insurance companies. The model would take into account the risks that the companies face and would entail adding a margin for capital over and above the minimum level set.

Regional Initiatives

The Bank continued to participate actively in the Caribbean Group of Banking Supervisors (CGBS). An important issue addressed by the CGBS in 2005 was the application of the new supervisory standard, Basel II. Several jurisdictions within the region are implementing the supervisory practices that would bring them into compliance with the Basel Core Principles and position them for the possible adoption of Basel II. These include, *inter alia*, the principles on consolidated supervision and the sharing of information, some of which would require amendments to the legislative and regulatory frameworks of countries in the region. The CGBS is also working to harmonise, as far as possible, financial legislation in the CARICOM region.

Simultaneously, representatives of the Directors of Audit of Regional Central Banks, have been working as part of the Caribbean Technical Working Group, a

working group under the umbrella of the Caribbean Corporate Governance Forum (CCGF), to develop and guide the implementation of corporate governance principles by CARICOM countries. Draft Corporate Governance Principles have been developed and circulated to CARICOM private and public sector organisations. The draft principles are to be submitted to the CARICOM Head of Government with lead responsibility for Governance, to be considered for adoption.

Payments System Oversight

During 2005, the Bank consolidated work on the upgrading of the payments system and began to focus on the oversight function. Legislation is being prepared to ensure a sound legal basis for automated payments clearance and settlement. This involves amendments to the FIA and revisions to other legislation such as the Bills of Exchange Act.

The Bank continued to participate in payment systems activities coordinated by the Centre for Latin American Monetary Studies (CEMLA). These included preparation of the Comparative Country Assessments. The Bank also participated in the work of the Committee for Payments and Securities Settlements (CPSS) Working Group on General Guidance for the Development of Payment Systems, which ended its work in October 2005. The final report of the Working Group is to be presented to the G10 Governors in January 2006.

Financial Stability Assessment Programme

The International Monetary Fund and the World Bank conducted a joint assessment of the stability of Trinidad and Tobago's financial system in February and May 2005. Many of the recommendations proposed in this Report were in line with reforms identified in the Government's White Paper. While acknowledging the rapid growth and complexity of the financial sector, the report endorsed the ongoing efforts to strengthen the legal, regulatory and supervisory framework of the financial system, especially with respect to consolidated supervision and cross-border activity. The Report also underscored the need to develop a framework for crisis management in the financial sector and to strengthen the existing framework for risk-based supervision.

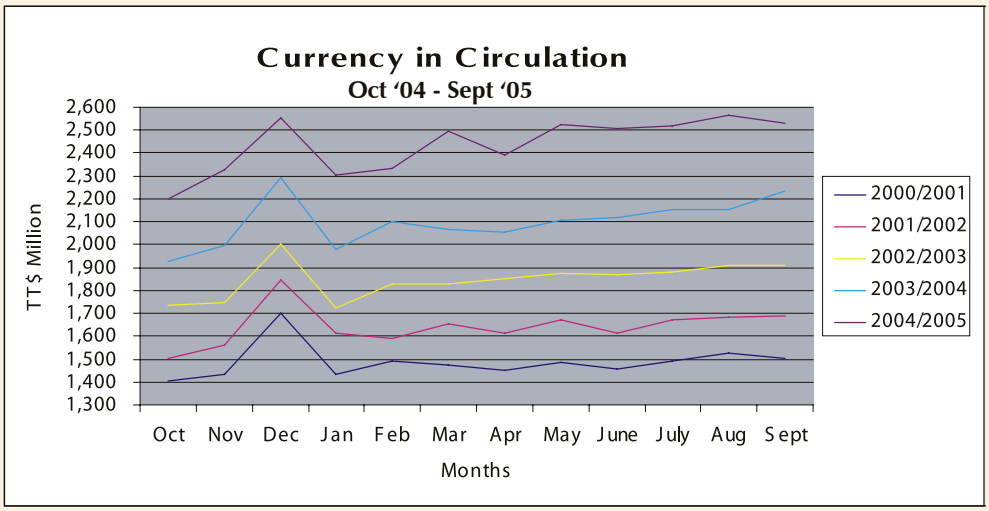
BANKING ACTIVITIES

Currency Operations

The Bank has sole responsibility for the issue of the domestic currency. Currency in circulation increased by

13 percent to $2,529 million in the year to September 2005, in line with the average of 13.2 per cent over the period since 2000. The growth in the period under review was associated with a rise in disposable incomes and employment. The usual seasonal pattern, which shows higher demand for currency in December, continued to prevail (Chart 1).

Chart 1



Approximately half the number of notes in circulation were $1 notes; the next most widely circulated was the $100 note, which accounted for 20 per cent of notes in circulation, followed by the $20 note which represented about 13 percent. However, the $100 note accounted for about 83.5 per cent of the total value of notes in circulation and the $20 note accounted for 10.5 per cent. Chart 2 below shows the distribution of notes in circulation by volume.

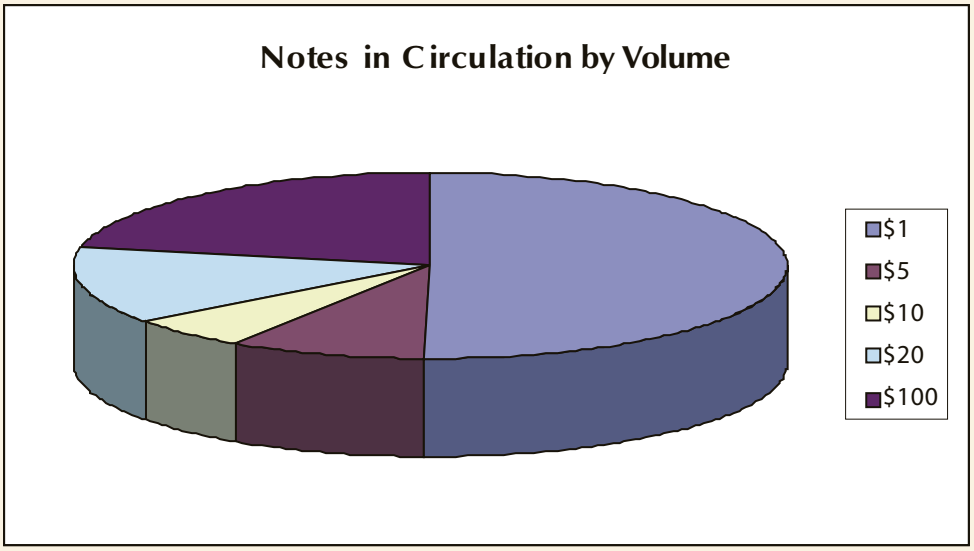
With respect to coins, the 1-cent piece was the most widely circulated, representing roughly 55 per cent of the total volume of coins in circulation. The 10 cent piece had the second largest share of circulation, accounting for approximately 16 per cent of the total. The 25-cent and 10-cent pieces accounted for most of the value of coins in circulation, representing 51 and 25 per cent respectively. The 1-cent coin accounted for 9 per cent of the total value of coins in circulation.

Reserve Accounts of Banks and Non-Bank Financial Institutions

Despite an increase in the average weekly deposit liabilities of banks to $19,379 million from $16,655 million in 2004, their average cash reserves declined by 9 per cent. This was as a result of the reduction in the statutory reserve ratio in September 2004. The statutory reserve requirements of commercial banks and non-bank financial institutions (NFIs) remained unchanged at 11 and 9 per cent respectively throughout the year.

The average cash reserves of the non-bank financial institutions fell to $455 million in 2005. This reflected a 22 per cent decrease in their prescribed liabilities as some non-bank activities shifted to the banking sector following the reduction in the commercial banks' reserve requirements.

Chart 2



Payment Systems

Real-Time Gross Settlement System

The Bank introduced a real-time gross settlement (RTGS) system known as ***safe-tt*** (pronounced 'safety') in October 2004. ***Safe-tt*** provides for real time online gross settlement of large-value (over TT$500,000) and time-critical payments. The participants in this system are the commercial banks and the Central Bank. ***Safe-tt*** is also used for settlement of multilateral net settlement (MLNS) balances such as the daily cheque clearings, as well as the payment leg of equity trades on the Stock Exchange.

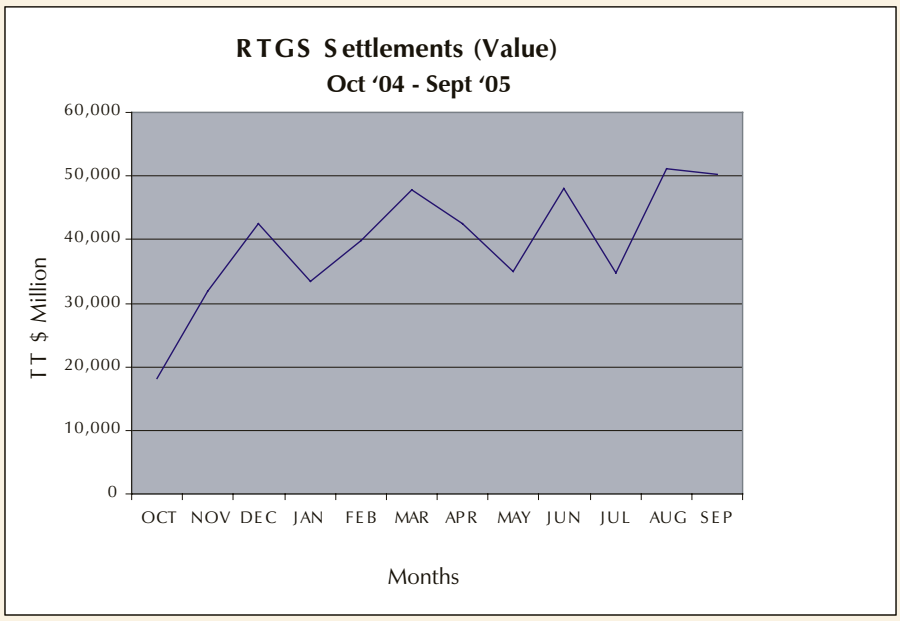
The main benefits of the RTGS system have been as follows:-

- a reduction of systemic risk in the payments system;
- payments are final and irrevocable;
- members have online access to their accounts; and
- financial institutions are provided with better liquidity management.

In the twelve months following the inception of the RTGS in October 2004, an average of 1,625 monthly transactions with an average monthly value of TT$39,600 million were settled through the system.

Chart 3 shows the value of transactions settled through ***safe-tt*** during this period.

Chart 3



Cheque Clearing House

The Bank continued to provide a clearing house facility for the banking system. Cheques remain a major means of payment, although the use of electronic instruments is increasing, as reflected in a doubling of the number of point-of-sale (POS) transactions since 2000. Meanwhile, the Bank has worked jointly with the commercial banks on the implementation of an Automated Clearing House (ACH) which began limited operations in October 2005 and is expected to be fully operational in January 2006.

Agency Functions

Government Bonds

One issue of Tax Free Bonds matured during the year. The 10-year, 8 per cent tax-free bonds were issued under the Government Savings Bond Act Chap. 71:41, between October and December 1994. Principal and interest repayments amounted to $4.5 million and $0.8 million respectively. At the end of the financial year, a principal value of $0.5 million remained to be encashed. The final outstanding issue of 10-year, 8 per cent tax free bonds, with a value of $5.5 million, was due to mature in December 2005.

The Bank also acted as paying agent for a number of registered bonds issued under the Development Loans Act, Chap. 71:04. Principal and interest payments on these amounted to $25 million and $53.48 million respectively in 2005.

The Bank was appointed as the Registrar and Paying Agent for all issues of Government and state enterprise bonds issued under the new Government Securities Auction System and Depository.

Lines of Credit

The Bank continued to administer two lines of credit, the Export Development Corporation of Canada (EDC) and the Business Expansion and Industrial Restructuring Loan Facility (BEIRL). The EDC facility, available to the local public and private sectors, was established in 1990 to support the importation of Canadian capital goods, while the BEIRL was established in 1992 through a loan agreement between the Government of Trinidad and Tobago and the World Bank. The BEIRL provides financing for business enterprises in non-traditional activities and is operated through the commercial banks.

No new funds were disbursed under either of these facilities during the year; however, repayments continued. Repayments under the EDC facility amounted to US$0.3 million. Under the BEIRL facility, 13 loans totaling US$0.3 million were liquidated. An amount of under US$1 million (TT$5.5 million) remains outstanding from the original facility of US$16.2 million.

Regional Loans

Bank of Guyana Consolidated Debt

The Bank of Guyana debt is a consolidation of loans owed to the Central Bank (79 per cent) and to the Government of Trinidad and Tobago through:

- the Caricom Oil Facility (1981-1982);
- the Balance of Payments Support Facility (1974 - 1975);
- Bilateral Settlements Loan (1985).

Guyana has benefited from debt relief under the Heavily Indebted Poor Countries Initiative and as at November 2004, the principal outstanding to Trinidad and Tobago was US$176 million. The Governments of Guyana and Trinidad and Tobago subsequently agreed on additional debt relief as a result of which the amount of debt was further reduced to US$56 million with the first payment becoming due in May 2006.

Nicaragua

The outstanding debt of US$0.9 million due from the Central Bank of Nicaragua was written-off in 2005 under the Enhanced Heavily Indebted Poor Countries (EHIPC) Initiative.

DOMESTIC MARKET OPERATIONS

During 2004-05, the Bank collaborated with the Ministry of Finance on the development of the government bond market as part of the broader thrust towards improving the domestic capital market. In December 2004, an electronic depository for government securities was introduced, and in February 2005, an electronic bond auction system went into operation. These two modules comprise the government securities settlements (GSS) system, which is linked to the real-time gross settlement system, ***safe-tt***. Under the new system, intermediaries in the market for government securities submit online bids and are allocated securities automatically at the close of each auction. On settlement date, bonds are transferred to the participants' accounts in the depository and the funds settled simultaneously over ***safe-tt***. A total of 86 auctions of treasury bills and notes with a value of $9.5 billion, and six bond auctions with a value of $1.5 billion have been transacted through the system since its inception.

In the coming year, increased attention will be directed to the development of the secondary market. To facilitate this process, the Bank is working with market participants to reach consensus on a Master Repurchase Agreement and on the population of the depository with all government securities.

FOREIGN RESERVES MANAGEMENT

The Central Bank is responsible for the management of the country's foreign

reserves holdings, which amounted to US$4.3 billion at the end of November 2005. The Board approves the strategic benchmark for the management of foreign reserves on an annual basis and the Reserves Operations Committee ensures adherence to this guideline. In 2005 the Bank remained a part of the World Bank's Reserve Asset Management Programme (RAMP), which, in addition to technical assistance, provides training to the Bank's staff in reserve management.

The Bank manages most of its foreign reserves in-house; but it also uses a number of external managers to invest a portion of its core reserves. All managers (in-house and external) were required to manage their allocated portfolios in accordance with the criteria approved by the Board with regard to investment instruments, asset classes, counterparties, and currencies. Reserves were held largely in US money market instruments and bonds[1]. Both the internal and external managers achieved their benchmarks over the year.

A new automated portfolio management system was implemented in June 2005 largely to support the investment operations. The system was customised to accommodate most of the other foreign exchange transactions undertaken by the Bank. It facilitates straight-through processing and interfaces with the settlement and accounting systems to enable better measurement and management of risk. It is also intended to improve monitoring and reporting on the performance of the foreign reserves portfolio.

ECONOMIC RESEARCH

Research Activities

In 2005, the Bank focused its research activities on providing economic intelligence and research to support the Monetary Policy Committee and on expanding the range of economic and financial indicators for the domestic economy.

Research activity in 2005 centred on financial reform, the efficiency of monetary policy and the competitiveness of the Trinidad and Tobago economy. The Bank also collaborated with the Trinidad and Tobago Securities Exchange Commission in joint research on the evolution of the mutual funds industry in Trinidad and Tobago. Research work undertaken during the year was presented at an in-house seminar held in early October 2005 and at seminars in the region and further afield.

The Bank collaborated with agencies in the housing sector and the Central Statistical Office (CSO) on the development of new indicators for the real estate and housing markets. Work was also undertaken on the development of a number of core indicators of financial

[1] Reserves for the Heritage and Stabilisation Fund were managed against a similar benchmark as the rest of the reserves pending directions from Government.

stability and on the measurement of remittances in Trinidad and Tobago.

Meetings and Seminars

The Bank participated in the 36th Annual Monetary Studies Conference on Financial Sector Reform which it hosted jointly with the Caribbean Centre for Monetary Studies. Staff from the Research Department also participated in several national, regional and international meetings, workshops and conferences, including the following:

- Workshop on National Accounts (October 25 - November 19, 2004), International Monetary Fund, Washington, D.C.
- Annual Meeting of the American Economics Association (January 7-9, 2005), Philadelphia, PA, USA.
- Workshop on Financial Programming and Policy (March 7 – April 22, 2005), International Monetary Fund, Washington, D.C.
- Workshop on External Debt Statistics (July 11 – 29, 2005) International Monetary Fund, Washington, D.C.
- Seminar on Trade in Services (April 11 - 13, 2005), CARTAC, Barbados.
- Workshop on Money and Banking Statistics (June 27 - July 1, 2005), CARTAC, Barbados.
- Research Review Seminar (July 25 - 29, 2005), Central Bank of Barbados.
- Forecasting, Analysis and Modeling Environment (FAME) Users' Conference (August 31 – September 2, 2005), Iceland.
- Fifth Annual Debt Management Conference (June 20-24, 2005), Switzerland.
- National Workshop on Competition Policy (2005), World Trade Organisation, Trinidad and Tobago.

OUTREACH ACTIVITIES

OUTREACH ACTIVITIES

The Bank celebrated its 40th anniversary on December 12, 2004. As part of its official recognition of this milestone, the Bank organised a programme of events aimed at expanding its public outreach.

Publications

The Bank produced a number of publications as part of its 40th Anniversary activities including one of its art collection entitled, *The Central Bank of Trinidad and Tobago – Four Decades of Pride: The Art Collection.* The Bank was especially pleased to publish this work for two principal reasons. Firstly, the publication of the book represented an opportunity to share its collection with both local and international art communities. Secondly, the book contains a comprehensive history of the art of Trinidad and Tobago which was previously not available in any one place.

Other special 40th Anniversary publications were: the *Face of Man Vol. 2: The Dr. Eric Williams Memorial Lectures, 1993–2004*; the *Handbook of Key Economic and Financial Statistics (a revised and updated version, 1964 – 2004);* and *Monetary and Financial Management in Trinidad and Tobago: A Chronology, 1964 – 2004*.

Money Museum

In February 2005, the Bank opened its newly established Money Museum to the public. The Museum is located on the ground floor of the Central Bank building and uses a mix of showcases, graphics, multi-media and interactive elements to capture the money heritage of Trinidad and Tobago. In 2005, the Museum received over 2,600 visitors, attesting to its relevance in contributing to the financial literacy of the general public.

The Museum is being used on an on-going basis as a medium of public education. From June 6 to July 1, 2005, the Bank held a special exhibition in keeping with the theme of the annual Dr. Eric Williams Memorial Lecture. In November 2005, it was the venue for a numismatic/philatelic exhibition featuring the Central Bank's collection of special commemorative coins, the Trinidad and Tobago Solid Waste Management Company Limited (SWMCOL) collection of stamps and money relating to the environment and its conservation, and the Craig Family collection (from Belize) of over 8,000 stamps dating as far back as 1888.

As part of its recognition of its 40th Anniversary activities the Bank commissioned a video production entitled, *The Central Bank of Trinidad and Tobago: Four Decades of Pride*. The documentary now forms part of the Bank's outreach information package and is shown regularly to visitors to the Museum.

Prime Minister of Trinidad and Tobago, the Honourable Patrick Manning views the Dr. Eric Williams Exhibition.

Dr. Eric Williams Memorial Lecture

On June 10, the Bank held its annual flagship event, the Dr. Eric Williams Memorial Lecture. The 2005 edition was the 19th in the series and was entitled, *Dr. Eric Williams and the Emergence of the National Energy Sector.* The featured speaker was Professor Kenneth Julien T.C, Chairman, National Gas Export Task Force.

Student Development Programme

The Bank collaborated with SERVOL and the National Entrepreneurship Development Company (NEDCO) on a programme entitled, *Translations*. The programme was launched in October 2005 with the aim of improving students' self-esteem, self image and confidence. The first module of the programme had as its theme, *You Can Do It,* and involved motivational presentations on such topics as self-esteem and self-motivation. The second module, *Entrepreneurial Skills Development,* included presentations by NEDCO and successful entrepreneurs who were beneficiaries of the NEDCO programme.

Website

The Bank launched its upgraded website in April 2005. The website now provides easier access to data and reflects improvements in the quantity and quality of information available on several aspects of the Bank's operations.

De La Rue Currency Scholarship

The third De La Rue Currency Scholarship was awarded in 2005 to Mr. Kester Guy, a postgraduate student of Economics. This Scholarship, which was introduced in 2003, is funded by De La Rue Currency of the United Kingdom under the auspices of the Bank. It is tenable at the University of the West Indies (UWI), St. Augustine Campus, and is intended to support the development of human capital in areas which are important to the development of the national economy.

The scholarship is for full-time study for one year and is open to students pursuing a master's degree in Finance, Monetary Economics or any other related discipline. Two additional criteria for eligibility are financial need and active involvement in community service.

STAFF AND ADMINISTRATIVE MATTERS

Executive and Managerial Appointments

Ms. Joan John, Senior Manager, Operations was appointed Deputy Governor, Operations on February 1, 2005. Ms. John took over from Ms. Amoy Chang Fong who retired on January 31, 2005. Mrs. Jennifer Greaves was promoted to the position of Senior Manager, Internal Audit and Corporate Governance. Mrs. Greaves took over from Mrs. Margaret Sealy who retired on August 10, 2004. Mrs. Zoraida Dookie was promoted to the position of Manager, Information Technology Services. Four new employees were recruited at the senior level:

- Ms. Wendy Ho Sing - Deputy Inspector of Financial Institutions;
- Mrs. Sherry Ann Bachew-Rudd - Manager, Legal and Corporate Secretariat Services;
- Ms. Sharon Braithwaite - Manager, FISD, Supervision (Pensions and Other Financial Institutions)
- Mr. Carl G. Stewart - Manager, FISD, Regulation.

Recruitment and Staffing

An active programme of recruitment was undertaken during the year largely in response to the Bank's increased responsibilities in the area of financial institutions supervision. Forty-six individuals were added to the staff complement, taking the number of employees to 445. Internal movement of staff was also relatively high, with 49 staff members gaining promotions.

The Bank's attrition rate remained stable at the 5 per cent level experienced in the previous financial year. Departures of professional staff accounted for 14 of the 22 separations which occurred during the financial year.

The Bank undertook a security manpower rationalisation and restructuring exercise aimed at transitioning to a more technology-driven security environment. The rationalisation exercise resulted in the regularisation of 29 contract security personnel to full-time status. The overall manpower complement was reduced from 74 to 60 security officers. The Bank plans to achieve a further reduction to an optimum manpower level of 55 through natural attrition.

Training and Development

The Bank continued to provide training opportunities to assist staff in effectively executing their job responsibilities and to prepare them to meet the challenges of the changing work environment. Approximately 40 per cent of employees benefited from job-related training programmes, workshops and conferences held locally and internationally. In addition, the Bank held a number of in-house programmes, including several 'Lunch

and Learn' sessions. These sessions were designed to assist employees in both their personal and professional development, and covered an extensive array of topics such as *Coaching for Parents, Guidelines for a Healthy Lifestyle* and *Managing Your Career.*

Vacation Internship Programme

The Bank continued the annual Vacation Internship Programme which it started in 2004. Under this year's programme, ten second-year and final-year undergraduate students pursuing first degrees in a range of disciplines were selected and assigned to various departments over an eight-week period. Five of these were children of employees. Under the programme each intern was mentored by a member of the Bank's professional staff, who guided and coached the intern during his/her stay at the Bank.

Pre-Retirement

Employees aged 45 years and over participated in the Bank's Pre-Retirement Planning Programmes.

Scholarship

In 2005 the Bank continued its Staff Scholarship Award Programme. Ms. Deborah Barrow, an employee with 25 years service, was awarded a scholarship to pursue studies leading to the Master of Science (MSc) in Strategic Business Information Technology. The Bank also continued to provide financial assistance to staff pursuing relevant courses of study. A total of 22 employees benefited from these study incentives.

Leadership Development

The Bank undertook a comprehensive analysis of training and development needs at the management and supervisory level. Arising from this, a customised Strategic Leadership Development Programme was developed to enhance leadership capability within the Bank. Training of the first group of professional staff began in October 2005.

Employee Relations

The Bank reviewed its HR Policies in the context of best practices in the industry. This resulted in changes to a number of policies including those on Sexual Harassment, Career Management and the Corporate Dress Code.

Industrial Relations

During the year, the Bank continued to work closely with the workers' representatives in non-crisis meetings on key issues affecting staff.

Staff Benefits

The Bank offers a number of benefits to staff including a medical facility, staff loans and an Employee Assistance

Programme (EAP). During the year, the Bank improved a number of these benefits and also engaged a new EAP provider, the Petrotrin Employee Assistance Programme (PEAPSL), to more adequately meet the needs of staff. The Bank also established an Employee Assistance Peer Support Programme. This is a work-based support programme that utilises a trained group of 21 volunteer employees. This group of staff provides their peers with support and guidance to cope with the challenges in their lives, whether work-related or not.

In February 2005, the Bank launched a Retiree Assistance Programme (RAP) for retirees of the Bank. Similar to the Bank's Employee Assistance Programme, the RAP provides a range of counselling and support services to retirees and their dependants (spouses and children under the age of 19).

Family Day

The Bank partnered with the Sports and Cultural Club to host a successful family day at the La Vega Estate in Gran Couva, Central Trinidad on June 18, 2005.

VI Biennial Intra-Regional Central Bank Games

The Bank hosted the VI Biennial Intra-Regional Central Bank Games during the period March 25-28, 2005. These Games, which aim to foster a spirit of co-operation and camaraderie among CARICOM central banks, featured competition among eight regional central banks in ten sporting disciplines.

VI Biennial Intra-Regional Central Bank Games Champions

FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR GENERAL

Developments Influencing Financial Performance

The Bank's financial performance improved in 2004-2005. Total assets grew by 43 per cent to $29.1 billion. This was largely because of the increase in external assets, which resulted from higher official receipts from the energy sector as well as the rise in interest rates in the United States. External assets grew by 47 per cent to $27.9 billion during the financial year. The major portion of these assets continued to be held in US dollar instruments.

The Bank's major liabilities comprise balances held by the Government, currency in circulation and commercial banks' reserve balances. The increase in Government balances, which is largely a counterpart of the build-up in foreign reserves, rose by 52.5 per cent. Currency in active circulation grew by 13 per cent to $2,529 million reflecting the overall growth of the economy.

Balances arising from sales of open market securities, which are held in a Blocked Account at the Central Bank, increased to $7.3 billion or by 69 per cent in fiscal 2005. This increase reflected the intensification of open market operations during the year as the Bank tightened monetary policy in the face of persistent excess liquidity in the banking system.

Gross Income for the financial year rose by 49.8 per cent to $595.7 million while total expenses amounted to $312 million, an increase of 41 per cent. Expenses on Printing and Minting accounted for 12.5 per cent of total expenses, Other Operating Expenses, for 44.9 per cent and Interest Paid for a share of 42.6 per cent. Interest Paid increased to $133.3 million from $80.9 million mainly due to the higher level of government balances held at the Bank. The Net Surplus after provisions for depreciation in the financial year 2005 amounted to $161.9 million.

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 2005 SEPTEMBER 30

The accompanying Financial Statements of the Central Bank of Trinidad and Tobago for the year ended 2005 September 30 have been audited. The Statements comprise a Balance Sheet as at 2005 September 30, a Statement of Earnings and a Cash Flow Statement for the year ended 2005 September 30 and Notes to the Financial Statements numbered 1 to 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 general 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 also 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. It is my view that the audit which was conducted provides a reasonable basis for the comments made at paragraph 5 of this Report.

OPINION

5. The Financial Statements as outlined at paragraph one above, are in agreement with the records 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 2005 September 30 and the results of its operations and its cash flows for the year ended 2005 September 30 in accordance with International Financial Reporting Standards.

2005 DECEMBER 30

REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL

SHARMAN OTTLEY
ACTING AUDITOR GENERAL

BALANCE SHEET

as at September 30, 2005
(Expressed in Trinidad and Tobago Dollars)

ASSETS	NOTE	2005 $000	2004 $000
EXTERNAL ASSETS			
Foreign Currency Deposits		**15,864,550**	12,745,749
US Dollar Securities		**11,814,294**	6,009,658
Other Foreign Currency Securities		**7,732**	7,695
International Monetary Fund - Holdings of Special Drawing Rights		**22,361**	13,599
Foreign Interest Receivable		**55,781**	18,690
Subscription to Int'l Financial Institutions		**110,947**	110,947
		27,875,665	18,906,338
OTHER ASSETS			
Trinidad and Tobago Dollar Securities		**165,015**	171,137
Net Pension Asset		**103,716**	100,884
Claims Recoverable	3	**499,423**	689,696
Other		**204,525**	220,090
		972,679	1,181,807
FIXED ASSETS	4	**273,332**	276,745
		29,121,676	20,364,890

LIABILITIES, CAPITAL AND RESERVES			
DEMAND LIABILITIES			
Notes in Circulation		**2,420,442**	2,139,831
Coins in Circulation		**109,020**	97,369
Deposits by Commercial Banks		**3,339,133**	2,502,809
Deposits by (Non-Banking) Financial Institutions		**420,688**	499,927
Deposits in Foreign Currencies		**171,009**	176,534
Other Deposits		**13,554,489**	8,888,028
		20,014,781	14,304,498
OTHER LIABILITIES			
International Monetary Fund - Allocation of Special Drawing Rights		**423,795**	426,470
Provision for payment into the Consolidated Fund		**161,895**	159,304
Blocked Accounts - Open Market Operations		**7,339,818**	4,341,505
Miscellaneous Liabilities		**260,683**	95,222
Provisions	5	**720,704**	837,891
		8,906,895	5,860,392
CAPITAL AND RESERVES			
Capital: Authorised $100,000,000			
Issued and fully Paid Up	6	**100,000**	100,000
General Reserve Fund	7	**100,000**	100,000
		200,000	200,000
		29,121,676	20,364,890

The attached notes on pages 53 to 59 form an integral part of these Financial Statements.

Governor

Deputy Governor

STATEMENT OF EARNINGS

for the year ended September 30, 2005

(Expressed in Trinidad and Tobago Dollars)

	NOTE	2005 $000	2004 $000
INCOME			
Interest on Sterling Balances and Securities		**12,336**	12,227
Interest on U.S. Dollar Balances and Securities		**477,386**	250,157
Interest on Other Foreign Currency Balances and Securities		**11,554**	9,202
Interest on Trinidad and Tobago Dollar Securities		**27,111**	21,981
Other Income		**67,338**	104,004
TOTAL INCOME		**595,725**	397,571
LESS EXPENDITURE			
Printing, Minting and Other Expenses on Notes and Coins		**39,243**	31,613
Other Operating Expenses	8	**140,296**	109,244
Interest Paid		**133,263**	80,953
TOTAL EXPENDITURE		**312,802**	221,810
SURPLUS BEFORE DEPRECIATION AND OTHER PROVISIONS		**282,923**	175,761
Less: Provision for Depreciation		**21,028**	15,701
Other Provisions	9	**100,000**	756
		161,895	159,304
NET SURPLUS		**161,895**	159,304

The attached notes on pages 53 to 59 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

for the year ended September 30, 2005

(Expressed in Trinidad and Tobago Dollars)

	2005 $000	2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit for the Year	**161,895**	159,304
Adjustment to reconcile net profit for the year to net cash provided (used) by operating activities:		
Depreciation	**21,028**	15,701
Gain on disposal of fixed assets	**(220)**	-
Loss on disposal of fixed assets	**78**	-
Net Cash provided by Operating Activities	**182,781**	175,005
CASH FLOWS FROM INVESTING ACTIVITIES		
International Monetary Fund Holding of Special Drawing Rights	**(8,762)**	(9,046)
Overseas Securities	**(5,804,674)**	(56,451)
T&T Government Securities	**6,122**	19,925
Additions to Fixed Assets	**(18,221)**	(32,722)
Proceeds from Disposal of Fixed Assets	**748**	-
Foreign Interest Receivable	**(37,091)**	6,424
Net Pension Assets	**(2,832)**	(14,371)
Claims Recoverable	**190,273**	(58,224)
Other Assets	**15,565**	(11,838)
Net Cash used by Investing Activities	**(5,658,872)**	(156,303)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment to Treasury	**(159,304)**	(96,293)
Notes and Coins in Circulation	**292,262**	330,246
Deposits by Non Financial Institutions	**(79,239)**	(147,861)
Deposits of Commercial Banks	**836,324**	(1,231,652)
Deposits by International Monetary Fund	**(2,675)**	27,573
Other Deposits	**4,666,461**	2,772,191
Foreign Liabilities	**(5,525)**	37,386
Blocked Accounts	**2,998,313**	2,203,172
Other Liabilities	**48,275**	(100,543)
Net Cash provided by Financing Activities	**8,594,892**	3,794,219
Net Increase/(Decrease) in Cash	**3,118,801**	3,812,921
Cash at Beginning of Year	**12,745,749**	8,932,828
Cash at End of Year	**15,864,550**	12,745,749
Balances held abroad	**15,864,550**	12,745,749

The attached notes on pages 53 to 59 form an integral part of these Financial Statements.

Notes to Financial Statements

for the year ended September 30, 2005

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; and open accounts for, and accept deposits from the Government, local Government, and 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 to purchase and sell foreign currencies and securities of other governments and international financial institutions.

2. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been 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 Act.

The preparation of Financial Statements in conformity with the IASC standards requires management to make estimates and assumptions that affect the amounts at which assets and liabilities are reported. It also requires management to disclose contingent assets and liabilities in existence 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 alongside the assets shown below:

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

(c) Foreign Currencies

On June 27, 2005 the Bank changed its policy of recording assets and liabilities denominated in foreign currencies from book rates established during the year to one which uses market rates of exchange. Foreign currency transactions are translated into Trinidad and Tobago dollars at 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. Changes in fair values are recognised in the Income Statement for the year.

(d) Investments

Securities are classified as available for sale and are stated at fair values based on quoted market prices. Realised gains and losses on these investments are reported in the Income Statement.

(e) Loans and Advances

Loans and advances are shown net of allowances for losses. Interest arrears are accrued and provided for in the current financial period when due.

Determination of allowances for losses are based on an annual appraisal of each loan or advance. Specific provisions are made when, in the opinion of management, credit risks or economic factors make full recovery doubtful. Provisions created, including increases and decreases thereto are recognised 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 and put into circulation.

(g) **Bad and Doubtful Debts**

Pursuant to Section 35 (4) of The Act, provisions are made for bad and doubtful debts in the Accounts. In this regard, the relevant assets are shown in 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 30,2002.

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.

(k) **Comparative Amounts**

To ensure consistency with the current year, comparative figures have been restated where appropriate.

(l) **Classification of the Bank's Cash Flow Statement**

Due to the special nature of the Central Bank, the reserves of commercial banks and non-bank financial institutions are treated as financing activities in the Cash Flow Statement. This treatment is consistent with that adopted by many Central Banks.

(m) **Introduction of New Systems**

During the year the Bank upgraded its Operations and Accounting infrastructure with the introduction of new computer systems. The Bank is currently addressing a number of implementation issues.

3. CLAIMS RECOVERABLE

Claims Recoverable shown on the Balance Sheet comprise.

2004 $000		2005 $000
50,001	Loans - Staff Benefits	**34,065**
625,067	Items in the process of Collection	**422,159**
14,628	Other	**43,199**
689,696	Total Claims Recoverable	**499,423**

4. FIXED ASSETS

	Land & Buildings	Long Lease Property	Motor Vehicles, Machinery & Equipment	Furniture, Fixtures & Fittings, Other	Total
	$'000	$'000	$'000	$'000	$'000
COST					
At September 30, 2004	339,537	4,179	102,490	46,744	**492,950**
Reclassification of Assets	16,281			(16,281)	
	355,818	4,179	102,490	30,463	**492,950**
Additions (Expenditure at cost)	9,589	834	8,851	(1,053)	**18,221**
Disposals during the year	-	(2)	(680)	(612)	**(1,294)**
At September 30, 2005	365,407	5,011	110,661	28,798	**509,877**
ACCUMULATED DEPRECIATION					
At September 30, 2004	134,936	1,308	67,302	12,660	**216,206**
Provision for the year	8,880	127	11,045	975	**21,028**
Disposals during the year	(2)	(2)	(661)	(23)	**(688)**
At September 30, 2005	143,814	1,433	77,686	13,612	**236,546**
NET BOOK VALUES					
At September 30, 2005	**221,593**	**3,578**	**32,975**	**15,186**	**273,332**
NET BOOK VALUES					
At September 30, 2004	220,882	2,871	35,188	17,804	**276,745**

5. PROVISIONS

The Bank has a policy of providing for all known and foreseeable losses in the accounts and has adopted a prudential approach of provisioning in order to preserve sufficient funds to cater for adverse trading developments that may arise from its activities. Provisions shown on the face of the Balance Sheet comprise:

2004/2005 $000		2004/2005 $000
257,052	Building Fund	**246,736**
36,861	Exchange Rate Adjustment Surplus	**13,386**
64,955	Gold Reserves	**85,607**
479,023	Revaluation Reserve at Market Rate	**374,975**
837,891	Balance As Per Balance Sheet	**720,704**

6. ISSUED & FULLY PAID UP CAPITAL

Provision is made in Section 34 (5) of the Central Bank Act, for the Paid Up portion of the authorised Capital of the Bank to be increased each year by an amount of not less than 15 per cent 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 Sections 35(3) and 35(6) 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 10 per cent of the Net Profit of the Bank for each financial year until the General Reserve Fund is equal to the Authorised Capital. At September 30, 2003 the General Reserve Fund was equal to the Authorised Capital of $100 million.

8. OTHER OPERATING EXPENSES

Other Operating Expenses in the Income Statement comprise:

2004 $000		2005 $000
71,492	Staff Costs	**85,755**
7,653	Utilities	**7,674**
2,225	Insurance	**2,119**
4,048	Computer Services	**3,830**
7,862	Maintenance	**8,404**
15,964	Miscellaneous Operating Expenses	**32,514**
109,244	Total Other Operating Expenses	**140,296**

9. OTHER PROVISIONS - EARNINGS STATEMENT

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

2004 $000		2005 $000
756	Unreconciled differences - Mortgage Properties	**-**
-	Doubtful Debts	**100,000**
756	Total Provisions	**100,000**

10. CAPITAL AND RESERVES

	Paid Up Capital $000	General Reserve $000	Profit & Loss A/c. $000
Balance at September 30 2004	100,000	100,000	**159,304**
Profit for the year before Appropriation	-	-	**161,895**
Transfer to Paid Up Capital and Reserves	-	-	**-**
Payment to Consolidated Fund	-	-	**159,304**
Balance at September 30, 2005	100,000	100,000	**161,895**

11. TAXATION

Section 55(1) of The Act 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 30/09/04 $000	Year End 30/09/05 $000
Defined Benefit Obligation	166,029	172,057
Fair Value of Assets	(419,980)	(470,340)
	(253,951)	(298,283)
Unrecognised Gains/(Loss)	28,364	31,195
Un-utilised Assets	124,703	163,372
Net IAS 19 Defined Liability /(Asset)	**(100,884)**	**(103,716)**

The IAS 19 (Revised 1998) standard requires that the financial assumptions used in the calculation of the Net Pension Asset be based on market expectations that are neither imprudent nor excessively conservative. Consequently, by utilising an annual rate of

salary increases of 5.25 per cent and a salary inflation rate of 4.25 per cent, the Net Pension Asset at September 30, 2005 increased to $103.7 million. (The Net Pension Asset as at September 30, 2004 was $100.8 million).

Reconciliation of Opening and Closing Defined Benefit Assets

	2003/2004 $000	2004/2005 $000
Opening Defined Asset	(86,513)	**(100,884)**
Plus Pension Cost	(12,847)	**(701)**
Less Bank Contribution Paid	(1,524)	**(2,131)**
Closing Defined Asset	**(100,884)**	**(103,716)**

The amounts recognised in the Income Statement at September 2004 and 2005 were as follows:

	2003/2004 $000	2004/2005 $000
Current Service Cost	4,784	4,677
Interest on Defined Benefit Obligation	9,963	10,572
Expected Return on Plan Assets	(27,351)	(32,449)
Amortised Net (Gain)/Loss	(16,375)	(22,170)
Movement in Un-utilised Assets	16,132	36,669
Net Pension Cost	**(12,847)**	**(701)**

Return on Plan Assets

	2003/2004 $000	2004/2005 $000
Expected Return on Plan Assets	27,351	32,449
Actuarial Gain/(Loss) on Plan Assets	41,766	20,527
Actual Return on Plan Assets	**69,117**	**52,976**

Actuarial Assumptions

Discount rate	7.25%
Expected return on Plan Assets	8.25%
Projected future rate of salary increase	5.25%
Value of Pension Scheme Assets	Based on Market value at Balance Sheet date

13. CAPITAL COMMITMENTS

There were no outstanding commitments for capital expenditure at September 30, 2005 (2004 - 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, or are on appeal. In addition, costs associated with a recent Privy Council Judgement were awarded against the Central Bank and are yet to be determined. Since the full extent of the liabilities arising from these cases is not known, they are not provided for in the accounts.

15. RELATED ENTERPRISES

Section 36 (g) of The Act 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 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 Act and the 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 and there are no material mis-statements at September 30, 2005.

APPENDICES: OPERATIONAL STATISTICS

Table A.1

Currency in Circulation
2002 - 2005
(Dollars Thousands)

End of Month	Total Notes In Circulation	Total Coins	Total Currency In Circulation
2002	1,605,452	81,501	1,686,953
2003	1,818,256	88,697	1,906,953
Sept-04	2,139,830	97,369	2,237,199
Oct-04	2,098,366	98,585	2,196,951
Nov-04	2,229,109	99,907	2,329,016
Dec-04	2,453,332	101,033	2,554,365
Jan-05	2,204,238	101,286	2,305,524
Feb-05	2,230,740	101,944	2,332,684
Mar-05	2,391,033	102,970	2,494,003
April-05	2,289,384	103,715	2,393,099
May-05	2,420,347	104,842	2,525,189
June-05	2,403,064	105,903	2,508,967
July-05	2,413,084	106,727	2,519,811
August-05	2,458,768	107,949	2,566,717
Sept-05	2,420,441	109,021	2,529,462

Table A.2
Central Bank Statement of Liabilities and Assets, FY 2003 - FY 2005
(TT Dollars Thousands)

Liabilities									Assets							
		Deposits							External Assets							
End of Month	Currency in Circulation Total	Commercial Banks	Non-Bank Financial Institutions	Government & Governmental Organisations[1]	International Organisations	Other Liabilities	Capital & Reserve Funds	Total Liabilities	Balances With Banks Abroad[2]	Other Foreign Securities	Gold Subscription To International Monetary Fund	Subscriptions To International Organisations	SDR's	TT Dollar Securities	Other Assets Including Fixed Assets	Total Assets
2003/04																
October	1,931,066	3,280,036	642,373	5,331,245	19,124	5,755,896	200,000	17,159,740	7,744,905	6,441,043	25,402	84,603	4,553	172,274	2,686,960	17,159,740
November	2,002,950	2,975,275	617,765	4,278,981	19,558	6,348,490	200,000	16,443,019	6,899,325	6,622,824	25,402	84,603	4,553	171,526	2,634,786	16,443,019
December	2,301,206	2,955,257	631,708	5,069,047	33,339	6,042,049	200,000	17,232,606	7,642,715	6,557,705	25,402	84,603	6,872	171,526	2,743,783	17,232,606
January	1,986,986	2,743,304	607,323	5,227,847	50,277	6,326,908	200,000	17,142,645	7,705,712	6,542,962	25,402	84,603	6,952	171,462	2,605,552	17,142,645
February	2,106,070	2,523,065	607,811	4,879,243	21,122	6,526,759	200,000	16,864,070	7,695,781	6,269,752	25,402	84,603	9,229	171,462	2,607,841	16,864,070
March	2,072,348	2,860,651	601,815	5,599,368	66,466	6,561,716	200,000	17,962,364	8,184,528	6,876,578	25,402	85,545	9,145	171,462	2,609,704	17,962,364
April	2,062,226	2,621,198	559,959	5,584,698	67,186	6,669,467	200,000	17,764,734	8,160,946	6,671,655	25,402	85,545	8,955	171,462	2,640,769	17,764,734
May	2,112,255	2,615,328	543,259	5,339,511	67,622	6,990,174	200,000	17,868,149	8,182,510	6,782,388	25,402	85,545	11,098	171,015	2,610,191	17,868,149
June	2,128,072	2,843,124	534,764	6,946,773	102,727	6,636,024	200,000	19,391,484	9,556,405	6,850,277	25,402	85,545	11,253	170,771	2,691,831	19,391,484
July	2,159,768	3,009,995	532,894	7,364,950	126,140	6,417,564	200,000	19,811,311	10,231,878	6,609,116	25,402	85,545	11,319	170,771	2,677,280	19,811,311
August	2,159,030	2,894,434	513,816	7,221,516	128,851	6,703,929	200,000	19,821,576	10,251,226	6,669,370	25,402	85,545	13,492	170,773	2,605,768	19,821,576
September	2,237,200	2,502,809	499,927	8,537,430	130,349	6,257,175	200,000	20,364,890	12,745,749	6,017,353	25,402	85,545	13,599	171,137	1,306,105	20,364,890
2004/05																
October	2,196,950	2,491,730	507,085	6,587,939	425,316	6,875,718	200,000	19,284,738	12,212,812	5,989,725	25,402	85,545	13,562	165,437	792,255	19,284,738
November	2,329,016	2,371,062	478,717	6,050,653	437,806	7,134,351	200,000	19,001,605	11,977,239	6,025,573	25,402	85,545	16,411	165,095	706,340	19,001,605
December	2,554,365	2,782,493	448,630	7,155,863	444,636	7,378,783	200,000	20,964,770	13,652,891	6,015,864	25,402	85,545	16,667	164,987	1,003,414	20,964,770
January	2,305,525	2,660,350	446,659	7,655,210	439,358	7,184,434	200,000	20,891,536	13,854,064	6,026,364	25,402	85,545	16,469	165,050	718,642	20,891,536
February	2,332,684	2,849,967	448,499	7,213,296	439,358	7,357,646	200,000	20,841,450	13,650,013	6,040,991	25,402	85,545	18,988	165,050	855,461	20,841,450
March	2,494,006	2,826,632	442,417	8,397,536	439,358	7,836,493	200,000	22,636,442	15,304,848	6,046,026	25,402	85,545	18,988	214,637	940,996	22,636,442
April	2,393,099	2,570,311	441,958	9,153,039	439,016	8,029,142	200,000	23,226,565	15,458,768	6,645,623	25,402	85,545	21,308	165,212	824,707	23,226,565
May	2,525,190	2,701,202	465,569	8,906,770	439,016	8,001,481	200,000	23,239,228	15,503,329	6,647,971	25,402	85,545	21,308	186,163	769,510	23,239,228
June	2,508,968	3,172,963	453,621	10,350,084	422,537	7,771,393	200,000	24,879,566	16,734,107	6,500,626	25,402	85,545	20,509	262,072	1,251,305	24,879,566
July	2,519,813	2,619,615	448,859	11,678,973	419,412	7,769,869	200,000	25,656,541	18,319,459	6,496,715	25,402	85,545	20,357	273,314	435,749	25,656,541
August	2,566,718	3,269,280	435,332	11,138,134	423,795	8,165,677	200,000	26,198,936	18,542,512	6,516,491	25,402	85,545	22,361	169,905	836,720	26,198,936
September	2,529,462	3,339,133	420,688	13,554,489	423,795	8,654,109	200,000	29,121,676	15,864,550	11,822,026	25,402	85,545	22,361	165,015	1,136,777	29,121,676

Source: Central Bank of Trinidad and Tobago.

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

[2] 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 2005

Reserve Period Ending	Average Deposit Liabilities ($000)	Required Cash Reserves (11%) ($000)	Average Actual Cash Reserves ($000)
05-Oct-04	17,415,800	1,915,738	1,916,504
12-Oct-04	17,489,555	1,923,851	1,924,564
19-Oct-04	17,512,927	1,926,422	1,928,966
26-Oct-04	17,509,718	1,926,069	1,939,845
02-Nov-04	17,523,864	1,927,625	1,931,047
09-Nov-04	17,593,618	1,935,298	1,936,296
16-Nov-04	17,692,455	1,946,170	1,946,727
23-Nov-04	17,784,545	1,956,300	1,965,076
30-Nov-04	17,879,664	1,966,763	1,967,794
07-Dec-04	17,936,918	1,973,061	1,973,765
14-Dec-04	18,026,264	1,982,889	1,983,461
21-Dec-04	18,170,864	1,998,795	1,999,725
28-Dec-04	18,369,009	2,020,591	2,021,096
04-Jan-05	18,683,164	2,055,148	2,055,782
11-Jan-05	18,938,064	2,083,187	2,094,647
18-Jan-05	19,152,591	2,106,785	2,107,013
25-Jan-05	19,030,636	2,093,370	2,093,612
01-Feb-05	18,794,927	2,067,442	2,067,802
8-Feb-05	18,639,336	2,050,327	2,051,017
15-Feb-05	18,486,318	2,033,495	2,033,711
22-Feb-05	18,568,736	2,042,561	2,042,589
01-Mar-05	18,662,918	2,052,921	2,053,039
08-Mar-05	18,761,318	2,063,745	2,073,905
15-Mar-05	18,941,618	2,083,578	2,085,906
22-Mar-05	19,157,527	2,107,328	2,156,254
29-Mar-05	19,372,336	2,130,957	2,132,961
05-Apr-05	19,538,473	2,149,232	2,149,483
12-Apr-05	19,591,464	2,155,061	2,155,277
19-Apr-05	19,530,864	2,148,395	2,148,681
26-Apr-05	19,420,018	2,136,202	2,136,276
03-May-05	19,400,882	2,134,097	2,169,938
10-May-05	19,453,055	2,139,836	2,140,004
17-May-05	19,593,391	2,155,273	2,155,501
24-May-05	19,772,100	2,174,931	2,175,152
31-May-05	19,906,627	2,189,729	2,189,928
07-Jun-05	20,001,209	2,200,133	2,200,322
14-Jun-05	20,078,500	2,208,635	2,208,741
21-Jun-05	20,138,609	2,215,247	2,215,387
28-Jun-05	20,286,827	2,231,551	2,231,783
05-Jul-05	20,461,300	2,250,743	2,397,446
12-Jul-05	20,592,464	2,265,171	2,265,676
19-Jul-05	20,673,264	2,274,059	2,276,418
26-Jul-05	20,646,318	2,271,095	2,272,071
02-Aug-05	20,813,964	2,289,536	2,289,502
09-Aug-05	20,853,973	2,293,937	2,294,137
16-Aug-05	21,056,182	2,316,180	2,316,350
23-Aug-05	21,324,436	2,345,688	2,345,884
30-Aug-05	21,342,791	2,347,707	2,399,985
06-Sep-05	21,586,900	2,374,559	2,375,882
13-Sep-05	21,758,836	2,393,472	2,394,255
20-Sep-05	21,826,564	2,400,922	2,400,973
27-Sep-05	21,901,955	2,409,215	2,409,512

Table A.4

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

for the Year Ended September 2005

Reserve Period Ending	Average Deposit Liabilities ($000)	Required Cash Reserves (9%) ($000)	Average Actual Cash Reserves ($000)
05-Oct-04	5,545,944	499,135	499,927
12-Oct-04	5,547,567	499,281	500,093
19-Oct-04	5,553,911	499,852	501,000
26-Oct-04	5,548,956	499,406	500,268
02-Nov-04	5,554,400	499,896	507,072
09-Nov-04	5,503,600	495,324	496,215
16-Nov-04	5,463,200	491,688	495,985
23-Nov-04	5,406,233	486,561	487,673
30-Nov-04	5,306,611	477,595	478,717
07-Dec-04	5,232,789	470,951	470,718
14-Dec-04	5,160,689	464,462	466,050
21-Dec-04	5,090,711	458,164	460,046
28-Dec-04	5,030,322	452,729	454,650
04-Jan-05	4,963,500	446,715	448,630
11-Jan-05	4,925,433	443,289	445,130
18-Jan-05	4,903,511	441,316	443,341
25-Jan-05	4,917,267	442,554	443,811
01-Feb-05	4,950,278	445,525	446,659
08-Feb-05	4,968,456	447,161	448,499
15-Feb-05	4,977,444	447,970	449,255
22-Feb-05	4,983,889	448,550	449,667
01-Mar-05	4,970,956	447,386	448,536
08-Mar-05	4,939,089	444,518	445,594
15-Mar-05	4,911,956	442,076	443,266
22-Mar-05	4,898,844	440,896	441,979
29-Mar-05	4,911,422	442,028	442,837
05-Apr-05	4,903,667	441,330	442,530
12-Apr-05	4,907,422	441,668	442,765
19-Apr-05	4,896,067	440,646	441,813
26-Apr-05	4,875,078	438,757	440,065
03-May-05	4,896,022	440,642	441,953
10-May-05	4,933,700	444,033	445,353
17-May-05	4,991,967	449,277	450,675
24-May-05	5,028,356	452,552	453,933
31-May-05	5,056,000	455,040	457,602
07-Jun-05	5,049,089	454,418	455,880
14-Jun-05	5,022,767	452,049	453,328
21-Jun-05	5,027,256	452,453	453,851
28-Jun-05	5,022,767	452,049	453,692
05-Jul-05	5,022,522	452,027	453,627
12-Jul-05	5,033,311	452,998	454,669
19-Jul-05	5,030,867	452,778	454,459
26-Jul-05	5,007,922	450,713	453,744
02-Aug-05	4,967,811	447,103	448,859
09-Aug-05	4,937,100	444,339	445,472
16-Aug-05	4,890,756	440,168	441,456
23-Aug-05	4,844,656	436,019	437,463
30-Aug-05	4,815,611	433,405	434,955
06-Sep-05	4,762,078	428,587	430,859
13-Sep-05	4,717,044	424,534	426,057
20-Sep-05	4,685,667	421,710	423,273
27-Sep-05	4,652,178	418,696	420,289