

**Prime Minister of St. Vincent and the Grenadines, the Hon. Dr. Ralph Gonsalves
Feature Address at Launch of CMMB St. Vincent & the Grenadines June 16, 2009
as transcribed from audio by Norlann Gabriel June 25, 2009**

Our Lady of ceremonies, CEO of CMMB, CEO of First Citizens, the representatives of financial institutions, banks, insurance companies, financial intermediaries, professionals of one kind or another, business men and women, citizens, residents, the media.

First of all I want to welcome formally CMMB to the jurisdiction of St. Vincent & the Grenadines.

I must be very careful when I welcome financial institutions because the last time, not the last time, I did so on many occasions, welcomed institutions and I wrote a letter welcoming one, the next thing I knew it was on the website and it was interpreted as an endorsement.

What I want to do especially is to welcome CMMB to the jurisdiction of St. Vincent & the Grenadines and to speak first about our excellent jurisdiction and that we are very pleased to have CMMB come with us.

Many persons look at an institution like CMMB and wonder what really do these people do? Money Market Brokers...what is all this about? This is just about a group of people who want to come in the middle and provide some services and cream off some money, is that really necessary? Are they the kind of people like we hear about from several big institutions in the US who are now answering questions relating to the current economic and financial tsunami?

The fact is this, from our own experiences with CMMB before it became established here with a branch; they have been doing excellent work for St. Vincent & the Grenadines. I will explain in a very straightforward way a couple of examples.

I think it is important for the media to spread the gospel about our own indigenous financial institutions which interface between governments and other entities and which offers financial instruments to investors.

When I go to parliament to seek approval for a bond issue to finance the public sector investment program, I operate on the assumption that I will raise that money, if I don't raise that money I can't finance the capital program. If I can't finance the capital program I can't contribute to employment and economic development. We float the bonds, put out a prospectus and do all that is proprietary. Some individuals will go and buy the bonds directly but many investors don't trust themselves and don't want to advise themselves, they want to be advised by professionals and they do not necessarily say to institutions like CMMB we want you to go and buy bonds from St. Vincent & the Grenadines. Instead they may say we would like to invest is and we have \$X ranging perhaps from 5, 10, 50, 100K or more. CMMB then on the basis of the assessment of the investors will say I am buying \$5,\$6M to \$10M of your bonds, and then in the language of the business they will strip them, meaning they will sell to individual investors and that is the way in which the government of St.

Vincent & the Grenadines will be able to raise the funds. In fact, recently we obtained permission from parliament to borrow \$45M to finance the capital program for fiscal year 2009. We decided not to put all \$45M on market, we put them in three different trenches, on the last trench CMMB bought just over \$5M and what they will then do is take as I have said what they have bought and sell to clients.

Clearly they are not a charitable institution and they will naturally charge you something for performing the service. What the service really is that they would investigate as professionals whether this is a sound investment. The interest rate would be something fairly safe, good interest rate, not too outlandish because as we have discovered from some financial institutions the more attractive the interest rate the greater the risk....this is usually one of the rules of thumb. You would rely on them as professionals to say whether investment is sound. Because of CMMB and institutions like CMMB we get our bonds sold, we get the money at a competitive rate, we can finance our capital program and contribute to the development of St. Vincent & the Grenadines. This is really in a nutshell what they do. We not only go with bonds on the regional market we also on the regional securities exchange go with Treasury Bills which are short term instruments which we roll over and it is again for the government it's a very cheap way to raise money 5% - 43/4% is what we have gotten on T-bills and competitively, much less than when we sold them in the old way and in that manner, in 3 different trenches we will save easily \$1-1/2M in interest and one of the financial institutions which assist us in that process would be institutions like CMMB..... and CMMB comes at a time when it is necessary to build confidence in our financial system. I think we mustn't be afraid to mention upfront that the predecessor owners of CMMB had some challenges and we have seen changes but what was interesting was that in all the chaos and confusion of the subsidiaries of CL Financial, that every single commentator said that CMMB was a sound financial institution and it could have been hived off separately which is what was done and it was linked to an equally sound financial institution First Citizens Bank which is the state owned bank of Trinidad and Tobago. When persons out there who want to invest in CMMB, you come to an entity with a track record and despite the financial meltdown of CL Financial was able to hold its own corner with a sense of financial stability and there was never at all any question about the viability...I think that is important to bear in mind that to the extent that there were sins of the father they were not visited upon this particular son. The context in which CMMB has come to us is really an important one to reflect on to help to build confidence of the financial system in the Eastern Caribbean.

By and large we have a pretty well regulated financial system, our commercial banks are well regulated through the ECCB and we have their representatives here, the immediate past deputy governor, Vincentian Mr. Allen is here with us too, and there is a Common Uniform Banking Act and that lends a sense of stability. In addition the ECCB has a fairly conservative monetary policy where we seek always to have at least a 1 to 1 relationship between EC\$ in circulation and the supporting foreign exchange for the currency in circulation. Of course that sometimes has a downside and the downside is if indeed you have a shortage of foreign exchange or a reduction

as a consequence of external economic factors as we have had and we have to find creative ways to get the foreign exchange so that we wouldn't lose the business activities in the economy by having to take EC\$ out of circulation in our quest to retain the 1 to 1 ratio.

The insurance sector has laws which are not all uniform and that has created a problem in the OECS and we are moving to uniform insurance regulation and even where you had sound legislation, it would appear that in some jurisdictions there was not the most ethicitious regulation by the relevant regulators and that is something that we have learned in this sub region in a fairly difficult manner as the challenges with the CLICO and British American affair. Within this we have reached a level of maturity in the way we handle matters that if you will notice CLICO Barbados is being dealt with in a very responsible way by the government of Barbados and other governments in the Eastern Caribbean, Clico Trinidad, similarly with the government of Trinidad and Tobago and all of us who have been together we have been seeking to find a medium to long term solution for the challenges which have come out of British American. A solution which is grounded on 4 basic principles, the first that we protect the investors and the depositors, secondly that we find a regional solution, thirdly that we keep British American as a going concern whether under the name British American or some other name and fourthly that we act in a manner so that we create a the system that can deal with risks that arise as a consequence of challenges with British American. I think as everyone knows the government of St. Vincent & the Grenadines has put forward a very practical plan with specific numbers to address the British American challenge.

Two Fridays ago there was a meeting in St. Vincent & the Grenadines which I chaired. I was the only non-technical insurance person involved because the governments in region had asked me to chair it and push the issue and St. Vincent & the Grenadines was given the responsibility to draft a memorandum, to draft an agreement between all the various entities for us to be able to find the basis for this solution. A theoretical basis and I am pleased to say that we worked over the weekend and by Monday after the Friday we had a draft and on Tuesday sent it off to all the various governments and the OECS governments in the Eastern Caribbean Currency Union and my chairmanship of the joint task force of OECS and ECCB to address this issue among others in a day meeting of the heads to be preceeded by a meeting of the technical officials so that we have a sense and all this is designed to maintain the stability of the financial system and of course the insurance sector.

We are building within St. Vincent & the Grenadines as it has happened and had happened in other countries in OECS, a single regulatory unit. The banks are well regulated, insurance companies, credit unions, for building societies, for money services, money transfer service ops like Western Union, and the like, we in the OECS are the first country to put a piece of legislation on the books and we would also like to see that a single regulatory unit handle the work of the international financial services sector but as a department as a division within the single regulatory unit so that we can keep the level and quality of expertise housed one place to address all

these matters. I know there was a time when the credit unions raised some issues as to whether we should have a single regulatory unit which involves them because some old fashioned credit union officers would prefer the old ministry of cooperatives to deal with them but these are now multi-million dollar organization and they can't properly be dealt with through this ministry. Similarly, the building societies, the way they are being regulated, they are not as well regulated as they should be and all of those that come in under one heading, so that we can protect the depositor, we can protect the investor. In fact I think the challenges which are brought about in Trinidad for example with the Hindu credit union alerted many credit union operators in the OECS to the difficulties which exist if you leave the credit unions basically to regulate themselves with the cooperative divisions. So that all these things are taking place at the same time and it is in that context, in the context of international financial meltdown that we are having CMMB come to us.

And as they have said their mission is to create, develop, educate and nurture the capital markets of the Caribbean and to this end a large proportion of CMMB's annual budget is dedicated to educational seminars to increase awareness and understanding of investments and investing instruments available in the region and also in the global financial marketplace. CMMB you would hear coming around at the time we present our budgets and you may hear them saying things about the budget and frankly speaking, they talk a lot more sense than the opposition about the budget. That's an important educational function which they perform, we have noted the investment seminars, the publications, in fact for the last issue I was interviewed by this charming chairperson as to what was taking place in St. Vincent & the Grenadines, very professional interview and well presented in the journal, highly respected journal. Then of course, they manage investments in debt and equities, government securities and corporate paper. They are members of the Trinidad and Tobago, Barbados and Eastern Caribbean securities exchange and it is surely better positioned than most to trade and arrange transactions in equities, T-bills and bonds on the various markets.

The idea of an institution of this kind to grow through the region is really a remarkable one and it is such a simple idea that you almost wonder why it didn't come before. It is amazing, we are glad that it is here now. I know that First Citizen Bank is an excellent bank and we can feel very fortified that CMMB's is under the wings of First Citizens, of all the indigenous banks it is the one with which has the greatest reputation in the marketplace among the customers. In the OECS we can look at First Citizen as a model to begin with as you are aware all of our 5 indigenous banks have come together to form the Eastern Caribbean Amalgamated Bank and we have proceeded towards a purchase of the Bank of Antigua, the onshore bank of the Stanford empire. The sale is not fully effected because there are some matters being worked out with due diligence because a lot of people don't understand that to buy a bank is not to buy a roti shop, you have to check a number of matters and you have to move very carefully, but it is the strategic view of this government under me personally that would like to see one indigenous bank in the Eastern Caribbean with several branches so that I'd be very pleased if in time I can see it and hopefully if it

can happen on my watch that we have an Eastern Caribbean Amalgamated Bank and the National Commercial Bank being a shareholder...all National Commercial Bank being one of the shareholders of this bank. Just think of it if you look at the seven or so indigenous banks in the Eastern Caribbean singly they are not particularly large, they do not have a capital base to do a great deal of lending. For instance in the case of St. Vincent & the Grenadines we have a deposit base of just over \$800M EC, some which are bigger and some which are smaller, but even when you put it all together you would look at a deposit base of maybe something in the range of \$6B EC. By then you begin to have an entity which can take on real big projects and what is very important is for the young people including those who are here who can think about becoming the CEO or FC of a bank of that magnitude...I look forward to the day when we will have some colonialism in reverse where we can establish a bank in London and that we can have imperialism in reverse and establish one in New York City. We have a lot of people in those places, we have our people there, we have a natural base and I am sure it is something we will get to sooner rather than later and I believe that First Citizens Bank is one which is well positioned. I know they have their issues of consolidation now but I am sure that they will work into the regional marketplace.

I want to end on a final point, in the old days we used to think that financial institutions are some institutions which if there was an extra commandment which was handed down to Moses it is that only rich people, only Europeans could and a little later Americans, could run a bank. Without people realizing, the bank is not really the building, the bank is the customer base which is us. They wanted to give us the notion to such an extent that even the people who used to collect the money had to be a particular hue because somehow money was related only to a particular type of people. Well, that colonial notion has gone out of the window, that imperial notion is no longer with us and who are running these things? Caribbean people. Of course we are the first globalized community in the world therefore we will have not only Caribbean people but some from India, some from America, some from Britain but the point is this within a context where it belongs to us and it is ours and we are directing them. It is an important point for our children, for the young people, we have here in this building DeFreitas Enterprises, Defreitas Associates. Defreitas's father was my family, a small farmer, he would have left school before finishing primary school, but in one generation he has a son who is a titan in the world of Accounting and Finance. This is how it happens and then he has children and it is a journey which we have traveled although we are not finished yet. And if you want to see what we have done, LIAT...had problems, we didn't go to anyone we solved them ourselves, the Texan who wanted to take LIAT out of the sky, we bought the assets of Caribbean Star and that was no more, the Texan who had brought an investment company called the Stanford Investment Fund, he was put in \$100M, the governments in the region were to put in \$300M and he was going to raise \$600M himself from other people. When he came to me about it, I said I love you Texans, you are putting in the least money and you call it after yourself, I just wanted him to realize that I have my two feet firmly planted on the ground and this is important.

Now I have no doubt that he was and is an excellent business man, not saying anything against him, but the point is this, we bought the assets of Star when he wanted to buy LIAT and when his empire collapsed we bought the Antiguan bank, the Bank of Antigua, his onshore bank and we are solving ourselves British American, we solving Clico Trinidad, we solving Clico Barbados. That is when you know that our Caribbean civilization has come of age and that we can manage our business, ourselves. This doesn't mean we have to be chauvinists, doesn't mean to say we have to be in any way at all imbued with Xenophobia, not at all, we are part of an international world and we have to do it like that and it is in all of that context that we must view this remarkable enterprise called CMMB which, notice my verb, I welcome most heartedly.