

Jwala Rambarran: Trinidad and Tobago strengthens information exchange

Address by Mr Jwala Rambarran, Governor of the Central Bank of Trinidad and Tobago, at the signing of a Memorandum of Understanding between the Trinidad and Tobago Securities & Exchange Commission and the Central Bank of Trinidad and Tobago, Port of Spain, 6 January 2014.

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Good morning Ladies and Gentlemen,

Economists typically have a penchant for numbers so I'll start with a few: TODAY is the 6th of the 1st month of 2014 and the 12th and last day of Christmas 2013. So I hope the next 360 days of 2014 are productive and fulfilling for you, your families and our country.

Today is also a historic day. Effective supervision of our financial system requires us as regulators to see both the forest and the trees. We need to improve our understanding of individual financial institutions (the trees) and their intricate connections to the forest ecosystem of financial markets and the macro-economy. Today's signing of this Memorandum of Understanding (MOU) between the SEC and the Central Bank is about advancing this process of better managing systemic risk. This is not about ego or territory; it's about ensuring the protection of every citizen who trusts their bank, securities firm, or financial institution with their money. This is why we are here and why this piece of paper matters.

As regulators, we need to remember who are at the heart of the financial system. We need to remember it is real human hearts: a teacher with a loan, a market vendor with a savings account in a bank, a bus driver with an insurance policy, or a doubles vendor with an investment in a mutual fund. Our duty to these market participants, who all rely on us, means that we must find common ground as fellow regulators, we must collaborate more systematically, and we must craft together a regulatory network that offers protection, consistency, and stability. I think this should answer the question, why this MOU is important.

Ladies and Gentlemen, I want to emphasize that the Central Bank and SEC do have frequent contact with each other as regulators. The Chairman of the SEC and I often consult each other on matters of mutual regulatory concern. The Central Bank has a representative on the Board of Commissioners of the SEC. Our Financial Institutions Supervision Department speaks regularly to the SEC's enforcement personnel. From a legal perspective, however, when the paths of the Central Bank and the SEC intersect in the conduct of our duties, as it often does, we are duty bound by law to stay firmly within the confines of our own regulatory backyards.

This MOU establishes a mutual cooperation framework which will allow us to prudently venture beyond our own individual regulatory backyards, without creating any legally binding obligations. The anchor is the exchange of information between Central Bank and SEC. The MOU will allow us to share relevant information on corporate structure, administration, quality of organization and systems and any other information that may be relevant to the adequate supervision of financial entities of the securities industries. Through this MOU, the Central Bank and the SEC can determine whether senior personnel and other individuals who may impact the strategic direction of a financial institution are indeed fit and proper persons.

Ladies and Gentlemen, now that you are getting a sense of the bigger picture behind this agreement, you can see that collaboration among financial regulators is not an option. It is absolutely necessary if we are to be effective in regulating and overseeing our financial system. Exchange of information should not just be relevant in times of crisis, but to prevent a crisis from happening.

Some of you may already be asking about this collaboration in relation to the third financial regulator in Trinidad and Tobago, the Financial Intelligence Unit (FIU). I am pleased to inform you that Central Bank will soon be signing a similar MOU on regulatory collaboration with the FIU. I understand that the SEC is advancing negotiations on a similar MOU with the FIU. The message, Ladies and Gentlemen, is that the country's three financial regulators are co-operating and sharing information. This demonstrates our commitment to strengthening regulatory oversight which should result in a stronger and safer financial system.

Such collaboration among the country's three financial regulators is also a further step in supporting our efforts to combat money laundering and terrorism financing. According to a 2007 Joint Report by the United Nations Office on Drugs and Crime and the World Bank several factors heighten the Caribbean region's vulnerability to crime and violence. The Joint Report notes that the Caribbean is wedged between the world's source of cocaine to the south and its primary consumer markets to the north. This makes the region the transit point for a torrent of narcotics whose street value far exceeds the value of the entire formal economies of the Caribbean. Caught in this cross fire of the international drug trafficking network, financial regulators have an important stake in Trinidad and Tobago's efforts to make it even more difficult for organized criminal groups to move money through our financial system.

Some of you may be aware that, in January 2015, Trinidad and Tobago will be the first Caribbean jurisdiction to undergo the Fourth Round Mutual Evaluation utilizing the revised Financial Action Task Force's (FATF) Forty Recommendations. In this regard, Trinidad and Tobago is inter alia required to demonstrate cooperation and coordination among all stakeholders at the national level.

While the signing of this MOU and other forthcoming agreements will definitely help us to bridge gaps that previously impeded our AML/CFT efforts, the Fourth Round is rigorous, time-consuming and will call for considerable resources, both technical and financial. The Central Bank is concerned that the National AML/CFT Committee, which plays a crucial role in enabling national stakeholders to work with each other to combat money laundering and terrorism financing, has not met since July 2013. We are of the view that this Committee needs to expeditiously recommence its activities, given the extremely short timeframes in which Trinidad and Tobago has to remedy its Third Round deficiencies as well as prepare for the Fourth Round.

As financial regulators, we have a shared responsibility when it comes to the effectiveness of the regime in place to protect our country and its citizens from organized financial crime. The law enforcement authorities also have a responsibility to adapt their efforts and capacities.

In closing, Ladies and Gentlemen, the challenges facing financial policymakers are daunting but we must maintain the momentum for undertaking courageous and bold reforms of our financial system. This is a journey we must make collectively, and the signing of today's MOU is an excellent opportunity to make further progress. Both the SEC and the Central Bank are demonstrating that we are incorporating international best practices into our own regulatory and supervisory regimes.

The Central Bank certainly looks forward to increasing collaboration with the SEC and with the FIU in the year ahead.

I end as I began, with a number: we have only 360 days to prepare for the Fourth Round Mutual Evaluation scheduled for 2015.

I thank you.