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ISSUES IN HOSTILE TAKE-OVERS IN THE FINANCIAL SECTOR

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Mergers and Aquisitions in the Financial Sector : Some Issues and Lessons for the Caribbean

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1. Introduction

It can be argued that technological advances have made the world a "Global Village". The news of any scientific advance, discovery, or even the threat of war, even in the most remote part of the planet, is transmitted almost instantaneously by satellite to our living rooms. What this implies, therefore, is that in any area of activity, knowledge is diffused and disseminated quickly, and that events which occur in other countries, influence local behaviours. This is perhaps nowhere more pronounced than in the economic sphere, and, especially in the financial sector, whose health determines the overall success of an economy.

The debt crisis of the 1980s had a crippling effect on several Caricom countries, and in virtually all cases, those countries underwent periods of structural adjustment, under IMF sponsored programmes. But these facts are well known, and are the subject of another discussion. We alluded to that situation, however, because out of that crisis the "free market" model came to be seen as the "received doctrine" of almost all of the Caricom countries. Liberalisation of their economies soon held primacy and financial reform was its handmaiden; all of this at the behest of the multilateral financial institutions. Local financial institutions are now faced with the prospect of competition from large foreign banks anxious to get "a piece of the pie". These events have by themselves ushered in a series of new, and in some cases, undesirable business practices, which have, for the most part, been subjects of interest, and things which we read about in periodicals like Business week or the Economist. The issues of hostile takeovers, and mergers and acquisitions are no longer things which we read about. They are now beginning to colour our financial

landscape. This is where our story begins!

With liberalisation of the Caribbean economies, and the increase in competition that should result, merger and acquisition activity will be part of normal financial transactions in the not to distant future. The existing capital markets are increasing in importance, and their further development will heighten merger and acquisition activity. It is against this background that our paper attempts to review the main issues in mergers and acquisitions in the financial sector. Our approach is qualitative, largely because of the general deficiency of "good" data in the region, but moreso because merger activity is in its infancy stage and hence only limited information is available. Still we present this document, however limited, which indicate that within the region, the greater percentage of mergers have occurred largely through government initiative. We conclude with a look at some issues relevant to the Caribbean.

2. Definitions

Mergers and merger policy are issues of considerable topical interest within Caricom in recent time. Perhaps, the most well known recent event has been the highly publicised "feud" between C.L. Financial Limited and Republic Bank Trinidad and Tobago Limited. But Trinidad and Tobago has not been the only country in the region where mergers and acquisitions are occurring. Both in Jamaica and Guyana there have been similar experiences. In the discourse which follows the reader will notice that our references are principally to the developed economies.

What is a merger? It is common practice to use the terms: "merger" "acquisition" and "take-over" interchangeably. This convention will be followed by us throughout this presentation. However, we shall describe each term separately for completeness.

Merger:

A merger occurs when two companies amalgamate into one entity. If there is no designated survivor company, and a newly created legal entity is formed, which represents the merged units, this is referred to as a consolidation.

Acquisition:

An acquisition is generally considered to be a part of the "normal" process of growth of a company, but it may also be a means of rationalising the structure of declining industries (**Chiplin and Wright, 1987**). An acquisition is an act of mutual exchange in which the owners of a company accept cash, securities or some combination, in return for their shares in the existing company. To the acquirer, the purchase is an act of investment which is probably evaluated as any other investment.

Mergers and acquisitions (M+As) are financial transactions that result in a change in ownership of a company. A "target" firm which changes hands through an M+A typically experiences fundamental operating changes. At the very least, it will have a new controlling shareholder and a newly constituted Board of Directors. In many cases, it may experience a change in management, or a change in its approach to business.

Tender offer/Take-over

A **tender offer** is an invitation to shareholders of a target company requesting tenders of shares for purchase by the bidder. Cash is usually offered, though other forms of security may be put forward. Tender offers may be partial, but unlike M+As which are supposedly friendly, and with the consent of the company concerned, do not require the approval of the acquiree's Board of Directors. Since contact is made with the ultimate owners of the corporation, a tender offer is, therefore, a means by which to accomplish a

hostile takeover. A **take-over** occurs when a company acquires control (usually 51 percent or more) of the equity shares of another entity. The bidder usually buys a certain percentage of the shares of the company he is after and once his share is large enough, he may offer to buy some or all of the rest of stock at or above the prevailing market price in order to gain control[1]. Such an offer is usually attractive to the shareholders, as it is assumed theft they benefit by selling their stock, but the management of the company concerned runs the risk of losing control, or even their jobs. Takeovers can, therefore, be seen as part of the managerial labour market, in which alternative management teams compete for these rights. **(Chiplin and Wright, 1987)**. Interestingly, while hostile bidders tend to offer higher premiums than friendly bidders, their success rate is much lower.

3. Mergers in Retrospect:

Historically, mergers have led, in the major industrialised countries, to increasing concentration by firms. Most writers contend that there have been four (4) merger waves thus far. The first wave resulted in greatly increased market concentration because of horizontal mergers, the majority being in consolidations of five or more firms. This wave which began during the last quarter of the 19th century lasted until the first decade of the 20th century. It has been estimated that three thousand firms disappeared during that period, which is thought to have facilitated the obtaining of monopoly power.[2]

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[1] In Trinidad and Tobago an individual of Company which acquires more than 30% of the issued share capital of a public company has triggered the takeover code. Such a company or individual may be granted a licence by the stock exchange which precludes it from having to make a formal bid.

[2] see Case pg. (31-3)

The second merger wave resulted in the disappearance of an estimated twelve thousand firms[3], but it did not result in market concentration as did the first wave. It was characterised by mergers in the public utility sector, and secondary firms, and is believed to have led to the creation of oligopoly power in that sector.

The third wave began after World War II and peaked during the late 1960s. In many cases totally unrelated firms, usually small ones, were acquired by larger ones and merged under a single conglomerate structure. This was the era of conglomerate mergers.

The fourth wave started around 1974 and has been characterised by very large transactions. The 1980s witnessed the **reversal** of the creation of conglomerates which occurred in the 1960s, and there have been fewer mergers since then. Quite a large number of the M+As within recent time have been in the oil and gas sector and in the financial services industry. It has been suggested that this occurrence was due to restructuring, because of difficult economic circumstances and to deregulation, especially in the financial sector. Although accounting for only a small percentage of all transactions, the hostile takeover offer has come to symbolise the current wave[4]. In fact, until 1974, when Morgan Stanley and Company represented the International Market Company of Canada in its hostile tender offer for another company hostile tender offers were not pursued as part of an acquisition strategy. Since that time, however, it has become an established option, and consequently a community of professionals has grown up to facilitate this strategic option.

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3 Ibid pg. 31-3

4 Ibid pg. (31-4)

4. Why Hostile Takeovers Occur/Why Companies Merge?

It is perhaps useful to first examine the structure of the modern corporate entity since the structure itself is what facilitates the actions of portfolio managers. There is a distinctive line of demarcation between corporate ownership and control, though there are instances where employees are the owners of the firm.

The providers of equity, and therefore the true owners of the corporations are: individuals, who purchase stocks for investment purposes, and institutions, such as insurance companies, mutual funds, and pension funds, banks and other corporations which have substantial assets to invest. Investors tend to be relatively passive, and generally concerned only about receiving the highest return from their investment, and have no desire to manage firms.

Corporate managers, on the other hand are entrusted with control over corporations and their policies, but seldom have ownership stakes in their companies. Their mandate is to maximise the long run value of the company, and thereby increase shareholders wealth Because of the separation between ownership and control, managers have the ability to deviate from their central focus and may engage in conspicuous consumption for example, building huge head offices.

It is the capital markets which serve as a check against corporate mismanagement. Poorly managed companies find it difficult to raise additional equity, and may therefore become an acquisition target. If the management of the target company opposes the acquiror's effort, a struggle may develop for control and hence we have a hostile takeover attempt.

It has been suggested that there are as many reasons for mergers and acquisitions as there are mergers and acquisitions, but essentially, companies merge and are acquired because they must

adapt to constantly changing markets and the competitive environment (**Case 1985**).

Financial groups acquire companies mainly because they identify opportunities to increase their financial returns, either by changing the structure or business strategy of the target entity. In theory, however, acquisitions are pursued because they are expected to increase the per share value of the acquiror over the long term. Typically, a buyer will be either; an operating company; a group of managers; a group of financial investors or; a combination of all three. A seller is usually a controlling shareholder or the Board of Directors of the company.

Most theories which seek to explain the causes of mergers and acquisitions assume that the transaction is undertaken because economic benefits will flow to the owners of the firms. The undermentioned list is not exhaustive, but benefits may include:

i) The desire to gain market power;
ii) The ability to achieve tax savings;
iii) The exploitation of undervalued assets;
iv) The ability to take advantage of asymmetric information;
v) The goal of eliminating management inefficiencies;
vi) The creation of synergies;
vii) The achievement of economies of scale.

The above benefits seem to evolve from the value maximising approach of firms, which suggest that the decision to merge is a purely economic one and that the expected economic gains must be positive. While we subscribe to this view we believe that the

alternative theory of the firm cannot be discounted[5]. That view contends that management pursues its own objectives, such as sales maximisation or growth, or some other activity which they consider desirable which may not necessarily be of benefit to the ultimate owners of the company.

5. Issues in Mergers and Acquisitions:

As was earlier noted there is general agreement that the 1980s has seen unprecedented activity in the merger and acquisition movement. This wave has been characterized by and has become symbolic of the worldwide hostile-tender offer, even though it had not been the dominant form.

Many studies were undertaken to carefully examine and analyse this economic activity, but there is no single hypothesis that can fully explain this phenomenon. The take-over movement of the 1980s appears to have been brought about by two major sets of forces: (1) the environment; and (2) fundamental issues of corporate governance. These will be the major issues discussed in this section of the paper.

1. The Environment

Globally a number of economic factors impacted upon the environment and spurred the take-over movement, these include: (1) increased global competition for domestic and international markets and the rapid dissemination and innovation of technology which required a great deal of restructuring; (2) deregulation especially in the financial sector, which brought about new and innovative instruments used to finance this activity. This included the development of the high-yield, non-investment grade bonds (junk

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5 See W.J. Banmol: Business Behaviour, value and growth, Micmillan, New York 1967 referred to in Chiplin and Wright pg. 25.

bonds) which removed size as a significant impediment to participation in the take-over market.

However, the major factor within the environment, which exerted a profound effect on mergers and acquisitions was the legal and regulatory framework. The legal framework within an economy influences the extent to which mergers and acquisitions take place. There are laws which regulate ownership. These laws govern ownership patterns; that is, they decide who may own companies, how much they may own and to what extent they can exert control over these companies. In developed countries, there are a number of differences in the legal framework and these differences are accentuated in those countries where hostile take-overs occur as opposed to those where they do not occur.

In the United States of America, banks are prohibited from owning stock on their own account and thus play a small role in monitoring large companies. Bank holding companies are allowed to hold up to five percent of the voting stock of any non-bank company. They are also restricted from affiliating with other financial institutions. Life insurance companies are also subject to regulation that restrict them from acquiring controlling interests in firms and other financial institutions. Mutual and pension funds play a relatively modest role due to requirements for diversification based, in part, on safety and soundness criteria.

Any active shareholder or shareholding group that acquires a five per cent stake in a company must file with the Securities Exchange Commission under the Securities Exchange Act, revealing ownership plans and sources of financing. As a result of these regulations, individuals had become the dominant shareholding group. Financial institutions in the United States that are desirous of undertaking mergers and acquisitions activities are required to obtain approval

from the Federal Reserve Board in the case of Bank Holding Companies, and from the Office of the Comptroller of Currency (OCC) for national banks. One result is that virtually every bank merger, no matter how small, is subject to a government review and approval. Certain factors are taken into account when giving consideration for the approval of merger applications: (i) **the likely effects of the acquisition on bank competition.** The Federal reserve determines the extent to which existing competition could be adversely affected by the acquisition if an acquiring bank or bank holding company already has one or more banking offices in the market in which it seeks to acquire a bank. The tool for evaluating the competitive aspects of markets is the Herfindahl - Hirshman Index (HHI), which is calculated by adding together the squares of the market shares of each competitor in a given market. The lower the HHI, the less concentrated the markets. In banking, mergers that result in an HHI of less than 1800 are generally not investigated further. (ii) **Financial and managerial resources and prospects for the acquirer's future.** This is to ensure that safety and soundness criteria are met, especially in the following areas: (a) the acquiring firm's present and future capital position; (b) the means by which the acquirer intends to finance the merger/acquisition and its level of debt and ability to service that debt; (c) the quality of acquirer's management and any plans for improving it. (iii) **convenience and needs of the community to be served:** this is concerned with the effect of acquisition on banking products and services in the relevant banking market. If new or better services or lower prices for bank services are likely to result, then the merger is more likely to win approval. The Federal Reserve also examines the acquirer's record under such criteria as its performance in meeting the credit needs of its community, including low and moderate-income areas by shareholders.

Institutions in Germany and Japan play a much larger role because

they have more latitude in owning equity and exerting active control over firms. In Germany, banks and the investment companies they own, have large ownership interests in firms and an even larger 'voice' in monitoring. This is due to their legal rights which under existing proxy rules allow them to vote the shares of their clients for whom they act as custodian. In the Japanese system, which is similar to that of Germany, commercial banks are not prohibited from owning corporate stock although they are subject to anti-monopoly regulation that limits a single bank's holdings of a firm's shares to five percent.

Within any legal framework are contained company laws, securities laws, rules of the stock exchange, competition laws and laws on fiduciary responsibilities, which define the power of shareholders, oversight boards and outsiders to observe and influence managerial behaviour. Company laws contain a number of ways in which a firm's ownership structure can be translated into shareholder influence through voting:

(a) *shares can be assigned different voting rights. In the United States of America, companies may issue stock carrying more than one vote. However, firms listed on the New York Stock Exchange have a one-share one-vote rule. Under Japan's company law, all common stock is subjected to the one-vote rule while Germany also has a one-share one-vote rule, although companies may issue multiple-vote shares in exceptional circumstances.*

(b) *Quorum and/or majority voting rules can be adjusted to shift the powers and corporate voting blocs. Company laws generally set minimum requirements for both quorums and voting majority, although companies are free to set*

their own rules above these minimum levels. Low quorum figures (30%) or majority vote requirements give minority blockholders more power to push through their own initiatives if other shareholders are passive; high requirements (70%) give minority blockholders more power to veto the majority, simply not 'showing up' or by voting against a proposal. The former is likely to be desirable if strong action is needed in the face of many dispersed and passive shareholders. The latter may be desirable in certain cases of less dispersed ownership where a minority shareholder wants firm control over the actions of the majority shareholder, as may be the case in joint ventures.

(c) *The voting power of certain shareholders on issues that most concern them (such as choice of directors), can be enhanced through 'cumulative voting' rules. This was developed primarily as a way to give minority shareholders a greater chance of representation on the Board of Directors.*

(d) *Proxy Rules can mobilise the votes of otherwise passive shareholders. Proxy rules are intended as a device to inform voters about issues and candidates and let them exercise their 'ownership voice' through designated agents rather than shareholder meetings in person. In Germany, the vote of a passive shareholder is cast by an active shareholder whereas in the United States of America, the passive shareholder's is lost. Most passive shareholders vote in the United States of America tend to vote along with management even though management's proposal may not be compatible with the shareholder's interest.*

An effective legal infrastructure is required to specify disclosure standards for all companies especially those issuing equity or debt to the public. The enforceability of these rules is also of importance since the weakness of enforcement capacity in the public sector may constrain governance capacity in the private sector. Another important legal issue is the distribution of decision making authority among management, the board and shareholders.

2. Corporate Governance

The merger and acquisition activity of the 1980s laid bare some fundamental problems in the governance and management of corporations. It was a response to tensions and weaknesses associated with the separation of ownership and management in the large corporation with widely dispersed ownership.

Corporate governance is another term for shareholder monitoring and can be passive or active. Passive shareholders rely on 'exit' as their main discipline on managers. In a widely dispersed ownership structure, it is often difficult for shareholders to monitor and exert control over managers to ensure that they operate in their (the shareholders) best interest. The costs involved in monitoring usually outweighs the benefits. Therefore when shareholders cannot exercise their rights and are dissatisfied they have an option of selling their shares on the market, thus 'exiting' from the firms shareholding. The US model is heavily weighted towards this type of governance. Active shareholders rely more on 'voice' and this is characteristic of the German and Japanese models, when ownership is more concentrated and it is easier for shareholders to exercise control over managers so that they are more active in monitoring their performance through representation on the Board of Directors.

According to economic theory, the wider the ownership dispersion, the greater will be shareholder passivity. This is because

shareholders with small shareholding will not gain a lot from an improvement in the company's performance and will not have the incentive to invest the optimum amount of resources in monitoring. Rather, they have an incentive to 'free ride' off the efforts of others. If all shareholders adopt this attitude, monitoring of managers will be minimised and they would be free to maximise their own interests rather than that of the company or its owners. When there is a large number of shareholders, the transactions costs of organising shareholders, to exert a unified voice, are usually high, thereby inhibiting collective action. Shareholder monitoring is therefore likely to be more difficult in larger firms. To the extent that there are more owners, there is a greater separation of ownership and management, and there are higher information costs involved in collective action.

The availability of exit mechanisms will also affect corporate governance. The presence of a highly liquid stock exchange where a seller can easily find a ready buyer, may tempt shareholders to bail out of a troubled firm if the costs of that bail-out are lower than the costs of reforming and monitoring management. A liquid market may also make it easier for outsiders to acquire troubled firms that they believe can be turned around with new management.

The effectiveness of corporate governance must also address the question of who the owners are and whether different types of owners face different incentives that influence their goals in monitoring and their ability to monitor. The incentive to monitor can be enhanced by linking ownership ties with other economic relationships in an economy. Corporate governance in Germany and Japan is characterized by 'linked shareholders'. Banks in Germany are significant owners of firms. Deuteshe Bank, Germany's largest bank held equity stakes of 10% or more in about seventy industrial and commercial companies and the bank executives held seats on more

than four hundred corporate boards. These banks not only invest in these firms, they also provide credit to them on an ongoing basis. Their simultaneous debt and equity interests appear to reduce the conflicts of interest between shareholders and debt holders, thereby tempering both the incentive of creditors to recover debt at the expense of the firm's long-term interest, and the incentive of shareholders to make sub-optimal investments that compromise creditors interest. Many firms in Japan have very close ties to a 'main bank'. This bank provides debt financing to the firm, owns some of its equity and may even place bank executives in top management positions. For many of these firms, the main-bank relationship is part of a larger industrial structure known as the "keiretsu'. Keiretsus are groups of Japanese firms characterised by intricate equity cross-holdings, with a strong lead bank that is both a dominant lender to and an equity holder in members of the group with close ties to common suppliers and customers. Firms in industrial groups also have strong product-market ties to each other that are strengthened by cross-share ownership.

Companies that deal with each other commercially also have cross-holdings of equity which increases their incentive to monitor the health of these commercial partners; rather than just exit in times of trouble. A firm is more likely to fulfill its commercial obligations to another firm that is also an owner, and if a dispute arises, the cross-holdings between the parties give them a greater incentive to find a negotiated solution that endures the longer term commercial relationship.

Another relationship is between labour and equity where ownership of stock by 'insiders' enhances shareholder monitoring, because employees have both more information about company performance and more to lose if such performance is poor. Insiders can be either company managers and directors or employees at all levels. The

former is common in the United States of America where manager or director compensation is often tied to company performance through stock options and other performance based compensation schemes. This is less common in Japan.

The ability to monitor is linked to access to information which is often dependent upon the nature of the relationship with the company. Given their natural insider position as well as their accumulated experience in making many loans, banks are likely to be well positioned to take a lead in corporate governance. The same may be true for institutional investors who have the power to demand information, and the resources and expertise to interpret it adequately. In all cases, contractual linkages lead to greater information and this enhances the ability of shareholders to monitor management.

Since few shareholders can actively monitor the day-to-day activities of management, they elect representatives to do the job for them. Companies in the United States of America and Japan have Board of Directors. Boards in the US are typically composed of both inside officers and outsiders while Japanese boards are composed entirely of insiders. The Board appoints the chief executive officer of the company who in turn appoints other officers. In addition to selecting and dismissing management, the Board approves major decisions such as declaration of dividends, corporate borrowing and other business strategies. It also approves proposals for mergers, sales of substantial corporate assets and dissolution which are then subjected to shareholder vote.

In contrast, oversight bodies have always been significantly more independent in Germany. Each German corporation has a management board and a supervisory board. The former is responsible for

running the company on a day-to-day basis, while the latter is composed exclusively of outsiders. Unlike the United States of America, members of the management board may not sit on the supervisory board and vice-versa. The supervisory board has two main responsibilities - to supervise the management board and to appoint all of its members. The members of the management board may be fired only on performance grounds and thus they maintain a fair amount of independence in their day-to-day decision-making. Much of the independence of the German supervisory boards arises from the more concentrated patterns of ownership in German firms. In most cases, no one shareholder has absolute control, but a coalition of independent share-holders does. Although the formal Japanese over-sight structure resembles that of the United States of America, the balance of power between managers and shareholders appear in reality to be closer to that of Germany. The more concentrated institutional ownership of individual firms, and the interlocking business relationships within the Keiretsu both strengthen the voice of shareholder representatives, functioning in Japan not so much through formal board meetings as through less formal monthly meetings of the Presidents' council.

Governance power in all three countries is also related to the power to set compensation levels for directors and managers.

Throughout the 1980s the market for corporate control had been very active in the United States of America. In contrast, however, take-overs had been rare in Japan and to a large extent in Germany. The main reasons being the difference in the legal and regulatory framework in the United States of America as against Germany and Japan, as well as a different approach to corporate governance. Although Japanese take-over rules are modelled on those of the United States of America, certain provisions inhibited hostile take over activity throughout the 1980s. Similarly, takeovers had been

less common in Germany than in the United States of America. The reliance of German firms on debt rather than equity financing has had two major implications: first, companies have tended not to look to equity markets for capital which reduced turnover in the stock market and second, powerful bank holdings and proxy voting strength have discouraged investors from seeking control. Also Germany was known for having the toughest anti-takeover devices in all of Europe.

In the 1990s, corporate governance appears to be changing in all three countries. In the United States of America, a new form of governance is fast becoming the norm; one that is based on politics rather than finance, and which seems to be more effective and far less expensive than the take-overs in the 1980s. The new political approach to governance draws its strengths from the broad based public backlash against hostile take-overs and debt based financing and the rise of informed institutional investors. The former creates the need for active investors to develop new approaches to influencing corporate policy while the latter creates a class of owners who can and will respond to a politically substantive approach. The new banking merger wave in the United States and other developed economies is based on the desire to have large enough banks which can effectively compete in the globalised market place. Banks, through merger activity, are positioning themselves strategically and are using size to solidify their global presence. Witness the merger between Chase Manhattan and Chemical Bank in the United States. In Japan, there were dramatic changes in the Japanese corporate sector including improved access to global capital markets and the deregulation of domestic capital markets which led to a significant weakening in the Keiretsu ties between banks and those firms strong enough to obtain financing on the international capital markets, in addition to the slowing of growth opportunities for Japanese firms in their traditional lines of

business and the huge build-up of cash on the balance sheets of Japanese firms. If these trends continue, the corporate governance mechanism in Japan might evolve to more of a US type model. There is also a changing philosophy towards corporate governance in Germany. A law is scheduled to go before German parliament in October 1996, which, if passed, will eliminate banks' right to exercise proxy votes for other investors whose shares they manage, thus depriving banks of a powerful tool at annual general meetings. It is envisaged that for next year, explicit approval from clients will be needed before their banks can exercise their proxies. A number of acquisitions are taking place without the knowledge and approval of their banks. Also, with the approaching European Monetary Union, a number of mergers are expected to take place in Europe.

6. The Caribbean Financial Sector

The following description is a generalization of the typical Caribbean economy (if such a term is permissible): a lack of diversification in production; strong reliance on agricultural activity and tourism; high openness and export-orientation; exposure to natural disasters; democratically controlled; and with high levels of unemployment. If the countries are compared one with another, it will be noticed that some are more 'industrialized' (if that is the correct term) than others. In fact, the larger countries such as Guyana, Jamaica and Trinidad and Tobago have pursued development strategies based on mining in the case of the first two, and oil production in the latter case.

The financial sector in the Caribbean has basically followed the pattern of the economic sector, with some countries having financial systems which are relatively more developed than others. While the level of development in this sector has been uneven, financial reform has played a prominent role within recent times,

and some countries have implemented new legislation to regulate their individual systems and to improve their prudential standards[6].

Even though the level of financial development varies in each country, there are similarities in the way in which the sector developed, and this is due largely to their shared colonial experiences. Commercial banks dominate. They occupy the premier position among private financial institutions. The banks emerged in response to the needs of the post colonial era when economic activity centered on importation and distribution of commodities, so that historically, foreign banks have enjoyed success in these economies. It was only after gaining independence that several of the larger territories undertook a period of nationalization and consequently there now exists indigenous commercial banks together with localized banks. The institution which stands at the apex of each country's financial system is, however, the local central bank which is charged with the responsibility of ensuring the health and stability of the financial system.

In all of the economies an official financial sector operates side by side with an unofficial sector. The official sector is comprised of a central bank, commercial banks, trust and mortgage finance companies, insurance companies, finance houses, development finance agencies and the cooperative sector. The unofficial sector, sometimes called Informal Financial Markets (IFMs) are those organizations which operate outside of the systematic monitoring and regulatory framework administered by the country's monetary authorities. IFMs are characterized by the activities of informal financial institutions; the most widely researched in developing countries are money-lenders; pawnbrokers; and rotating

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6 Financial Institutions in Trinidad and Tobago are regulated by the FIA 1993, while those in Guyana are regulated by FIA 1995.

savings and credit associations.[7]

We believe that it is a conjuncture of the following events, which have limited the merger and acquisition activities within Caricom:

i) the thinness of the regional stock markets;

ii) the level of development of its financial sectors; and

iii) the predominance of family owned and controlled businesses.

7. Merger and Acquisition Activity In The Caribbean

The breaking up of the former Soviet Union has resulted in increased competition for scarce investment resources from the international financial community by small underdeveloped countries. Resources which previously were channelled to small economies, such as those in Caricom, are now being reallocated to the countries in transition in Eastern Europe which have become the beneficiaries of large foreign inflows. This reality has, therefore, imposed yet another challenge to the region, the need to mobilize domestic financial resources for investment projects. Unfortunately, the domestic capital markets are relatively thin, and hence most businesses continue to rely on bank financing for projects. In addition, the local stock markets are very limited and in the countries where they exist the level of activity is very low, couples with that, the regional stock exchanges have not operated in a way which have to flow cross-border, in any meaningful way. (see statistics on individual countries in appendix).

Among the member countries of the Caribbean Community only four

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7 **Claremont D. Kirton**: Rotating savings and Credit association in Jamaica - some empirical findings on partner, paper presented at the XXVIII Annual Monetary Studies Conference, St. Kitts, November 8 - 11, 1995

have stock exchanges: Jamaica; Trinidad and Tobago; Barbados and Suriname. A fifth member, Guyana, has recently rejuvenated its Call Exchange with a view to establishing a full-fledged exchange in the future. Of the three exchanges, Jamaica's was the first to be established, in 1969, followed by Trinidad and Tobago in 1981, Barbados in 1987 and Suriname in 19--. The Jamaica exchange is the most active, with a daily average share volume of 3.69 million units at the end of 1994[8], and market capitalization of US$1.75 billion (see Appendix). It is noteworthy, in all cases, that within the last five years the number of companies listed has varied only marginally. This in itself is an indication that equity financing is still not seen or accepted widely as a alternative to debt financing.

A possible explanation for the continued reliance on bank financing is that most businesses are family owned and controlled, and the owners, perhaps out of fear of losing control, or maybe simply to continue a tradition or legacy, have opted to procure bank credit (largely through overdrafts) to finance their operations. Also, historically banks are the first to appear in the financial structures of economies - they are many and dominate relatively early. In these circumstances, it is usually the large conglomerates such as Neal and Massy in Trinidad, and Carreras Group Limited of Jamaica, or financial sector institutions, such as banks and insurance companies, and large manufacturing concerns which seek to increase their capital base through equity financing.

Of course, some mergers have occurred as a result of divestiture undertaken by the Governments of individual countries, especially in Guyana, Jamaica and Trinidad and Tobago and to some extent

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[8] Average share volume is given for 1994 and not 1995 since the 1995 figures is grossly inflated because of one large transaction involving 3.01 billion units.

Grenada. This method has been a way of attracting significant resources to the region. In Guyana, these initiatives have occurred in the mining sector, as well as in banking. The pattern has been similar in Jamaica but in Trinidad and Tobago the bulk of foreign investment has been in the energy sector. All of these arrangements have come about through government initiative and hence can be considered friendly transactions.

The experience with mergers and acquisitions, on the whole has been very limited, in the region, and with hostile takeovers in particular, almost non-existent. There was a period in the late 1970s where governments in the Caribbean undertook a process of nationalization of what they termed "critical sectors" of their economies. Financial institutions, and banks in particular were severely criticised for not providing resources to important local activity which tended to be risky, and hence indigenous banks sprang up in direct response to this need and many of the foreign banks were localized and finally "nationalized" though not for the same reason. Following the debt crisis of the 1980s and the resultant economic difficulties of many of the Caribbean economies, a reversal of strategies was pursued with the urgings of the multilateral financial institutions. In our view, it is the liberalization of Caribbean economies which has opened up the possibility to mergers and acquisitions. Hence we can refer to the activities which commenced around the early 1990s as the first wave of Caricom mergers and acquisitions.

Caribbean Experience

As intimated earlier, there are not many examples of mergers and acquisition activity to be found throughout the region. However, in most instances where they have occurred, the Government has been the initiator. Only Barbados, among the countries in which there is active trading, has not experienced this phenomenon. In fact,

there has been no merger activity there whatever.

Trinidad and Tobago

In Trinidad and Tobago there have been only five (5) mergers in the financial sector, while in the entire economy perhaps no more than ten. Such activity began in the late 1980s when Citicorp (which already owned 20 percent of shares) purchased eighty percent shareholding of the United Bank of Trinidad and Tobago for approximately TT$25.1 million. In 1990, Guardian Life of the Caribbean Limited, a firm in the insurance industry, purchased the entire assets of Crown Life, its competitor, for approximately T&T$20.8 million. Some years later, Guardian Life formed an alliance with the Royal Bank of Trinidad and Tobago Limited (RBTT) in which RBTT purchased 50 percent of the assets of Crown Life. This represented the first such transaction in which firms in the banking and insurance industries came together to offer joint services in a "one stop shop" arrangement.

All of the above events were fairly routine, in the sense that they did not elicit much public debate. However, in 1994 when the Republic Bank of Trinidad and Tobago Limited (Republic) announced its intention to acquire the Bank of Commerce Trinidad and Tobago Limited (BOC), there was much anxiety on the part of the entire banking community which recognised the potential implications of such a merger. Though BOC was considered to be a small bank, its merger with Republic would produce the largest financial institution in the country, with control over a significant percentage of the market share (somewhere in the region of 40-45%). This event was probably the first occasion in which a local financial (banking) institution was poised to take over a competitor, and it had the potential to become a hostile takeover attempt.

At the time of announcement both the management and staff of the BOC became anxious perhaps even traumatised by the events, since many of them began to fear for the loss of their jobs. It had even been rumoured that the management of BOC, after consultation with a government minister, had agreed to a meeting with a "White Knight" from the United States, who it was suggested, was willing to buy into the BOC. All of this hysteria came about because the foreign parent of the BOC (Canadian Imperial Bank of Commerce) was no longer attracted to the environment. The outcome was that Republic purchased a substantial holding and was able to influence BOC's future direction through membership on its newly constituted board and by replacing the incumbent Managing Director with one of its staff. One year later Republic now has controlling interest (approximately 70% shareholding) and it is expected that as soon as they acquire 90% shareholding both institutions will be merged. Usually as a result of M+A activity, the entity which is acquired will be restructured in respect of its staff and operations. This has been happening at the BOC where vacancies, as a result of resignations, are being filled by Republic staff, and where a cross fertilisation of staff is being undertaken. Even the price of BOC's share increased by over 30% as a result of the Republic initiation , while Republic showed a very bullish pattern. It is currently the highest quoted bank share. It has, however, taken a small reduction following the recent impasse.

All of the above transactions were undertaken supposedly to diversify existing portfolios and/or to increase market share, but there was another merger in the financial sector which resulted from government intervention. Three indigenous banks, (Trinidad and Tobago Cooperative Bank Limited, Workers Bank (1989) Limited and National Commercial Bank Limited) were merged into one entity in 1993 because of an alarming number of bad loans in their respective portfolio, as well as low or declining profitability.

In some instances, individual branches were unprofitable. In all cases, the Government was the major shareholder and therefore took action to avert a potentially catastrophic situation. In the case of one of the banks, individual shareholders have been the main victims, the price of their share hit rock bottom. In fact, while the share is still quoted on the exchange, trading has been suspended since 1993. The Central Bank has placed a nominal value on the shares and it is unclear whether any shareholder has redeemed his certificate.

But merger activity by companies in Trinidad and Tobago has not been confined to their country of origin. Acquisitions have been made throughout the region (even including non-anglophone Caribbean Territories). In most cases, controlling interest has been acquired but there are instances where 100 percent purchases have been completed. The strategy of the companies involved appears to be one of diversifying their portfolio across different currency areas and economies to derive the benefits of the cyclical nature of business activity, since they believe that all economies would not experience decline at the same time, and also to benefit from the depreciation of the local exchange rate since their foreign profits are remitted in hard currency. The banks have also diversified into non-banking areas of activity. They now own security firms as well as property development companies. Trinidad and Tobago Companies (banks) have a presence throughout the region, in: the Cayman Islands; Grenada; St Lucia; St Maarteen; St Vincent; Nevis; and Venezuela, and no doubt they would soon arrive at other frontiers, possibly including Guyana. Perhaps the banks are taking the lead in bringing the Caribbean closer.

Guyana:

In Guyana we have our first merger experience among Caricom financial institutions, perhaps even the first such experience of

its kind in any sector. In that country the merger experience has resulted largely from government initiative, as the Government sought to divest itself of state enterprises. In the financial sector, the earliest example of merger activity occurred in 1910 and the most recent in 1995. In between those two experiences there have been only sporadic transactions.

The first bank merger in Guyana's history occurred in 1910 when a court order permitted the amalgamation of the Government Savings Bank (GSB) and the Post Office Savings Bank (POSB), under the name and control of the latter. In the year prior to the merger, the joint net deposits of both banks stood at G$1.4 million. **Danns** (1986) has suggested that the decision to merge those institutions was incorrect, and that it was apparently prompted by a political decision of the Colonial Government to substantially reduce its involvement in banking in the country, perhaps leaving that activity to the private sector[9].

Another sixty-four years elapsed before the second bank merger took place, and it involved the institution that was merged in 1910. By 1974, the Government of Guyana had established an indigenous commercial bank, the Guyana National Commercial Bank (GNCB) whose mandate was to provide critical support to the local sectors which were neglected by the largely foreign-owned banks. In that year POSB was merged into the GNCB, for which it had acted as a conduit for small savers. It has been suggested that a loss of public confidence in the POSB together with the Government's desire to expand the newly created GNCB caused its decline.[10]

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[9] Danns, Donna: pg. 28

[10] Ibid pg. 17

In the mid 1980s, the Government took control of three foreign banks in Guyana: The Royal Bank of Canada; Chase Manhattan Bank; and Barclays Bank DCO. These institutions were having difficulty in repatriating profits, and their activities were being closely regulated by the Government because of the foreign exchange crisis at the time. The Government was able to acquire those institutions at nominal cost since the banks were no longer interested in operating in those depressed and hostile economic conditions. The assets of Chase Manhattan Bank were taken over by Republic Bank, a newly created bank, which was subsequently incorporated as the Guyana Bank for Trade and Industry (GBTI). The assets of the Royal Bank of Canada were taken over by another newly created state bank, the National Bank of Industry and Commerce (NBIC). At the time when these mergers occurred, the Government was engaged in widespread nationalisation of various sectors, and that was consistent with its stated objective of controlling the "commanding heights" of the economy.

In the late 1980s and early 1990s, there was a reversal in economic strategy as Guyana had to seek assistance from the multilateral lending agencies. The Government began to divest itself of shares in both GBTI and NBIC but it retained controlling interest. By the middle of the 1990s, however, all of the Government shares in GBTI were placed on the market as the State sought to attract private investment and to reduce its direct participation in economic activity. One unintended, and perhaps undesirable consequence, was that Secure International, a subsidiary of the Beharry Group of Companies purchased 33 percent of the shareholding, and together with already acquired holdings, from previous issues, gained controlling interest in GBTI. This conglomerate, whose main business activity is manufacturing, had previously acquired an insurance company.

In 1995 occurred the merger between GNCB and the, Guyana cooperative Agricultural and Industrial Development Bank (GAIBANK). It has been reported that this merger was undertaken because of problems relating to uncollected loans which it was thought could undermine the financial system.[11] We, however, hold the view that it was politically motivated since we cannot understand how a development bank could be merged with a commercial bank given their different focus. Also in 1995, NBIC's shares were put on the market, as the Government continued to privatise State enterprises. Before doing so, however, the financial Institutions Act, 1995 was amended to prevent any person who already owned a commercial bank from gaining control of another bank, by limiting purchase of shares. In essence, the amended Act sought to ensure that no one individual could gain controlling interest in more than one bank. Apart from the activity in the banking sector, there have been a small number of privatisations in the insurance industry. In the case of Guyana, it is abundantly clear then that Government has been at the centre of mergers and acquisitions activity.

Jamaica:

Jamaica possesses the largest population within Caricom and together with this the most sophisticated financial system. Its stock exchange is the most active of all three mentioned in this study, and the number of companies listed is greater than the others combined total (see Appendix). In these circumstances, one would expect the level of merger activity to be more intense than in either Trinidad and Tobago or Barbados. We are, however, unable to confirm whether this is so as we do not have sufficient information. We promise to update this aspect of the study as soon as such information is received. What we do know is that there have been mergers in the financial sector and that the largest thus

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[11] See Annual Report of Bank of Guyana 1995 pg. 28.

far has been the merger between the National Commercial Bank and Mutual Security Bank, which was officially completed on October 1, 1996. The transaction involved a share swap, and assets to the value of J$400 million changed hands. It was a friendly transaction.

Based on our review of the Caribbean experience we believe that merger and acquisition initiatives have played a limited role thus far but we expect this to change in the next century as the level of competition intensifies throughout the region. We suggest that it is the level of competition which has restricted merger activity, inter alia. The mergers which have occurred were largely initiated by governments and were undertaken out of necessity and perhaps under direction of the multilateral lending agencies.

There have been almost no hostile attempts, save and except, the recent Republic Bank/C.L. Financial impasse in Trinidad and Tobago, when C.L. Financial attempted to have the Republic board replaced by one of its own choosing. This was vigorously opposed by the Management of the Republic bank and an expensive media campaign ensued by both parties, aimed at gaining public support to their position. The Government, through the Minister of Finance, intervened and compromise was reached to avoid what many believed would lead to a weakening of the financial system. The matter is, however, still unresolved and will be soon reviewed by the authorities.

We are of the opinion that as the financial sector deepens, as the stock exchange broadens, and as citizens become more aware of the benefits that can be derived from a properly, functioning exchange, that the scope for merger and acquisition activity will widen. Consider that cross border trading began in 1991 but only one share (CIBC Holdings Limited) has been issued on all three exchanges.

What therefore is the reason why there has been no more activity?

3. Implications for the Caribbean

An examination of the two systems which operated in developed countries in the 1980s shows two distinct patterns. In the United States, tight legal and regulatory systems constrained shareholders somewhat and entrusted power in the hands of management which exacerbated the agency problem and led to takeovers. In Germany and Japan, the systems of corporate governance allowed shareholders the power to control public corporations basically through proxies to banks. This was so because banks held extensive equity in industry through their own shareholding and those of others whom they represented.

In the 1990s, however, both systems seemed to be converging, and given that the world is now a global village, merger and acquisition activity will mimic the convergence trend.

The experience in the Caribbean of this type of activity followed neither pattern and was a result largely of government's activities regarding divestment of state-owned entities. With the anticipated growth of stock exchanges and with the increased competition expected by the liberalisation of our economies, Caribbean countries must prepare themselves for the eventuality of mergers and acquisitions which will become a more prominent part of everyday economic activity. Therefore, the legal and regulatory framework must be creative and dynamic so as to adopt strategies to accommodate these types of activities, bearing in mind the different constituencies that have to be satisfied and our special circumstances as small developing countries.

While economic theory and some empirical evidence show that concentrated ownership results in improved corporate performance,

adopting a governance system to account for that may not be necessarily beneficial. For example, in the current impasse between Republic Bank and CL Financial Limited in Trinidad and Tobago - consider who will be the ultimate beneficiaries of this situation - Would it be the shareholders, the management, the depositors or society? Another related question is - who really among this group should benefit? The legal and regulatory framework must pursue appropriate laws to answer such critical questions?

The systems which operated in advanced countries were basically a result, not only of policy initiatives, but more importantly of country specific economic, political, historical and cultural factors. While, we in the Caribbean, may want to use aspects of these systems, we must take note of the factors mentioned above and thus fashion legislation to take account of them.

Conclusion

We wish to conclude our presentation with an admonition. Since technological innovations have greatly improved the operational efficiency of the financial services industry and because liberalisation of our financial system has opened the gateway to foreign competition, mergers between local financial institutions are a *sine qua non* if these institutions are to achieve the critical mass necessary to compete effectively with large foreign competitors, whose penetration into domestic markets cannot for long be restricted because of new technologies and relaxed regulations. Rather than trying to retain their identity we suggest that discussion proceed among local financiers to avert what is a potentially imminent threat to our local banking sovereignity - the return of foreign banks.

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Appendix 1

TABLE 1

NUMBER OF FINANCIAL INSTITUTIONS IN EXISTENCE, SELECTED YEARS Trinidad-Tobago

Institution	1966	1973	1974	1975	1976	1977	1978	1979	1980	1985	1990	1995
Central Bank	1	1	1	1	1	1	1	1	1	1	1	1
Commercial Banks	7	9	9	9	9	9	9	9	9	8	8	6
(Branches)	(54)	(88)	(91)	(91)	(92)	(95)	(99)	(99)	(105)	(117)	(121)	(117)
Finance Companies & Merchant Banks	2	3	6	7	8	11	12	12	12	14	12	10
Trust and Mortgage Finance Companies	3	5	5	5	5	6	7	7	7	8	7	5
Development Banks[1]	2	3	3	3	3	3	3	3	3	3	3	2
Credit Unions[2]	312	299	297	284	286	288	308	318	420	381	400	398
Insurance Companies	-	51	55	57	56	57	62	64	50	57	56	49[3]
Thrift Institutions	-	3	3	4	4	4	4	4	4	4	4	4
National Insurance Board	-	1	1	1	1	1	1	1	1	1	1	1
Trinidad and Tobago Stock Exchange	-	-	-	-	-	-	-	-	-	1	1	1
Unit Trust Corporation	-	-	-	-	-	-	-	-	-	1	1	1
Export Credit Insurance	-	1	1	1	1	1	1	1	1	1	1	1
Reinsurance Company	-	-	-	-	-	-	1	1	1	1	1	1
Deposit Insurance Corporation	-	-	-	-	-	-	-	-	-	-	1	1
Home Mortgage Bank	-	-	-	-	-	-	-	-	-	-	1	1
TOTAL	327	376	381	372	374	381	409	421	519	481	498	483

SOURCE: Central Bank of Trinidad and Tobago; Ministry of Industry, Enterprise and Tourism; *Annual Reports*, Supervisor of Insurance.

1 Includes Trinidad & Tobago Mortgage Finance Company.

2 The data represent the number of registered societies. The number of active credit unions is much less but data on such institutions are only available for 1979, 1986 and 1995.

3 As at December 31, 1994.

Guyana

TAB. 2

NUMBER OF FINANCIAL INSTITUTIONS IN EXISTENCE

1970 - 1995

INSTITUTION	1970	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95
CENTRAL BANK	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
COMMERCIAL BANK ( ) No. of Branches	6	6 (36)	6 (31)	6 (30)	6 (29)	6 (28)	6 (24)	6 (23)	6 (23)	6 (23)	6 (18)	6 (24)	6	6	6	6	6 (18)	6 (19)	6 (19)	5	5	5 (19)	5	5 (20)	7 (23)	6
TRUST COMPANIES	2	2	2	2	2	2	2	2	2	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3	4
LICENSED FOREIGN EXCH. DEALERS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31	36	N/A
INSURANCE COMPANIES.	26	17	15	15	15	16	16	18	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11
COOPERATIVE CREDIT SOCIETIES	N/A	N/A	649	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DEVELOPMENT BANKS	-	-	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1
SAVINGS BANKS	1	1	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NEW BUILDING SOCIETY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
NATIONAL INSURANCE SCHEME	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
PENSION SCHEME	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	22	22
UNIT TRUST	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INVESTMENT COMPANIES	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Bank of Guyana Annual Reports

N/A = Not Available

Comparative Operational Review (1991-1995).
Jamaica Stock Exchange.

Year	1991	1992	1993	1994	1995
No. of Transactions	24073	49791	55519	43114	42600
Reported Share Volume Units (Mn)*	144.26	395.60	567.45	741.75	3565.60†
Daily Average Share Volume (Mn)	0.88	1.94	2.81	3.69	17.82†
Reported Dollar Volume ($Mn)*	1156.61	4687.34	8346.77	5155.46	11560.48†
Daily Average Dollar Volume (Mn)	7.05	22.98	41.32	25.65	57.80
Total Listed Companies	44	48	48	50	51
Total Shares Listed (Bn)	2.36	4.74	8.18	9.78	11.36
Aggregate Market Value (J$Bn)	22.21	76.97	41.87	58.01	50.75
(US$Bn)			(1.28)	(1.75)	(1.53)
Number of Trading Days	164	204	202	201	200

* Includes Block Transactions.
† Includes One Large Transaction of 3.01 Billion Units.

Source: The Jamaica Stock Exchange
Annual Report 1995.

TRINIDAD AND TOBAGO

Comparative Operational Review (1991-1995).
Trinidad and Tobago Stock Exchange.

Year	1991	1992	1993	1994	1995
Share Volume (Mn)	103.5	34.3	78.0	67.6	131.7
Daily Average Volume (Mn)	0.694	0.226	0.522	0.445	0.879
Daily Average Value (TT$Mn)	2.30	0.62	2.00	2.00	5.40
Market Value (Listed Shares) (US$Mn)	2851.7 (670.9)	2184.8 (514.1)	2850.9 (495.8)	3873.9 (645.7)	6750.7 (1125.1)
Total Listed Companies	29	28	26	27	27
Number of Trading Days	149	152	152	152	150
Market Value of Share Volume (TT$Mn)	338.7	94.6	301.2	300.9	812.4
No. of Transactions	6409	4406	4665	4223	6168

Source: Trinidad and Tobago Stock Exchange.

SECURITIES EXCHANGE OF BARBADOS

Comparative Operational Review (1991-1995).
Trinidad and Tobago Stock Exchange.

Year	1991	1992	1993	1994	1995
Share Volume (Mn)	7.2	1.9	3.5	6.4	3.0
Daily Average Volume (Mn)	0.072	0.019	0.035	0.065	0.031
Daily Average Value (Bds$Mn)	0.182	0.044	0.090	0.117	0.064
Market Value (Listed Shares) (US$Mn)	616.5 (308.3)	518.3 (259.2)	656.2 (328.1)	1035.4 (517.7)	1051.4 (525.7)
Total Listed Companies	14	15	16	18	18
Number of Trading Days	100	98	99	98	97
Market Value of Share Volume (Bds$Mn)	18.2	4.3	8.9	11.5	6.2
No. of Transactions	634	289	500	499	525

Source: Securities Exchange of Barbados.