



THE CLICO FINANCIAL CRISIS	Pg 1
NEW DATA PAGE ON CCMF WEBSITE	pg 3
THE JBFEEE DECEMBER 2008	pg 3
NEW RESEARCH ASSOCIATES OF CCMF	pg 3
ANNOUNCEMENTS	pg 4

## THE CLICO FINANCIAL CRISIS

At a press conference on Friday January 30 attended by Lawrence Duprey, Chairman of CL Financial, Karen Nunez-Tesheira, Finance Minister of Trinidad and Tobago, and Ewart Williams, Governor of the Central Bank of Trinidad and Tobago, an announcement was made of a series of actions designed to protect the depositors, policy holders and creditors of the subsidiaries and associated companies of CL Financial.

The measures are:

- Divestment by CL Financial of its shareholdings in Republic Bank, Methanol Holdings (Trinidad) Ltd, Caribbean Money Market Brokers;
- Divestment of any other assets necessary to restore the healthy financial condition of the insurance subsidiaries of CL Financial (Clico and British American);
- Additional finance from the Government of Trinidad and Tobago, if necessary, on the security of the assets of CL Financial;
- Transfer of the unencumbered assets of Clico Investment Bank (CIB) to the First Citizens Bank of Trinidad and Tobago, a state owned bank. Other assets will be assumed by the central bank, and CIB will be wound up;
- Government will acquire appropriate shareholding in Clico and British American insurance companies, and will appoint new boards of directors and new management teams.

CL Financial is a holding company headquartered in Port of Spain, with assets estimated to be in excess of US\$14 billion, and with subsidiaries and affiliates in Barbados (assets in excess of US\$500 million), The Bahamas, Guyana) and OECS countries. The group's interests cover a diverse range of economic activity, including insurance, banking and finance, real estate, energy, manufacturing, agriculture, forestry, services and communications. Addi-

tional information on the company may be found on the CCMF website, [www.ccmf-uwi.org](http://www.ccmf-uwi.org).

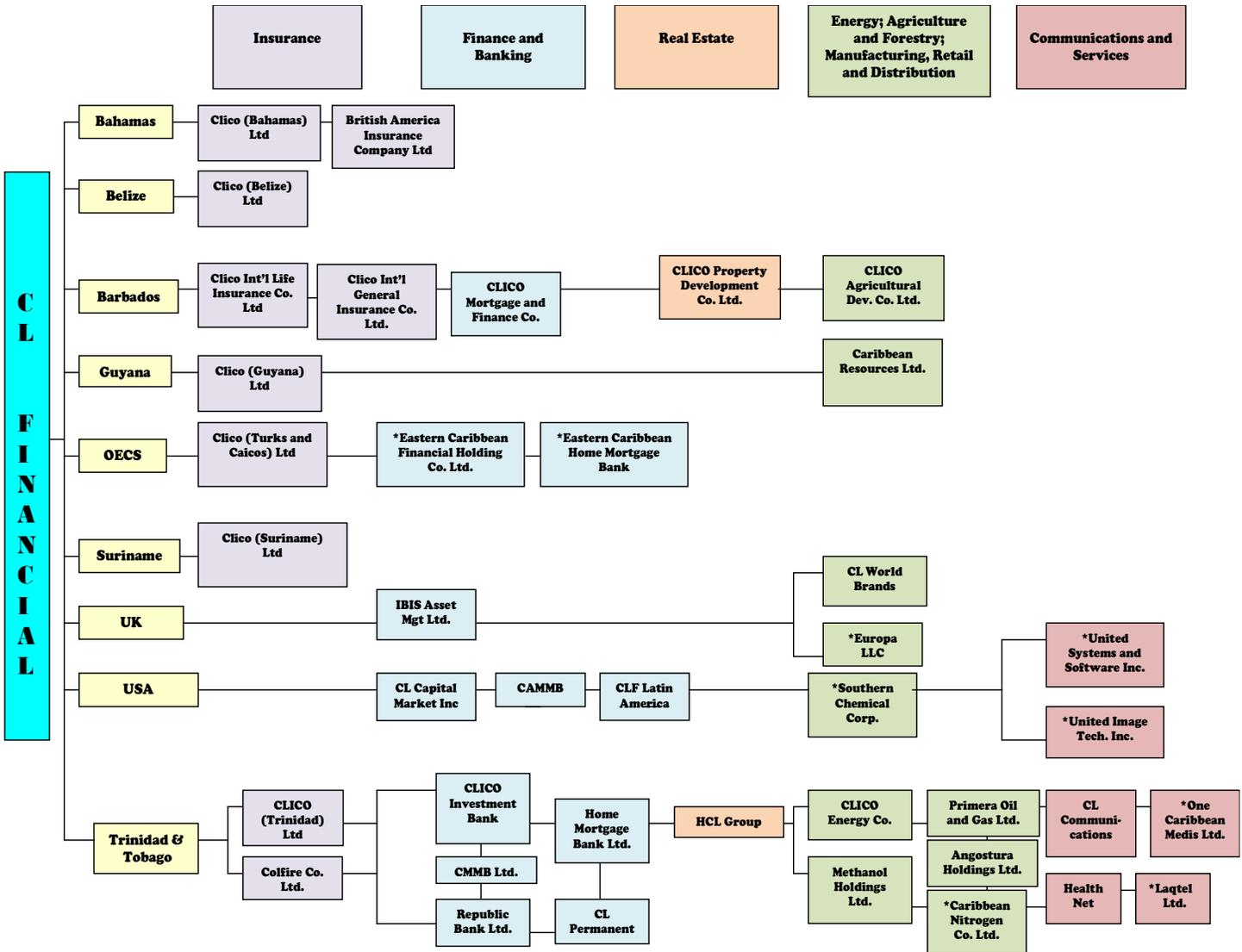
Governments and central banks in countries where CL Financial and its associated and subsidiary companies have a large presence reacted quickly to the news of the intervention by the Government of Trinidad and Tobago. On Monday February 2 the Central Bank of Barbados announced that it was placing a deposit of US\$5 million of central bank funds at the disposal of Clico Mortgage Finance Corporation (CMFC), a Barbados subsidiary. It also opened a liquidity support facility for CMFC, and announced its intention to provide guarantees for interbank loans to the group if that were to become necessary. A special meeting of the Monetary Council of the Eastern Caribbean Central Bank was convened on Tuesday February 3, to consider the impact of the crisis at CL Financial. Prime Minister Gonzalves and the ECCB will continue to monitor the situation in close collaboration with authorities in Trinidad and Tobago and Barbados to ensure that all exposed entities are fully covered.

According to Chairman Duprey, the reasons for the intervention by the Government of Trinidad and Tobago were:

- German bankers cut CL Financial's access to funds;
- New Trinidad and Tobago legislation restricts interparty transactions;
- The fall in prices of methanol and ammonia has depressed the value of CL Financial's holdings in those companies; and
- A fall in real estate prices has reduced the value of the group's real estate holdings.

It was subsequently reported that an unusually large number of the depositors in CL Financial's Trinidadian

## THE CLICO FINANCIAL CRISIS con'td



Note: \* represents Associates and Joint Venture Companies  
 Source: CL Financial Annual Report 2007 and <http://www.clfinancial.com>

subsidiaries have recently cashed in their holdings, among them the state owned National Gas Company, which attempted to withdraw a total of US\$250 million, of which only US\$14 million was forthcoming.

It will be some time before the full circumstances leading up to Friday's announcement are known, and even more time will be needed to allow a dispassionate analysis of those events. However, it is already clear that the data and infor-

mation normally published by central banks needs to be significantly upgraded, as one of the vital elements in avoiding future financial failure. Beginning later this year, the Caribbean Centre for Money and Finance hopes to coordinate a major effort among regional central banks to address the data and information requirements of the Caribbean region, in view of the increasing integration of the regional financial sector.

## NEW DATA PAGE ON CCMF WEBSITE

The CCMF website ([www.ccmf-uwi.org](http://www.ccmf-uwi.org)) now features a "DATA" page where you may access charts of recent Caribbean economic performance, including growth rates, inflation, unemployment, interest rates, fiscal balances, external current account balances, foreign exchange reserves, external debt service ratios, financial

sector indicators and tourist arrival data. The page also features statistical tables with these and other macroeconomic data on the Caribbean, which may be downloaded in Excel format. Additional charts will be added from time to time.

## THE JBFEEE DECEMBER 2008

The December 2008 edition of the Journal of Business, Finance and Economics in Emerging Economies is now available. Papers in this edition can be viewed and downloaded from website of The Caribbean Centre for Money and Finance at <http://www.ccmfuwi.org/>.

This edition contains papers on areas as diverse as :

- *Return Viability in CARICOM Equity Markets by Patrick Watson.*
- *Analysing the Effectiveness of Monetary Policy in the Bahamas by John Rolle.*
- *The Reaction of Bank Lending to Monetary Policy in Jamaica by Mikhail-Ann Urquhart.*

- *Issues in Financing Development in CARICOM by Karl Bennett.*
- *International Accounting Standards and Financial Reporting Quality in Trinidad and Tobago by Anthony Bowrin.*
- *An ARDL Model of the Demand for Housing in Barbados by Denny Lewis-Bynoe, Xiomara Archibald and Stacia Howard.*
- *An Exploration of Alternative Methodologies For Assessing Debt and Fiscal Sustainability by Ankie Scott-Joseph*
- *CARIFORUM-EU Economic Partnership Agreement: The Welfare Impact and Implications for Policy in Trinidad and Tobago by Roger Hosein.*

## NEW RESEARCH ASSOCIATES OF CCMF

### \* [DR. TARRON KEMRAJ](#)

Dr. Tarron Khemraj is currently Assistant Professor of Economics at the New College of Florida – The Honours College of Florida. He obtained his Ph.D. in Economics from the New School for Social Research, an M.A. in Development Economics from the University of Manchester, and a B.Sc. in Economics from the University of Guyana.

Dr. Khemraj's present research focuses on monetary theory and policy applied to developing and emerging economies. In particular, he examines the implication of oligopolistic banking structures on interest rate determination and monetary policy operation in the third world.

### \* [PROF. ROLAND CRAIGWELL](#)

Roland Craigwell is a Professor of Economics at the University of the West Indies, Cave Hill; He was the former Deputy Director (Economic Modelling) at the Central Bank of Barbados. A graduate of the University of the West Indies, the University of Warwick and the University of Southampton, he specialises in Applied Econometrics and his publications have appeared in Caribbean and International journals.

Prof. Craigwell is currently working on panel data applications to financial institutions, tourism modelling and business cycle analysis.

## THIRD BIENNIAL INTERNATIONAL CONFERENCE ON BUSINESS, BANKING AND FINANCE May 28th-29th 2009

FINANCIAL SERVICES IN EMERGING ECONOMIES: SURVIVING THE GLOBAL ECONOMIC MELTDOWN

### CALL FOR PAPERS

This is the first Call for Papers to the third international biennial conference on Business, Banking and Finance which will take place over the period May 28-29, 2009 at the St. Augustine Campus of the University of the West Indies, Trinidad. This international conference, whose theme is *Financial Services in Emerging Economies: Surviving the Global Meltdown*, is a forum for the exchange of ideas on critical business, banking and financial issues facing emerging economies in the context of a global financial and economic meltdown of unprecedented proportions. It will serve to bring together, from the Caribbean and other emerging economies, leaders of the business communities, governmental policy makers and international scholars and researchers.

Participation is open to scholars, policy makers, graduate students, professionals and all persons interested in the burning issues associated with this theme.

The sub-themes to be addressed through written and oral submissions at the conference include, but are not limited to, the following topics:

1. Capital Markets in Emerging Economies
2. Basel II and Emerging Economies
3. Securities Industry and Insider Trading
4. Business Processing Outsourcing
5. Corporate Governance in Financial Institutions
6. Cross-border trading in financial securities
7. The Role of Risk Officers and Compliance Officers in financial institutions
8. Emerging trends in the Financial Services Sector
9. Role of Central Banks in monitoring Financial Stability Risks
10. The role of Auditors and Actuaries in the supervision of the Financial Services Sector
11. International economic convergence and counter-cyclical policy ini-

tiatives

12. Re-thinking the traditional business model for banking
13. Restructuring the international financial Architecture
14. Opportunities and Challenges arising from fluctuating Commodity Prices
15. The aftermath of the subprime crisis and its impact on emerging economies
16. Quality of Sovereign Debt in Emerging Economies
17. Globalization, Ownership Structure and Organizational Performance.
18. Strengthening of Investment Vehicles in Emerging Economies (e.g., Pension Funds, Mutual funds)

**Publication in the *Journal of Business, Finance and Economics in Emerging Economies*.** A selection of papers will be considered for publication in a special issue of the peer-reviewed *Journal of Business, Finance and Economics in Emerging Economies*. **The deadline for submission of abstracts in WORD or PDF format is February 28, 2009.**

Authors of papers accepted for presentation at the conference will be notified by March 15, 2009.

**The deadline for submission of full papers in WORD or PDF format is April 30, 2009.**

Abstracts of 200 words or less inclusive of keywords, or full papers (inclusive of abstracts), to be sent to:

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