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## CCMF ONLINE: THE PULSE OF THE CARIBBEAN ECONOMY

The CCMF has established a range of services to serve the ongoing policy and information needs of the Caribbean, building on the foundation of forty years of research, publication, hosting of conferences and seminars, and servicing of the Caricom Council of Central Bank Governors. A breakthrough in the Centre's delivery of information, analysis and data was the decision to provide all such services online, free of charge, on the CCMF website, [www.ccmf-uwi.org](http://www.ccmf-uwi.org). This has enabled us to introduce new services, including a newsletter which provides commentary on current regional economic matters and a regional economic news summary; charts with regional comparisons of foreign exchange reserves, tourism performance, commodity prices, growth, inflation and other economic indicators; facilities for free downloads of the economic series used to compile the charts; and a twice yearly economic performance report. In addition, much of the CCMF's accumulated research is now available online, including the entire corpus of Annual Monetary Studies presentations, from 1968 to 2008.

The Centre has also upgraded its policy and research services, in support of the needs of central banks and policy makers. The *Caribbean Economic Performance Report* now includes a section on the impact of the global economy on the region, based on up to the minute indicators such as daily exchange rates, daily commodity price indices, monthly foreign exchange reserves and monthly tourism arrivals. In response to the regional financial crisis that ensued with the intervention of CL Financial by the Government of Trinidad and Tobago, the CCMF published a factsheet on CL Financial on its website, and the Centre has issued updates on CL Financial and the Stanford Group, the other financial failure with Caribbean implications, from time to time in its newsletter. The first of what is planned to be an ongoing service of producing policy papers that address immediate concerns of regional policy makers in a timely man-

ner was launched in June 2009. An important initiative was taken in May 2009, with the first attachment at the Centre of an economist from a contributing central bank. In addition, Centre staff have participated in a number of regional and national policy advisory committees and task forces, and made presentations at regional business and economic fora.

Underpinning all the analytical work has been the Centre's strong commitment to empirical research and publication. The Centre's new flagship journal, the *Journal of Business, Finance and Economics in Emerging Economies (JBF3E)*, published in collaboration with the Department of Economics, the Sir Arthur Lewis Institute for Social and Economic Studies (SALISES) and the Department of Management Studies, of The University of the West Indies, is now online, up-to-date and available for free download. The second edition of *The Financial Evolution of the Caribbean Community*, edited by Ramesh Ramsaran (Professor of International Relations, an associate of the Centre and its former director) will be published sequentially online as chapters become available. The first chapter was being typeset in June 2009. In addition, a regional project on inflation and price formation is underway, coordinated by another CCMF associate, Roland Craigwell (Professor of Economics, UWI). Other research is underway on regional financial integration, foreign exchange reserves and exchange rate changes, and techniques of stress testing.

The Centre arranged two major conferences during the 2008/2009 fiscal year, the Annual Monetary Studies Conference, hosted by the Eastern Caribbean Central Bank in St Kitts in November 2008, and the Third Conference on Business, Banking and Finance, organised jointly with SALISES and the Department of Management Studies, in May 2009. Both were well attended and attracted presentations of high quality.

## REGIONAL NEWS SUMMARY

### *The CL Financial Group*

- ◆ The prime minister of the Bahamas, Hubert Ingraham said the Office of the Registrar of Insurance Companies advises that there is a gap between the assets and liabilities of CLICO, leaving a net liability of \$42 million. He added that there are realisable assets estimated at \$85 million and adjusted liabilities of \$127 million. Policy liabilities are estimated at \$73 million and other liabilities are estimated at \$54 million. As policy liabilities may have a first claim on all assets it is therefore expected that policy liabilities are fully covered. Insurance companies are unwilling to purchase CLICO's policies and assume the possible exposure of \$10 million without a government guarantee. Government has agreed to provide such a guarantee.
- ◆ Guyana seized CLICO in that country just after CLICO (Bahamas) was ordered into liquidation in February. CLICO (Guyana) had invested some \$34 million in CLICO (Bahamas). It's a sum representing 53 percent of its assets. Most of that money is now tied up in Florida real estate, with little indication a forced sale can be completed at this time.
- ◆ Commissioner of Insurance in Guyana Maria van Beek has recommended that Clico (Guyana) be liquidated now by the High Court saying that the time has arrived for a further order of court to wind up the insurance company. Operating in the capacity of Judicial Manager of Clico, van Beek called on Chief Justice (ag) Ian Chang in an affidavit in report submitted late last month to grant the winding-up order. This has come nearly three months after the company was placed under judicial management. Clico (Guyana) has objected to the sale of its assets, arguing that Judicial Manager Maria van Beek closed all of its business offices without a single attempt to operate any line or class of insurance business. Since the company has insisted that it is in a position to operate some lines of business, Clico's attorneys approached Chief Justice (ag) Ian Chang days after he had granted an order approving the sale of Clico's immovable assets and succeeded in obtaining a stay on the order until the court hearing is determined. (SN 23 Jun)
- ◆ Judicial Manager Maria van Beek has refuted claims by attorneys for Clico (Guyana) that the company has great liquid cash resources saying that it suffered the blow of the US\$34M "badly invested" in The Bahamas, and a great number of policy surrenders earlier this year.

### *The Stanford Group*

- ◆ On Friday June 19<sup>th</sup> Texas billionaire R. Allen Stanford was indicted yesterday on charges his international banking empire was really just a Ponzi. The Justice Department announced charges against Stanford and six others who allegedly helped the tycoon run a US\$7 billion scheme.
- ◆ The Antigua and Barbuda's government has also dismissed the country's chief financial regulator over his alleged role in the Allen Stanford fraud case, and vowed to root out further corruption "cancer" if it existed. Leroy King had already been suspended last week as head of the Caribbean nation's Financial Services Regulatory Commission (FSRC) over US charges that he collaborated with Texas billionaire Stanford in a \$7 billion "massive Ponzi scheme".

### *Other News*

- ◆ Michael Lee Chin has failed to come up with the US\$155 million (J\$13.8 billion) that AIC Barbados, the holding company for his Caribbean investments, owes bond holders. About US\$108 million of the debt is owed to Jamaican investors, of which US\$47 million is due this year, an internal document acquired by the **Financial Gleaner** reveals. Lee Chin was already granted one extension to June 11 to repay the bonds, a date he now says he also cannot keep.
- ◆ Carl Hiralal, inspector of financial institutions at the Central Bank of Trinidad and Tobago has indicated that the Caribbean's central banks are moving to establish a region-wide banking regulator as authorities deal with the global financial crisis, the impact of cross border capital flows and the impact of Clico's collapse on regional finance.
- ◆ The financial crisis and devaluation of the Jamaican dollar and the British pound have contributed to the AM Best ratings agency putting a negative outlook on the financial strength of Guardian Life of the Caribbean (GLOC), said Jeff Mack, chief executive officer of Guardian Holdings Ltd. GHL is the parent company of GLOC. "As communicated many times, the current financial crisis, combined with the accounting mandates of internationally recognised best practices as adopted by GHL, have created non-cash mark-to-market accounting losses to GHL's financial assets." (TG 19 Jun)
- ◆ Migrants from Latin America and the Caribbean (LAC) living in the more developed countries will

## REGIONAL NEWS SUMMARY Cont'd

send back to their home countries US\$64 billion in 2009, US\$4 billion less than in 2008. Nevertheless, this total represents more than the sum of foreign direct investment and official development aid combined. As the global economic crisis continues, the flow of remittances is expected to be reduced by about 7 percent, according to reports emanating from the Inter-American Development Bank (IDB) and other international financial bodies. Already, this reduction is being noticed in recipient countries. Earlier this month, the Planning Institute of Jamaica noted that inflows to that country for the first quarter of this year dropped by 15 percent to US\$414.6 million compared to the same period last year.

- ◆ One of Jamaica's most stable and respected financial institutions, Scotia Group announced higher loss provisioning and halving of its retail banking division profit by J\$1 billion. Credit losses jumped \$360 mil-

lion to \$473 million and Scotia isn't alone. National Commercial Bank reported an increase in revenue of \$650 million but a drop in profits of \$120 million (blaming staff costs and loan loss provisioning) the latter being \$190 million more for the quarter against the same period for 2008

- ◆ Earlier this month, the offshore centre joined the global regulatory body IOSCO (the International Organisation of Securities Commissions), which on Monday backed compulsory registration of hedge fund managers.
- ◆ Commercial banks will soon have to use the foreign currency they already have, instead of purchasing more from the Central Bank of Barbados. This is as a result of the Central Bank's decision to lower the foreign exchange reserve requirement from six per cent to four per cent, with effect from July 9, the Central Bank announced yesterday.

## STUDENT INTERNS - SUMMER 2009



**JENEES STEPHENS** is a graduate of The University of the West Indies, Mona where she was conferred with a Bachelor of Sciences (B.Sc) in Business, Economics and Social Statistics (Statistics Special) with First

Class Honours in 2008. At present, she is actively pursuing a Master of Sciences (M. Sc.) in Economics from the UWI, Mona (to be completed in 2010). This quest has led to the award of an internship at the Caribbean Centre for Money and Finance (CCMF), The University of the West Indies, St Augustine.

At the Centre, her primary endeavour is an investigation of the relationship between liquidity management and interest rate spreads as a first step in concocting a scheme aimed at the reducing banking spreads. Excessive interest rate spreads are hindrances to investment, since illiquid borrowers are subject to higher than affordable lending rates and surplus agents are not enticed by low deposit rates. The result is a slowdown in the credit machinery rendering investment deficient; even more so amidst the business climate in the Caribbean where commercial financing is primarily sought from banks. Therefore, the study is aimed at offering pragmatic policy solutions to stakeholders (primarily

the monetary authority) to combat these issues inherent in the plague of high banking spreads.

**ANDRINA BRACKIN** is a Graduate student at The University of the West Indies, Cavehill Campus majoring in Financial and Business Economics, currently working as a temporary research intern at the Caribbean Centre for Money and Finance. Born in Sandy Bay, a community in the Northern part of St. Vincent, Ms Brackin is also a graduate of St. Vincent Girls' High School and St. Vincent Community College and currently holds a B.Sc. degree in Economics and Accounting from The University of the West Indies, Cave Hill Campus.



She is presently working in collaboration with Dr DeLisle Worrell and Mr Anthony Birchwood on a research paper that focuses on "The Financial Aspects of Growth and Development in the Caribbean". Specifically, the research paper analyses the various channels in which commercial banks and other non-bank financial intermediaries propel investment and economic development.



## UPCOMING CONFERENCES...

### 13th Senior Level Policy Seminar

#### "Strategies to Cope with Global Uncertainty – Choices for Caribbean Business and Finance"

A seminar for CEOs and senior executives of the private and public sectors in the Caribbean

Organised by the Caribbean Centre for Money and Finance

Hosted by the Bank of Jamaica

**Friday, September 4, 2009**

**9:00 a.m. – 4:30 p.m.**

Seabed Conference Centre, Kingston, Jamaica

**Fee:** US\$200

**The seminar will provide you with a range of expert opinion, to aid your independent decision making**

#### You will hear from :

**Professor Avinash Persaud:** member of the UN Secretary General's committee on the global financial crisis, which reported in March 2009

**Mr Michael Horgan:** Executive Director for Canada, Ireland and Caribbean countries on the Executive Board of the IMF, the body which makes policy for the institution

**Mr. Philippe Carrel :** Global Head of Alternative Investment Strategies; Reuters New York.

**Dr Auliana Poon :** international tourism entrepreneur and consultant, with twenty years' experience

**Mr Suresh Sookoo :** CEO of RBTT Financial, the holding company of one of the Caribbean's largest regional conglomerates

**Dr Badrul Haque:** incoming director of the World Bank Jamaica office

**Dr Andre Gordon:** Managing director of Technological Solutions Ltd of Jamaica, with 22 years of international experience in the field

**Mr Mark Linehan:** CEO of Digicel Jamaica Ltd.

**Mr Eric-Vincent Guishard:** CIO of GRAVITAS capital, Washington, DC

*This is not just another "how to prosper in times of crisis" seminar*

*In these extraordinary times the old guidelines no longer apply, conventional policies go haywire, and the experts get it wrong, time after time. Decision makers have little guidance, and they must therefore inform themselves as fully as possible, so they can make the best independent decisions. That is where the CCMF, and this seminar, come in.*

For more information please contact:

CCMF at (868) 645-1174/1610 or email us at [ccmf@sta.uwi.edu](mailto:ccmf@sta.uwi.edu)

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