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Newsletter

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- Suriname
- Trinidad & Tobago
- Turks & Caicos Islands

Inside this issue:

- CEO's Editorial 2
View Point 4 - 6
Correspondence to Regional Ministers of Finance - 5th Summit of the Americas
Mr. Wayne Wray
Chairman - CAIB Inc.
Regional News Brief 7 - 8
Upcoming Conferences / Training Opportunities 9

ECFH RECORD YEAR DESPITE WORLD CRISIS: \$47 MILLION PROFIT

The Eastern Caribbean Financial Holdings Co. Ltd (ECFH), parent company of Bank of Saint Lucia (BOSL) and five other subsidiaries, has reported a record profit margin for 2008, despite the current global financial crisis and recession.

Robert Norstrom, ECFH Group Managing Director, disclosed that all the subsidiaries achieved a profit, with the group as a whole recording a net profit of approximately \$47 million, which is six percent more than the profit margin of the previous year.

ECFH's total assets grew by just under two percent to \$2,042 million with all of the subsidiaries recording profits for the year.

"What was notable was the result of our global insurance business, EC Global Insurance, which began operations in September 2004 and achieved its first year of profits in 2008," he said, adding that this augured well for EC Global and its future operations.

(continued on page 7)

CARIBBEAN LEADERS TO HOLD MORE TALKS WITH THE US

Caribbean leaders will discuss economic aid, gun and drug smuggling other issues in a second round of private talks with United States (US) President Barack Obama later this year.

"We have been invited to meet later this year to help set up a formal structure of engagement with the United States," St Kitts and Nevis Prime Minister Dr Denzil Douglas said after the talks.

After meeting with the US president on the sidelines of the Fifth Summit of the Americas in Trinidad, Caribbean presidents and prime ministers described a new tone in US policy and expressed hope for closer ties.



Trinidad and Tobago's Prime Minister Patrick Manning signing the Declaration of Port of Spain at the 5th Summit of the Americas held April 17-19.

Jamaica's Prime Minister Bruce Golding said President Obama expressed "a profound understanding of the situation facing the Caribbean and a willingness to work with us".

(continued on page 7)



**CAIB MANAGEMENT & STAFF
NEWSLETTER EDITORIAL TEAM**

Mrs. Patricia Hamilton: Chief Executive Officer
Mrs. Mary Louis: Administrative Officer

CEO's Editorial

Dear Colleagues

Welcome to the March/April 2009 issue of CAIB's Newsletter!

And I'm sure you will forgive me if I forgo the usual introductory editorial summaries and get straight to congratulating Eastern Caribbean Financial Holding (ECFH) Co. Ltd - parent company of Bank of Saint Lucia (BOSL) - for posting a record year of success in 2008. Way to go!

The Group posted a net profit of \$47 million which represents a six percent increase over that of the previous year, and paid out a total year-end dividend of \$1.00 per share - a 20% ROI on the original share price. ECFH Group Managing Director Robert Norstrom and Chairman of the Board of Directors Victor Eudoxie were elated to announce the Group's financial performance figures for last year. Noting the tenuous uncertainties currently marking the global financial arena, the ECFH top executives hailed 2008's performance as a "major accomplishment" which demonstrated the Group's "capital strength and stability."

This announcement was indeed timely, coming as it did just days before the region hosted the 5th Summit of the Americas in Trinidad and Tobago. It was one more key testament to the strength, integrity and sure-footedness of the Caribbean banking industry on a whole.

The Summit saw Heads of Government and Ministers of Finance from across North and Latin America and the Caribbean converge to discuss the impact of the global financial crisis on local Caribbean economies, the need to reassess the region's stance towards Cuba and a range of other political, security, social and environmental concerns.

CAIB's Board of Directors took the opportunity to

highlight what it felt were priority issues to be brought to the fore in discussing the region's banking industry. In a letter presented to various attending Ministers of Finance, CAIB made particular note of the need to address the region's contracting access to correspondent banks, and its concern with the wholesale blacklisting of offshore banking facilities. This letter has been published as this edition's Viewpoint.

Our Regional News Brief pages bring word of follow-up talks to take place later this year between the US and Caribbean leaders concerning, among other things, the indiscriminate "crackdown on so-called tax haven nations," and the call of Caribbean leaders to have our region's financial centres recognised as a legitimate sector within the arena of global financial services.

Also featured in this edition's Regional News Brief is the CARICOM Heads of Government endorsement of the recently formed College of Regulators. Such a regional approach was lauded at as a necessary step towards greater collaboration among Caribbean regulators. Referencing the two recent jolts to the Caribbean's financial services industry, the CARICOM Heads of Government communiqué release noted that "the experiences relating to the CL Financial Group and the Stanford Group of Companies have demonstrated the need for strengthening the regional regulatory framework and for more effective cross-border supervision of Pan-Caribbean companies."

Certainly CAIB endorses the mandate of the College of Regulators - after all, our adherence to sound banking principles has seen us through thus far, and shall continue to protect as our industry takes on new challenges.

Enjoy reading!

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CAIB VISION

Caribbean Association of Indigenous Banks Inc. will be the focal point for networking and effective advocacy and the organisation of choice for support and services for indigenous financial institutions in the region.

CAIB MISSION

The Mission of Caribbean Association of Indigenous Banks Inc. is to facilitate the growth and development of indigenous financial institutions in the region.

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VIEWPOINT

“Priorities of our Banking & Financial Services Industry”

SUMMIT OF THE AMERICAS 2009

In this edition's VIEWPOINT we feature the letter sent by , Chairman of the Board of Directors of CAIB Inc. First Global Bank Ltd, Mr. Wayne Wray to the various regional Ministers of Finance, communicating our Association's expectations regarding issues to be addressed at the Summit of the Americas 2009, held April 17-19 in Trinidad & Tobago.

In light of the upcoming Summit of the Americas, to be hosted April 17-19 2009 in Trinidad and Tobago, the Board of Directors, and indeed the entire membership body of Caribbean Association of Indigenous Banks Inc. (CAIB), takes this opportunity to highlight some of the key issues affecting our region's banking and financial services industry – issues we firmly believe bear weight upon the very stability of the economy of all Caribbean nations, and therefore warrant immediate and emphatic attention during this very important Summit.

From our vantage point as banking and financial services providers, we have seen firsthand the effect of the ongoing world financial crisis on our region's economies. To our credit, Caribbean banks have remained strong in spite of this because of our prudence and adherence to tried and tested banking principles. It is therefore unfortunate that the corrective measures adopted by these affected banks now threaten the very existence and the future growth and development of the region.

For too long, small nation states such as those which make up our region have been ignored in the establishment of governing principles (in international trade finance, financial accounting treatment and anti-money laundering regulations) in the

world financial arena. Furthermore, in light of a recent World Bank study which predicts developing country GDP growth will slow to 2.1 percent in 2009, down from 5.8 percent in 2008, we in the Caribbean must take the opportunity provided to us via this Summit to air our views and opinions in this regard.

We therefore implore you to take advantage of our region's hosting presence at the 2009 Summit of the Americas to bring the following points to the fore:

Reduction / Withdrawal of International Banking Credit Lines and Correspondent Banks

US Correspondent Banks play a vital role in facilitating the growth and development of the Caribbean's banking industry – a pivotal industry whose development itself is an integral contributor to the growth of our economy. They provide the platform which facilitates the region's engagement in international trade, bearing in mind that (1) all the currencies in the Caribbean region are directly pegged to the United States dollar, and (2) the majority of the region's trade, both imports and exports, is conducted with the United States of America.

However, US Correspondent Banks have been steadily withdrawing their services from Caribbean partners as a result of the increased regulatory re-

quirements established via such initiatives as the USA PATRIOT Act (2001). As relates to correspondent banking, such regulations stipulate that all US financial institutions must have AML programmes and must exercise due diligence before allowing a non-US financial institution to open a correspondent account with them, thereby gaining entry into the US financial system. Furthermore, all US financial institutions are required to maintain comprehensive records regarding the non-US banks for which they provide correspondent accounts, and by law are now subject to the unprecedented authority granted the US Secretary of the Treasury and the US Attorney General to demand and obtain information that relates to correspondent accounts maintained for non-US banks and financial institutions.

These recent regulations have had a major negative impact upon the relationship between US Correspondent Banks and the Caribbean's Indigenous Banking industry. The cost and complexity of ensuring compliance have risen sharply, as have the penalties for non-compliance – so much so that “regulatory risk” now makes it increasingly unattractive for US Correspondent Banks to do business with banks of the Caribbean region. Indeed, such business – an essential component for the viability and

(continued on page 5)

VIEWPOINT

“Priorities of our Banking & Financial Services Industry” SUMMIT OF THE AMERICAS 2009

(continued from page 4)

survival of Caribbean banks – is now classified under the PATRIOT Act as a “high risk” activity, leading to onerous costs for that level of due diligence.

It cannot be overstated – a threat to correspondent banking is a threat to both the Caribbean banking and financial services sector and well as to Caribbean international trade on a whole. Should players within the US correspondent banking industry continue the current trend of withholding access to its services from Caribbean banks, as they understandably look to avoid exposing their business to increasing regulatory and reputational risk and to the prohibitive cost of doing business in such a heavily regulated sector, then the Caribbean bank becomes an ineffective institution for trade – an inconsequential, non-entity with no role to play in international trade dynamics.

Without competitive access to such services, the vibrant indigenous banking industry of the Caribbean – small as it is, and in need of opportunities for capacity building - will cease to exist, and our region’s economic growth and development will be significantly stifled.

Destructive Approach to Off-shore Banking

Caribbean Association of Indigenous Bank Inc. echoes the call being made by Governments across our region to put a halt to the indiscriminate, broad-brush condemnation of the off-shore banking indus-

try, for though our region’s banking and financial services sector has consistently demonstrated its commitment to the global fight against money laundering and terrorism financing, our enacted legislative achievements in this arena have been virtually ignored by international regulators.

The operation of International Financial Centres by Caribbean jurisdic-

“We urge our Caribbean Governments to encourage the acceptance of our financial centres as part of the global financial service sector, which should have the right to operate on a level playing field with other international centres providing legitimate financial services.”

tions has emerged as an important service sector for the economic health of the region. Over the last ten years the island centres have aggressively amended legislation and policies to meet international banking standards and compliance with best practices to prevent money laundering and the financing of terrorism. CAIB has been instrumental in developing a code of conduct for Caribbean banks, identified as **The Caribbean Principles**, which complies with the standards for correspondent banking relations sought by major financial institutions

under the guidelines known as the Wolfsberg Principles. The governing Boards of Directors of our region’s banks have agreed to drive the acceptance of the standards articulated in **The Caribbean Principles**, and to adopt top-down approaches to ensuring that their institutions achieve compliance with all international requirements and maintain the integrity of correspondent relations.

In addition, all Caribbean jurisdictions have given their commitment to meet the OECD requirements for tax transparency, and most have already signed tax information exchange treaties and established mutual legal assistance treaties which provide a legal process for the exchange of information between treaty partners.

It should further be noted that the majority of wealth managed from the Caribbean is hosted by institutions located in OECD countries, and therefore contribute to the well being of those institutions. We urge our Caribbean governments to encourage the acceptance of our financial centres as part of the global financial service sector, which should have the right to operate on a level playing field with other international centres providing legitimate financial services.

Indeed, CAIB commends the recent announcement of the International Finance Corporation (IFC) introducing a global initiative to “bring together governments, development finance institutions (DFIs), and private sector banks to support trade in developing markets and to address the shortage of trade finance resulting from the global financial crisis.” In addition, we

(continued on page 6)

VIEWPOINT

“Priorities of our Banking & Financial Services Industry” SUMMIT OF THE AMERICAS 2009

(continued from page 5)

welcome the World Bank's formation of a US\$40 million trust fund to help developing countries improve their competitiveness and to bolster their economic performance.

Our Association is further heartened by some of the conclusions and proposed initiatives of the recently concluded G-20. We acknowledge

that there has been a demonstrated heightened awareness of the need to consider the impact of global regulations on smaller developing countries such as ours, and it is therefore against this backdrop that we put forth our concerns. Now that the proverbial “door” has been opened, CAIB Inc. urges the leaders of our region to take full advantage of this international forum to clearly articulate our posi-

tions and expectations, and to press for the necessary attention demanded by our fragile and increasingly vulnerable economies.

We wish you much success and will make ourselves available for any assistance you deem necessary in forwarding these issues.

G20 Empowers Financial Stability Board (FSB) to Get Tough

The G20's 44-item action plan, now in the hands of a powerful FSB with a mandate to move quickly, will pose a real challenge for current risk practices at global financial institutions.

PJ Di Giammarino, CEO JWG-IT, comments “Under the new paradigm, senior management will have to pull together information from all the silos within their organisation to explain to multiple regulators their plans for risk management and how their business is preparing to cope with a variety of market scenarios.”

Whilst its predecessor only had an assessment and oversight role, the new FSB will advise on regulatory policy, regulatory standards best practices and supervisory guidelines. This means that decisions about the new framework for risk management will not only happen quicker, but that the changes will result in new questions being asked of senior management this year.

Following review of the working documents released yesterday, Di Giammarino adds: “28 supervisory colleges have already been established for the most systemically important firms and the remainder will be in place by June 2009. The Basel Committee on Banking Supervision (BCBS), chaired by the Governor of Netherlands Bank, has been given the responsibility of defining benchmarks, tools and metrics that supervisors can use to assess the banks' liquidity buffers, funding sources and stress testing practices. The BCBS has been charged with working with the Committee on the Global Financial System (CGFS), chaired by the Deputy Governor of Bank of France, to launch a joint research programme that will, amongst other things, define robust measures of funding and liquidity risk which could assist assessments and pricing by the private sector.”

JWG-IT recognises these are significant developments, as: (1) Regulators will now be free to exorcise devils in the regulatory regimes, legal frameworks and tax systems that have impeded effective risk supervision to date; (2) Large financial institutions, including hedge funds, will have to reassess their governance and operating models in order to align to common standards; (3) Regional coordinating organisations, such as the European Commission and CESR, will need to align their focus with the new global mandate; (4) Standards bodies and associations will need to take account of both national and international developments in the political and regulatory landscapes; (5) A much-touted outcomes, or principles-based, regulatory approach will be put to the international test as more prescriptive standards emerge; and (6) There will be new opportunities for the FS supply chain to help fill the gaps.

(SOURCE: Bob's Guide Website: www.bobsguide.com, April 3 2009)

REGIONAL NEWS BRIEF

ECFH RECORD YEAR DESPITE WORLD CRISIS

(continued from page 1)

The largest subsidiary, BOSL, recorded a profit of just over \$34 million, a small increase over last year with total assets at \$1.72 billion from its 2007 asset base of \$1.6 billion.

ECFH, Saint Lucia's leading financial institution, incorporates BOSL, BOSL International Limited, ECFH Global Investment Solutions Limited, EC Global Insurance Co Ltd, Mortgage Finance Company of Saint Lucia Ltd, and Property Holdings & Development Company of Saint Lucia Ltd.

Norstrom noted some of the major achievements for 2008, which included the Group reaching an agreement with the International Finance Corporation for the provision of a US\$20 million loan facility last May. The bulk of this amount is for lending to host corporate commercial sectors and small and medium enterprises.

"This agreement will allow BOSL, in particular, to strengthen its development banking product, which is also used to focus on agro business," explained Norstrom.

He said the new division formed last year would focus specifically on the agro business sector, which the ECFH group regards as a critical sector with the potential to contribute to the future development of Saint Lucia.

Norstrom mentioned the formation of another subsidiary formed last year. The ECFH EC Global Investment Solution's primary function is

to provide services to Saint Lucia and the wider region. This department will offer capital marketing activity including merchant banking, brokerage services, financial product development and custodian services.

Norstrom said: "That is one of the operations that we are putting a lot of effort into, in terms of our strategic expansion."

He said that despite the uncertainties and tenuous economic situation in the world, and which Saint Lucia and the region were faced with, ECFH remained "a strong and resilient financial institution that is committed to the economic and social wellbeing of Saint Lucia and the OECS region."

Chairman of ECFH, Victor Eudoxie, saw the Group's performance as "...a major accomplishment" in what was a very difficult and challenging year for many financial institutions, a number of which internationally had either a decrease in profits or recorded actual losses.

Despite falling market prices of investments, tightening of liquidity and availability of credit throughout most of 2008, ECFH was able to consistently meet its commitment to its wide range of borrowing customers, its social responsibility policy and its branch expansion initiative – a testament to the Group's capital strength and stability, Eudoxie said.

Both the Chairman and Group Managing Director predict that 2009 will be an even more trying year, but were confident that ECFH would remain a sound and dynamic financial institution able to respond effectively to the challenges that lie ahead.

The Board of Directors of ECFH yesterday announced a final dividend of 70 cents per ordinary share. This, with the 30 cents already paid in October 2008 as an interim dividend based on the performance for the first half year ending June 30th 2008 gives a total ordinary dividend payout of \$1.00 per ordinary share. This payout provides a return of 20% on the original share price of \$5.00 and 8% on the share price at the APO and current market price of the shares.

(SOURCE: The Saint Lucia Mirror newspaper, April 10 2009)

CARIBBEAN LEADERS TO HOLD MORE TALKS WITH THE US

(continued from page 1)

Caribbean leaders said they also asked Obama to oppose a crack-down on so-called tax haven nations, insisting that offshore banking and corporate registries are key to diversifying their island economies.

Canadian Prime Minister Stephen Harper also met with the Caribbean delegation to review a pending free-trade agreement between Canada and the Caribbean Community (CARICOM) trade bloc. The new deal would replace a two-decade old agreement that now gives Caribbean countries mostly duty-free access to Canadian gold, leather, oil products and other goods.

(SOURCE: The Caribbean 360 News website www.caribbean360.com, April 20 2009)

REGIONAL NEWS BRIEF

CARICOM HEADS ENDORSE SETTING UP COLLEGE OF REGULATORS

Editorial Note: The need for a collective approach to the challenges faced by our region's banks and financial service providers is herein highlighted in this article and echoed by CAIB's Board and Membership. Indeed, "echoed" may not be the correct word, for our Association (even by its very existence and as reflected in its vision and core mandate) agitates for just that - strategic collaboration such as will build our varying capacities, strengthen our regional regulatory framework and reinforce both the stability and integrity of the foundation of the Caribbean banking and financial services industry. CAIB has remained consistent in its call for policy makers and regulators to 'view the bigger picture', and as such we welcome this most recent announcement by the CARICOM Heads of Government.

CARICOM Heads of Government have fully endorsed the recent formation of a College of Regulators assigned to determine the full scope and location of the assets and liabilities of the CL Financial Group.

According to a special statement on the global financial crisis attached to the communiqué issued at the end of the 20th Inter-Sessional Meeting of the Conference of CARICOM Heads of Government in Belize, the heads took the position that CL Financial Group's liquidity problem is a regional concern, and as such warrants regional collaboration in the search for a fair and favourable resolution. To this end, CARICOM Heads

of Government have decided that as soon as the College of Regulators has completed its task, they will meet immediately to consider the report and to take the necessary action in the interest of all stakeholders.

The Heads' decision was taken based on the significant implications that the financial problems posed by the CL Financial Group and the Stanford Group of Companies could have for hundreds of thousands of policyholders, depositors and investors in the region.

On the problems posed by the Stanford Group of Companies, they acknowledged the swift action taken by Organisation of Eastern Caribbean States (OECS) members and the strong efforts of the Antiguan Government to have the US Securities Exchange Commission (SEC) release part of the assets of the Stanford International Bank (SIB) that had been frozen pending investigations.

"The experiences relating to the CL Financial Group and the Stanford Group of Companies have demonstrated the need for strengthening the regional regulatory framework, particularly in the non-bank financial sector and more effective cross-border supervision of Pan-Caribbean companies," the statement said. Further, it was noted that the impact of the worsening crisis on regional productivity sectors such as tourism, primary commodities and construction, when coupled with the decrease in remittances and foreign investment, threatens to result in either "very low or negative growth and increased unemployment

in many Caribbean economies."

To mitigate the situation, the statement said Caribbean governments have taken into account the needs of the most vulnerable and have adopted a number of measures partly supported by regional and international financial institutions. "It remains a reality, nevertheless, that many Caribbean countries are already highly indebted and all are currently faced with declining revenues," it added.

The Heads of Government stressed that the current global financial crisis clearly illustrates the fundamental deficiencies in the international financial architecture and the need for urgent and comprehensive reform in a manner that responds to the realities of the globalized economy and the interests of not only the developed, but more importantly, the developing economies.

In this context, they agreed that the views of the region would be represented at every relevant forum, including the upcoming G20 Summit on April 2, in London. They also agreed to participate at the highest level at the United Nations Conference on the "World Financial and Economic Crisis and its Impact on Development" to be held on June 1 to 4.

*(SOURCE: The above is an extended extract from the original article **Financial Crisis—CARICOM Heads Endorse Setting Up Of College of Regulators**, featured on The Stabroek Newspaper's website www.stabroeknews.com/2009/news/local, March 15th, 2009)*

UPCOMING CONFERENCES / TRAINING OPPS.

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