

# STATEMENT ON RECENT DEVELOPMENTS REGARDING CL FINANCIAL GROUP AND THE GOVERNMENT OF TRINIDAD AND TOBAGO

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Prime Minister of St. Vincent and the Grenadines*

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The Government of St. Vincent and the Grenadines has noted the recent developments between the Government of Trinidad and Tobago and the CL Financial Group. CL Financial group is a parent company headquartered in Trinidad and Tobago that provides a wide range of financial services and products in the region including St. Vincent and the Grenadines, through the Group's holdings: British American Insurance Company, Caribbean Money Market Brokers (CMMB), CLICO Insurance Company.

A number of State owned enterprises, credit unions, private companies, and individuals in St. Vincent and the Grenadines invested significant amount of funds in the aforementioned subsidiaries of CL Financial Group. Accordingly, the Government of St. Vincent and the Grenadines is taking swift and decisive measures to monitor the unfolding outcomes of the arrangements between the Government of Trinidad and Tobago and CL Financial Group.

Last Friday, January 30th, 2009, the Government of Trinidad and Tobago through the Central Bank announced that it had intervened in the operations of CL Financial Limited Group.

The stated objectives of the intervention by the Government of Trinidad and Tobago regarding CL Financial are as follows:-

1. To stem the increasing serious liquidity pressures facing the financial services companies within the group, i.e. CLICO Insurance Company Limited (CLICO), CLICO Investment Bank (CIB), and Caribbean Money Market Brokers Limited (CMMB);
2. To maintain public confidence in these institutions which constitute a significant part of the country's financial services industry; and
3. To ensure stability and integrity of the financial system.

In a statement issued by the Governor of the Central Bank of Trinidad and Tobago on the matter on Friday January 30, 2009, he said the following, among other things:-

*“The Central Bank is very conscious of the contagion risks that financial difficulties in an institution as vast as the CL Financial Group could have on the entire financial system of Trinidad and Tobago and indeed in the entire Caribbean region.*

*For the record, ladies and gentlemen, the CL Financial Group has an imposing presence with potentially systemic consequences for the financial sector and the economy of Trinidad and Tobago and the entire region.*

*For example,*

- 1. The Group controls over (\$100) billion of assets in at least 28 companies located throughout the Region and the world.*
- 2. The Group's financial interests cover several industry sectors including banking and financial services, energy, real estate and manufacturing and distribution. The four largest financial institutions in the Group manage assets of over \$38 billion, over 25 percent of the country's GDP.*
- 3. In addition to CLICO, among the Group's holdings is the British American Insurance Company Limited, which is one of the main insurance companies in the Eastern Caribbean.*

*After intense discussions over the past week the Central Bank, the Ministry of Finance and representatives of the CL Financial Group have reached agreement on a strategy to deal with the liquidity challenges of CIB and CLICO and to address the underlying problems that have given rise to the current financial stress.*

*The principal objectives of the strategy are to ensure that resources are available to meet withdrawals of third-party CIB depositors and CLICO policy holders; to protect the funds of the depositors and policy holders and in doing so maintain confidence in CLICO and reinforce confidence in the financial sector as a whole.*

*The main elements of the strategy are as follows:-*

- The Central Bank will take control of CIB under Section 44D of the Central Bank Act.*
- Early next week all the third-party assets and liabilities on the books of CIB and CMMB will be transferred to First Citizens Bank. These liabilities will be matched by resources from the sale of CIB's holdings of certain high quality assets. The Central Bank will provide short term liquidity as needed to ensure that these liabilities are serviced.*
- Following the execution of these transactions, CIB's banking license will be revoked.*
- CLICO has a sizeable Statutory Fund deficit. CL Financial has agreed to divest additional assets to help fund this deficit. The Government has committed to provide any additional funding that is needed by CLICO.*
- Government funding will be provided in exchange for collateral and an equity interest in CLICO. It will also act as a catalyst for implementing a change in the current business model and corporate governance structure of CLICO. The intention will be to return CLICO to its original moorings.*

*"I would like to emphasise that these considerable steps being taken – by the CL Financial Group, the Government and the Central Bank are specifically designed to tell CIB's depositors that your funds are safe and to maintain confidence in CLICO which for decades has been the strength of the insurance sector in Trinidad and Tobago and in the region. CLICO's policy holders can be assured that the long term future of CLICO will be guaranteed by the adoption of a more robust and less risky model.*

*Because any stress in one corner of the financial system tends to raise concerns throughout the sector, I would also take the opportunity to remind the national community of the tremendous strength of our financial system, which indeed is the envy of the region. Excluding CIB, the banking system now boasts of an average capital adequacy level of 18 percent, compared with a recommended minimum of 8 percent; in contrast to the illiquidity of CIB, the rest of the banking system is plagued by excess liquidity; the overall level of non-performing loans is an impressively low 2 percent and the banks have more than adequate level of provisions against bad loans".*

Subsequently, on Sunday February 1st, 2009, in a telephone conversation which I had with the Honourable Minister of Finance of Trinidad and Tobago, Ms. Karen Nunez-Tesheira, she reiterated the assurances given to investors, depositors and policy holders by the Governor of the Central Bank of Trinidad and Tobago. Specifically, she assured me that those assurances relate not only to investors, depositors and policy-holders in Trinidad and Tobago but include those also in St. Vincent and the Grenadines and the rest of the Caribbean.

Further, on Monday February 02, 2009, in another telephone conversation, this time with the Governor of the Central Bank of Trinidad and Tobago himself, he informed me that Finance Minister Nunez-Tesheira had informed him of my enquiries and her assurances. He re-confirmed that the investments of any investor, depositor or policy holder in St. Vincent and the Grenadines in any of the companies of the CL Financial Group operating out of Trinidad and Tobago, namely CLICO Insurance Company of Trinidad and Tobago, British American Insurance Company, the CLICO Investment Bank (CIB) and Caribbean Money Market Brokers (CMMB), are safe and sound. He pledged to put this in writing to me. He informed me, too, that he had given a similar assurance to Sir Dwight Venner, the Governor of our Eastern Caribbean Central Bank (ECCB).

On February 2nd, 2009 the Governor of the Central Bank of Trinidad and Tobago wrote to me in the following and other terms:

*“The main objective of the strategy is to protect third party (i.e. excluding intra group) liabilities of these companies. The liabilities of CIB will be transferred to First Citizens Bank and these will be guaranteed by the Central Bank of Trinidad and Tobago. CLICO’s and BA’s policies issued in Trinidad and Tobago will be guaranteed by Government.”*

*Although the policies of the local branch of British American are governed by the laws of St. Vincent and the Grenadines, they are actually issued in Trinidad and Tobago. The Governor of the Central Bank of Trinidad and Tobago has confirmed to me that this is in fact an issuance from Trinidad and Tobago and thus covered by the guarantee of the Government of Trinidad and Tobago”.*

Regarding the investments of any investor, depositor or policy-holder in CLICO Holdings Barbados Limited, I have been in communication with the Chairman of CLICO (Barbados) Mr. Leroy Parris, and Prime Minister David Thompson. Each of them assured me that the investments of the investors, depositors or policy-holders of CLICO Barbados in St. Vincent and the Grenadines and the rest of the Eastern Caribbean are safe. Indeed, separately, both Mr. Parris and Prime Minister Thompson sent me a statement on the matter issued by the Prime Minister on Friday January 30th, 2009.

In that statement Prime Minister Thompson stated the following, among other things:-

- *“Barbadian depositors, investors and holders of insurance policies can therefore be considered safe in the context of our financial sector.*
- *Barbados has the reputation of being the third best regulated financial sector in the world. Additionally, we have managed similar financial sector issues in the past extremely well. On no occasion were Barbadians disadvantaged.*
- *It is not in the interest of depositors or our country for there to be panic. Such panic would reverberate through our financial system and compromise our ability to ride out this situation and the global economic challenges. It is in the interest of all Barbadians for calm thinking and normalcy in our financial sector.*
- *I assure you that the government will constantly monitor this situation and will act in a timely manner to protect the financial interests of all Barbadians.”*

Both Mr. Parris and Prime Minister Thompson assured me that the reference to “Barbadians” in the Prime Minister’s statement refers, too, to depositors, investors and holders of insurance policies of CLICO Barbados in the Eastern Caribbean. In fact, in a letter from Prime Minister Thompson to me dated February 2nd, 2009, he stated, in part, as follows:-

- *“I thought I should formally let you know what I said at a Press Briefing with the Governor of our Central Bank and the Supervisor of Insurance on Saturday regarding the situation with CL Financial and its subsidiary companies. I am therefore attaching a copy of the Statement which sets out our position.*
- *“My consultations and analysis have been extensive and it is clear that there is an obvious line of demarcation between CLICO’s Trinidad and Barbados operations. CLICO Barbados is also separately regulated by our Central Bank and the Supervisor of Insurance.*
- *“You should feel free to have your officials make contact with their counterparts in these organisations to provide further information if necessary.*
- *“I am acutely conscious of the impact any instability in the financial markets could have on our economies given the reach of the Barbados operations of CLICO into our regional neighbours in the Eastern Caribbean. I therefore stand ready to take any action necessary to ensure the strength and security of our financial system individually and collectively.”*

Mr. Speaker, Honourable Members, I have also seen written assurances from the state-owned bank of Trinidad and Tobago, First Citizens Bank, and CMMB about the safety of clients’ investments with them.

In the Eastern Caribbean, Sir Dwight Venner and I have been in regular communication on this subject matter over the week-end, yesterday, and today. As the Chairman of the Joint OECS-ECCB Task Force and as the most senior Minister of Finance currently serving on the Monetary Council of the ECCB, I have an especial responsibility to be working closely with the Governor, in addition to my obligations as Prime Minister of St. Vincent and the Grenadines. Yesterday I have been in telephone contact with several Ministers of Finance and Heads of Government of the OECS-ECCB countries on this issue. This morning an important video-conference between the Governor and members of the Monetary Council of the ECCB was held to coordinate our sub-regional position.

A statement was issued from this meeting of the Monetary Council today. The full text is as follows:-

- *“At a special meeting of the ECCB Monetary Council held on 3 February, 2009, members met to discuss the impact of recent developments with respect to the CL Financial Group, possible implications for the ECCU, and action which may be required.*
- *“Council noted the media releases by the Central Bank of Trinidad and Tobago, the Government of Trinidad and Tobago and the Central Bank of Barbados, and the proposed strategies for ensuring the continued stability and integrity of the financial systems.*
- *“Council also noted the consultations which had taken place between the Governor of the ECCB and the relevant parties in Trinidad and Tobago and Barbados, as well as consultations between individual members of Council and these parties.*
- *Council noted the guarantees given by the relevant authorities with respect to depositors, policy holders and investors in CLICO and CLICO related companies.*
- *Council agreed that there was a need for the member countries of the Currency Union to collectively address the matter with the authorities of Trinidad and Tobago and Barbados.*
- *Accordingly, Council agreed to the undertaking by the ECCB and the Chairman of the OECS Transition Task Force, Dr. The Hon. Ralph Gonsalves, to continue the collaboration with all relevant parties on behalf of the ECCU to ensure appropriate coverage for all exposed entities.*

- *Council also agreed to accelerate the completion and enactment of legislation to govern the regulation of the non-bank financial sector, including money services, insurance companies, cooperative societies and building societies.*
- *Council members would wish to assure all institutions and the public in the Currency Union that their interests are being protected. Council will next meet at its regularly scheduled meeting on 13 February, 2009 at which the situation would be further addressed.”*

The Governor of the ECCB had earlier sent to all members of the Monetary Council and Financial Secretaries in the ECCU member-states the following communication dated February 2nd, 2009:-

- I have been in touch with the Governor of the Central Bank of Trinidad and Tobago who has assured me that the Government of Trinidad and Tobago and the Central Bank have guaranteed the obligations of CLICO (Trinidad and Tobago), CMMB (Trinidad and Tobago) and CIB (Trinidad and Tobago) in the Currency Union.
- I would be grateful, if as a matter of great urgency, that the TOTAL exposure of your country to ALL the affiliates of CLICO be ascertained and sent to the Eastern Caribbean Central Bank (ECCB) as soon as possible. The Governor of the Central Bank of Trinidad and Tobago has agreed with me that we will corroborate and verify these exposures for further action, if necessary.”

In St. Vincent and the Grenadines, the National Insurance Services (NIS) and the National Commercial Bank (NCB) have investments in the CLICO Group of Companies. The NIS, NCB, VINLEC and a few other State enterprises hold their pension monies with CLICO. Credit Unions, private companies and individuals have invested significantly in the CLICO Group. The main entities of the CLICO Group of direct relevance to St. Vincent and the Grenadines are British American Insurance Company, CLICO Barbados, and CLICO Trinidad and Tobago. Most of the investments are in British American and CLICO Barbados although the NIS holds EC \$38.6 million or 11.36 percent of its total investments in the CLICO Group in Trinidad mainly in annuities. Another 6.8 percent of the NIS’s total investments or EC \$23 million is in CLICO Barbados. The NCB holds \$13.3 million in investments in the Trinidad Group. The NIS and NCB investments are mainly of a short-to-medium term nature. Several of the deposits are maturing this year; and others between 2010 and May 2012.

The total exposure of St. Vincent and the Grenadines is far greater than the holdings of the State-enterprises. Credit Unions, private companies and individuals hold considerable sums in the aggregate. The Government of St. Vincent and the Grenadines is satisfied that all these investments are safe and sound; and there is no need to panic. We are comforted by the assurances and commitments of the Governments of Trinidad and Tobago and Barbados and all the other factual circumstances surrounding the CL Financial Group and its subsidiaries.

The Government of St. Vincent and the Grenadines commends the Government of Trinidad and Tobago for its swift and decisive action in this matter. We commend, too, the Government of Barbados on its solemn assurances and quick public responses. We shall continue to monitor the situation closely, nationally and through the coordinated mechanism of the Eastern Caribbean Central Bank. We are confident in meeting all challenges successfully.