



# THE EXTENT OF FINANCIAL INTEGRATION WITHIN CARICOM

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# AIM OF STUDY

- To find evidence of a trend towards greater financial integration.



# MEASURES OF FINANCIAL

- INTEGRATION USED:**
1. Cross border ownership of companies.
  2. Stock market prices of cross listed firms.
  3. Intra regional lending and borrowing of commercial banks.
  4. Exchange Rates and Interest Rates



# CROSS BORDER OWNERSHIP OF COMPANIES

## I. Firms listed on the Stock Market.

### ➤ Financial Firms

- Of the top 10 firms when ranked by assets value , 8 are financial institutions.
- Closer look at the major banks of the region reveals:



# CROSS BORDER OWNERSHIP OF COMPANIES cont'd

**NUMBER OF BRANCH OFFICES OF THE TOP BANKS OF THE CARICOM REGION**

COUNTRY	SCOTICABAN K (Canada)	RBTT (Canada)	REPUBLIC BANK (Trinidad and Tobago)	FIRST CARIBBEAN INTERNATIONAL BANK (Grenada)
Antigua and Barbuda	2	1	0	3
Bahamas	20	0	0	18
Barbados	8	4	8	13
Belize	9	0	0	6
Dominica	1	0	0	2
Grenada	2	4	9	5
Guyana	5	0	9	0
Jamaica	43	20	0	14
Monseratt	0	0	0	0
Suriname	0	0	0	0
St. Kitts and Nevis	2	1	0	3
St. Lucia	4	3	4	4
St. Vincent and the Grenadines	1	2	0	1
Trinidad and Tobago	22	24	42	1

**Source:** Caribbean Trade and Investment Report 2005



# CROSS BORDER OWNERSHIP OF COMPANIES cont'd

- Non- Financial Firms listed on the Stock Market.

LOCATIONS OF NON FINANCIAL FIRMS LISTED ON THE STOCK EXCHANGE					
COUNTRY	Ansa McAl (TT)	Caribbean Cement Co. Ltd. (BB)	Neal and Massey (TT)	Grace Kennedy (Jamaica)	Goddard Limited (Barbados)
Antigua and Bermuda			X		X
Bahamas			X		
Barbados	X	X	X	X	X
Belize				X	
Dominica					
Grenada	X		X		X
Guyana	X	X	X	X	
Jamaica	X	X	X	X	X
Montserrat			X		
Suriname					
St. Kitts and Nevis	X		X	X	
St. Lucia	X		X	X	X
St. Vincent and the Grenadines	X		X	X	X
Trinidad and Tobago	X	X	X	X	X

**Source:** Various annual reports of the respective companies.



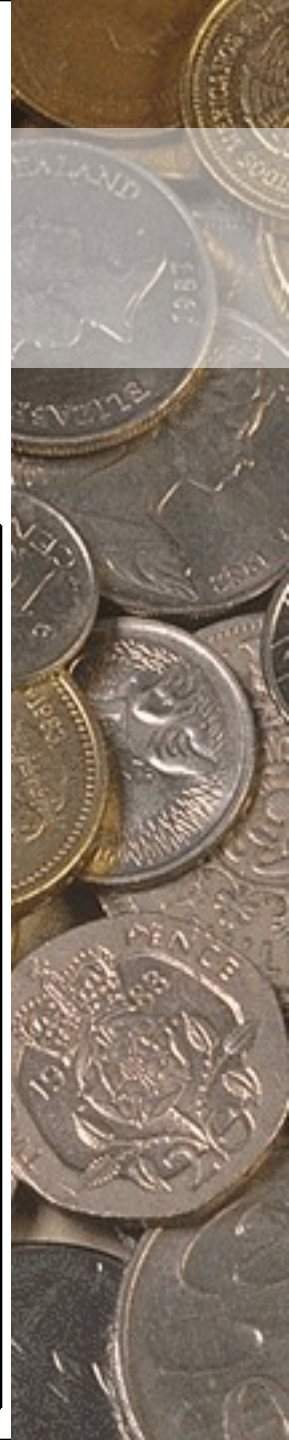
# CROSS BORDER OWNERSHIP OF COMPANIES cont'd

## I. Firms not listed on the stock market.

LOCATIONS OF SELECTED FIRMS NOT LISTED ON THE STOCK EXCHANGE MARKET

COUNTRY	SOL Group ( Barbados)	Williams Constructi on Ltd. (Barbados	CL Financial Group (TT)	Sandals (Jamaica)	Super Clubs (Jamaica)	Rituals Coffee House (TT)	TYE Manufactu ring Co.Ltd. (TT)	The Beacon Holdings Ltd. (TT)	SM Jaleel (TT)
Antigua and Bermuda		X	X	X		X	X		
Bahamas			X	X	X				X
Barbados	X	X	X				X	X	
Belize	X						X		
Dominica						X	X	X	
Grenada	X					X	X	X	
Guyana	X		X				X		X
Jamaica			X	X	X	X	X		X
Montserrat									
Suriname	X		X			X	X		
St. Kitts and Nevis	X		X				X		
St. Lucia	X	X	X	X		X	X	X	X
St. Vincent and the Grenadines	X		X				X	X	
Trinidad and Tobago			X			X	X	X	X

**Source:** Various annual reports of the respective companies.



# STOCK MARKET PRICES OF CROSS LISTED FIRMS



**Barbados  
Stock  
Exchange**

**Jamaica  
Stock  
Exchange**

**Trinidad and  
Tobago Stock  
Exchange**





# CORRELATION STOCK MARKET PRICES OF CROSS LISTED FIRMS

## CORRELATION OF THE CROSS LISTED FIRMS ON THE BARBADOS AND TRINIDAD AND TOBAGO STOCK EXCHANGE

<b>Companies</b>		<b>Bds</b>	<b>TT</b>
Ansa Mc Al Limited	<b>Bds</b>	1	-0.619
	<b>TT</b>	-0.619	1
Barbados shipping and Trading Company	<b>Bds</b>	1	0.946
	<b>TT</b>	0.946	1
Neal and Massy Holdings Limited	<b>Bds</b>	1	0.736
	<b>TT</b>	0.736	1
One Caribbean Media Limited	<b>Bds</b>	1	0.508
	<b>TT</b>	0.508	1
RBTT Financial Holdings Limited	<b>Bds</b>	1	0.365
	<b>TT</b>	0.365	1



# CORRELATION STOCK MARKET PRICES OF CROSS LISTED FIRMS cont'd

## CORRELATION OF THE CROSS LISTED FIRMS ON THE JAMAICA AND TRINIDAD AND TOBAGO STOCK EXCHANGE

<b>Companies</b>		<b>Jam</b>	<b>TT</b>
Berger Paints Trinidad Limited	<b>Jam</b>	1	0.144
	<b>TT</b>	0.144	1
Capital and Credit Merchant Bank Limited	<b>Jam</b>	1	-0.053
	<b>TT</b>	-0.053	1
Guardian Holdings Limited	<b>Jam</b>	1	0.877
	<b>TT</b>	0.877	1
National Commercial Bank of Jamaica	<b>Jam</b>	1	0.48
	<b>TT</b>	0.48	1



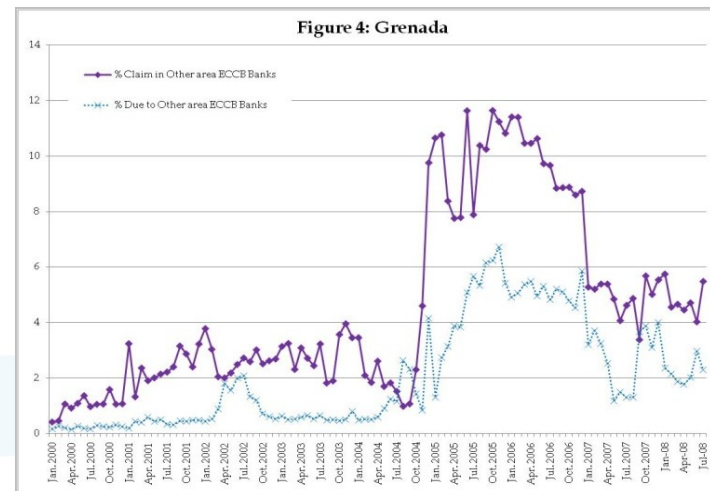
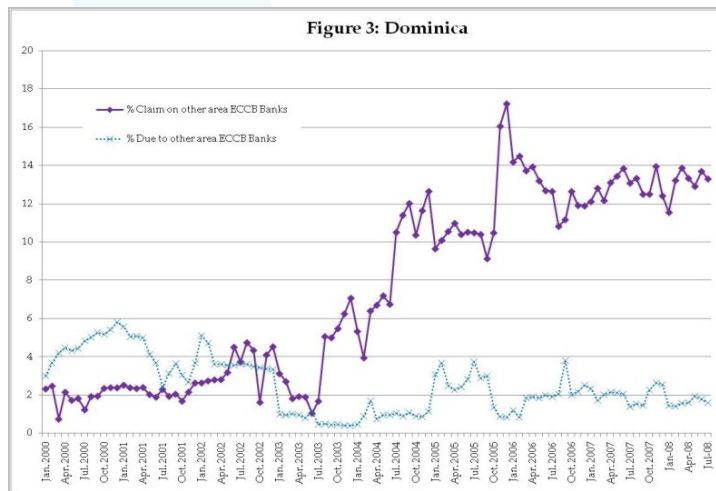
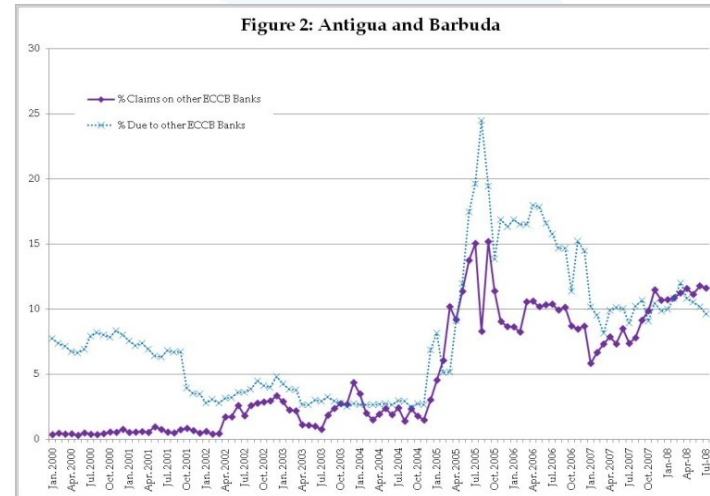
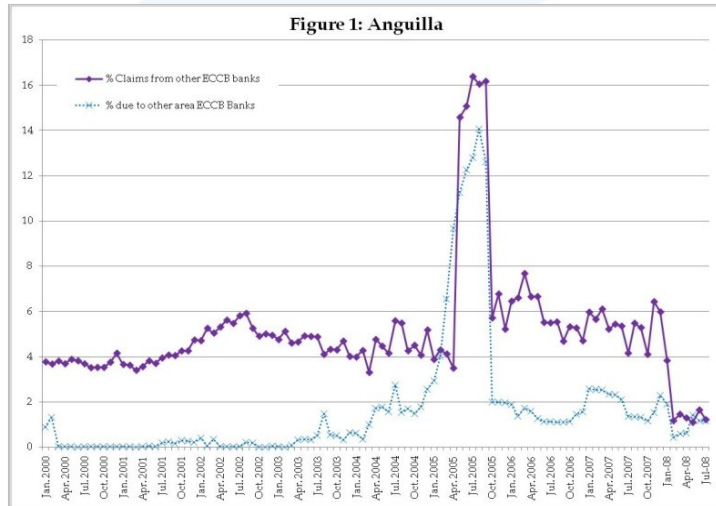
# CORRELATION STOCK MARKET PRICES OF CROSS LISTED FIRMS cont'd

## CORRELATION OF THE CROSS LISTED FIRMS ON THE BARBADOS , JAMAICA AND TRINIDAD AND TOBAGO STOCK EXCHANGE

<b>Companies</b>		<b>Bds</b>	<b>Jam</b>	<b>TT</b>
First Caribbean International Bank	<b>Bds</b>	1	0.817	0.578
	<b>Jam</b>	0.817	1	0.72
	<b>TT</b>	0.578	0.72	1
Grace Kennedy Limited	<b>Bds</b>	1	0.918	0.881
	<b>Jam</b>	0.918	1	0.939
	<b>TT</b>	0.881	0.939	1
JMMB	<b>Bds</b>	1	-0.541	0.014
	<b>Jam</b>	-0.541	1	0.682
	<b>TT</b>	0.014	0.682	1
Sagicor Financial Corporation	<b>Bds</b>	1	0.439	0.108
	<b>Jam</b>	0.439	1	0.800
	<b>TT</b>	0.108	0.804	1
Trinidad Cement Limited	<b>Bds</b>	1	-0.496	-0.028
	<b>Jam</b>	-0.496	1	0.816
	<b>TT</b>	-0.028	0.816	1



# INTRA REGIONAL LENDING AND BORROWING OF COMMERCIAL BANKS



# INTRA REGIONAL LENDING AND BORROWING OF COMMERCIAL BANKS

Figure 6: St. Kitts and Nevis

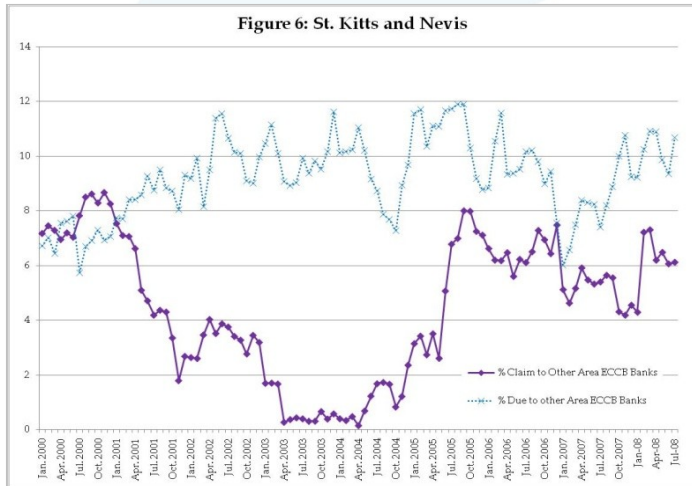


Figure 5: Montserrat

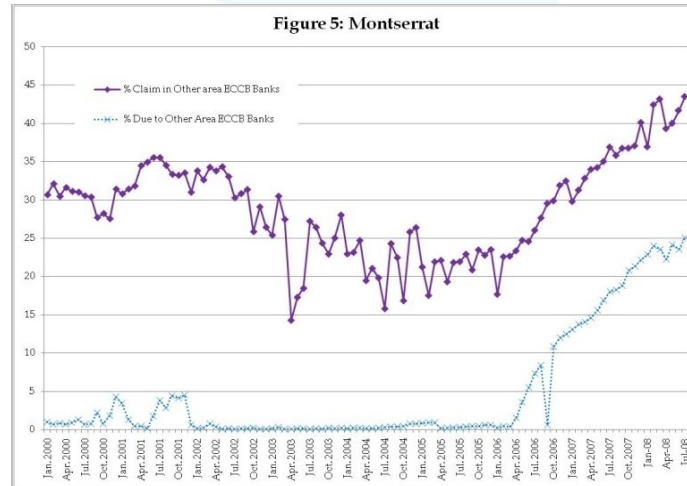


Figure 7: St. Lucia

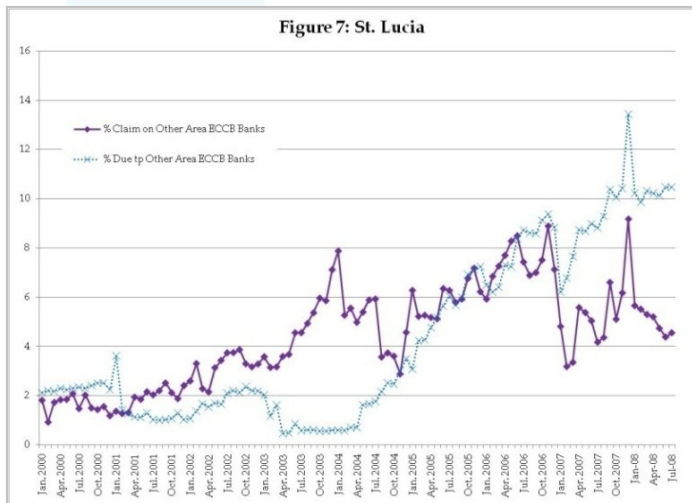
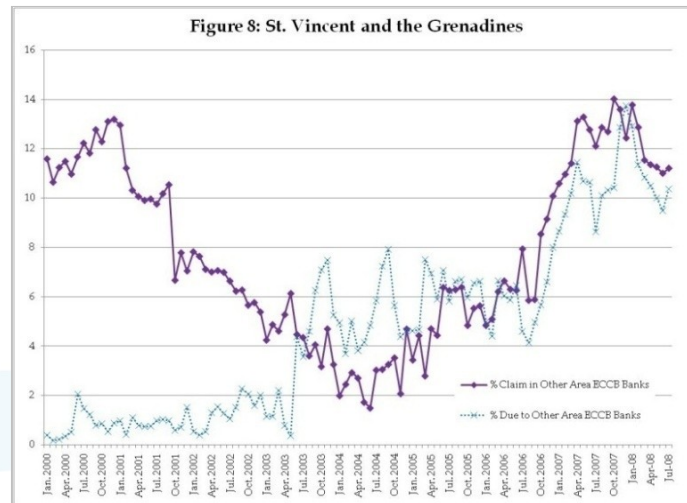
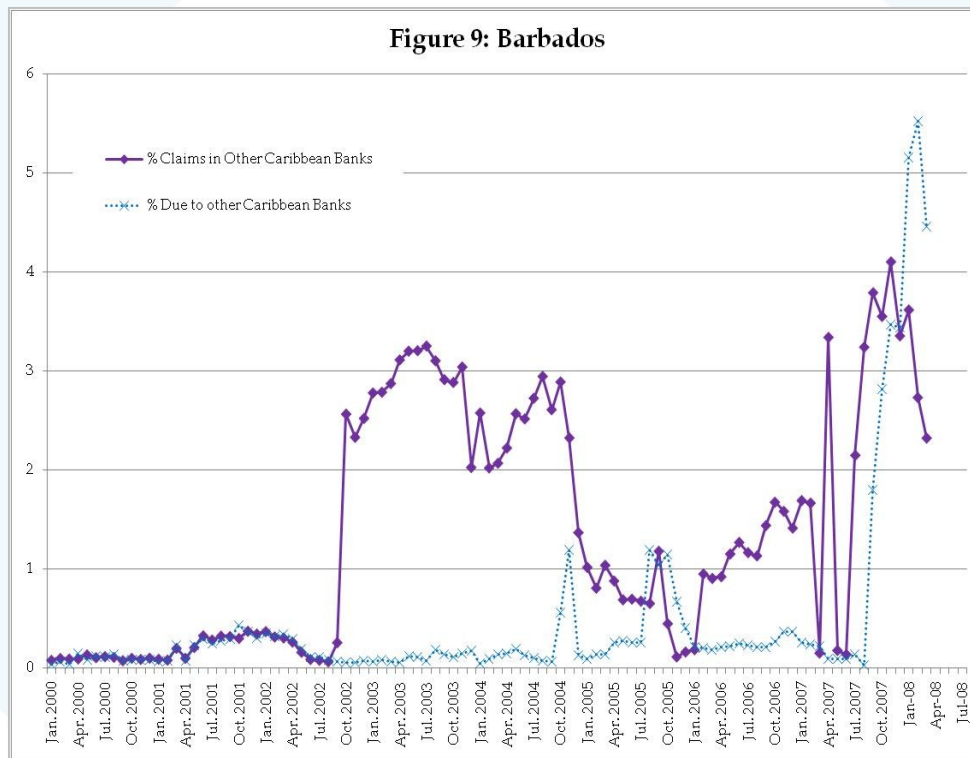


Figure 8: St. Vincent and the Grenadines

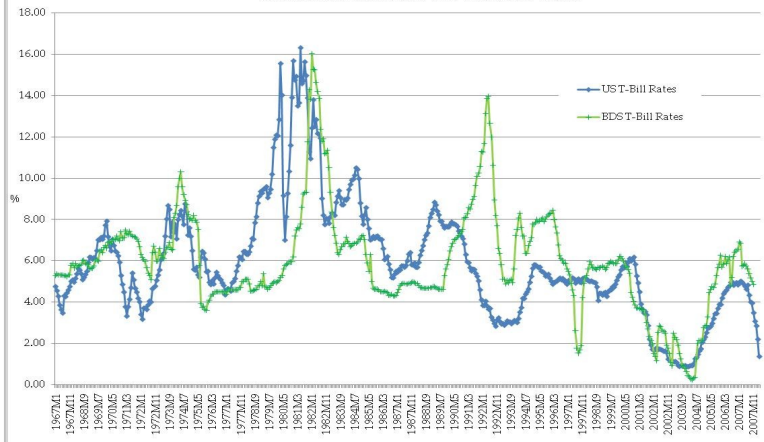


# INTRA REGIONAL LENDING AND BORROWING OF COMMERCIAL BANKS



# EXCHANGE RATES, INTEREST RATES AND FINANCIAL INTEGRATION

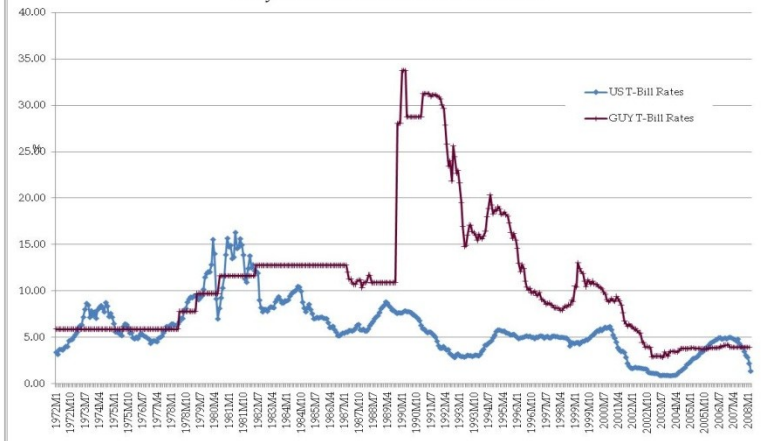
**Figure 10:**  
Barbados and The US Interest Rate



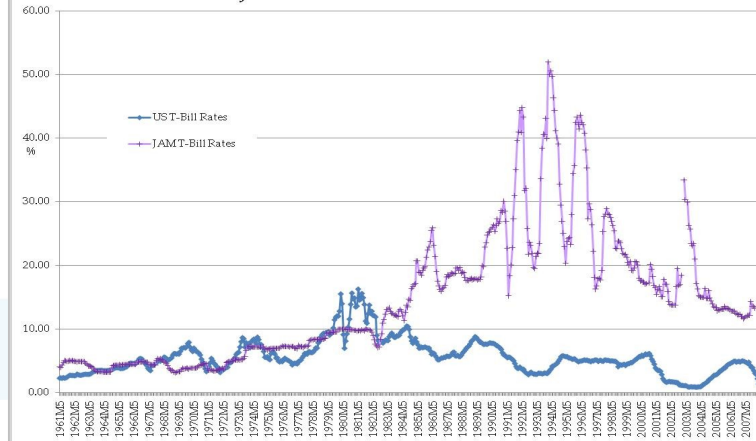
**Figure 9:**  
Trinidad and Tobago and The US Interest Rate



**Figure 11:**  
Guyana and The US Interest Rate



**Figure 12:**  
Jamaica and The US Interest Rate



# CONCLUSION

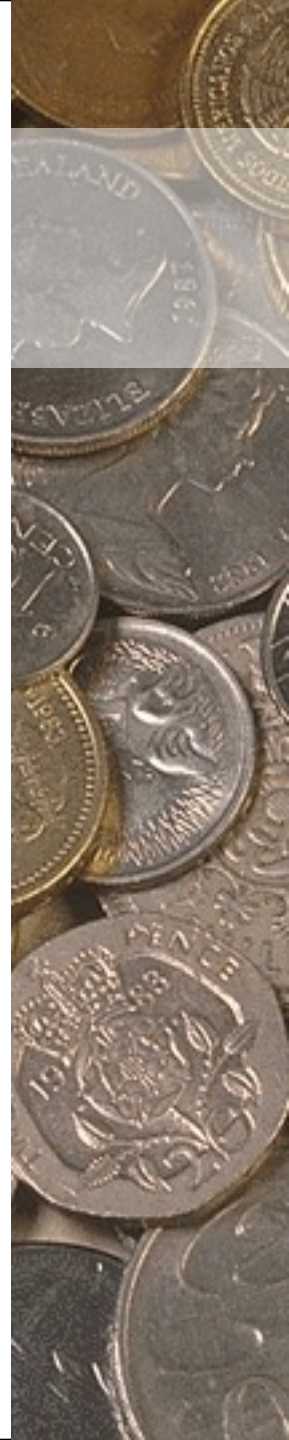
- Financial Integration predominantly occurs via cross border ownership and other forms of collaboration that involve financial commitments.
- The cross listing of securities has made a limited contribution towards financial integration, but in most cases the stock prices move in tandem in all markets they are listed on.





# CONCLUSION cont'd

- From the ECCU experience we see that intra regional lending and borrowing of commercial banks is evident and this can be due to the fact that they have a common currency.
- Interest rates and exchange rates do not converge within CARICOM.





**THANK YOU.**

