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*Central Bank of Barbados*

**OPPORTUNITIES FOR REDEFINING  
REGIONAL FINANCIAL INSTITUTIONS  
AND ENVIRONMENTS**

*by*

**James McKenzie  
Manager, Economic Research  
ROYAL BANK OF T&T LTD.**

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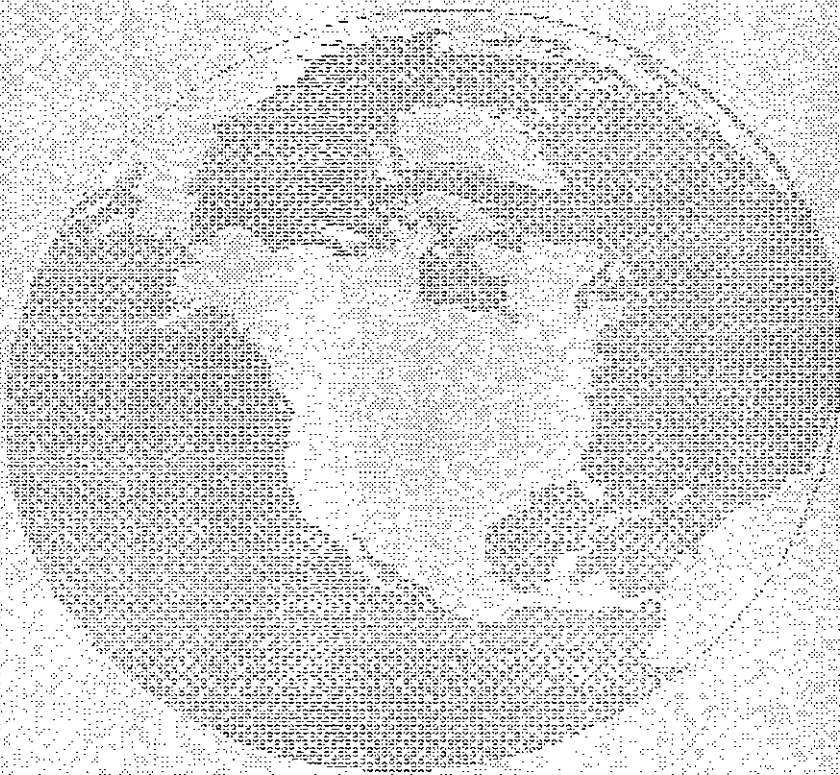
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*James McKenzie*  
*Manager - Economic Research*  
*Royal Bank of Trinidad & Tobago Ltd.*  
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# XXIX ANNUAL MONETARY STUDIES CONFERENCE

## *Opportunities for Redefining Regional Financial Institutions and Environments*

*[The views expressed in this paper are the personal professional views of the presenter and not necessarily those of the Royal Bank of Trinidad and Tobago Limited.]*

*The face of banking is changing. Soon we may not be able to recognise our competitors. Three years ago they were strategically located at various corners of the city and around the country side. Today, they may be based in New York or London with a representatives patrolling the corridors of the Trinidad Hilton with briefcase in hand a lap top computer, a cellular phone and similar devices.*

*Last Monday October 20th, The Royal Bank Institute of Business and Technology (ROYTEC) a subsidiary of The Royal Bank of Trinidad and Tobago Limited, signed an Agreement with The University of New Brunswick.*

*Under this agreement, the two institutions will provide an undergraduate programme in Business Administration and Education. At the signing ceremony, New Brunswick Minister of Advanced Education and Labour, boasted that his government used the Internet to provide some government services like car registration, obtention of hunting licences and payment of property taxes. He said his government recognised several years ago the vast opportunities presented by the emerging field information and communication technology and established a cabinet post - the Minister of State for the Information Highway. New Brunswick he said, had placed Information and Telecommunications Technology, at the Centre of its economic development strategy and has now emerged as a high tech centre in Canada.*

*Two banks in Trinidad and Tobago recently concluded merger arrangements. The Managing Director of the new entity sought to dispel public fears of monopolistic pricing behaviour by claiming that the move was about economies of scale in preparation for international competition.*

*By now you may be wondering whether I am talking about banking, or telecommunication or education? Actually, I am talking about the multifaceted service Industry in which we are all players.*

*At the recently concluded Caribbean Business Conference held in Curacao (October 8-9) participants conceded that traditional service industries like Banking and Finance, Insurance, and Tourism were maturing, while Information and Telecommunication technology were growing at a phenomenal rate.*

*The services Industry itself is said to be leading the current growth in world trade! The conference further disclosed more about the region and its potential as a player in these emerging industries as follows:*

- The Informatics industry could be a source of employment and foreign exchange earnings and can form beneficial linkages with other sectors of the economy.*
- The Caribbean possesses a comparative advantage in labour intensive industries.*
- The time and distance no longer impede business transactions and companies must prepare themselves for electronic communication.*
- Island companies must find global trading partners and sell to global customers.*
- Companies must train employees without disrupting the work day (video conferencing).*
- In the telecommunications industry certain minimum scale of application is necessary to make some ideas viable.*
- Niche markets can favour some specific technology applications.*
- There are opportunities in the region to develop sophisticated Financial Centres.*
- Latin America is developing into a mass market.*
- The development of Internet selling has taken time and face away from business transactions.*
- The structure of companies is changing with a number of small companies coming together to provide a service if necessary, then dispersing if the situation so warrants.*
- The complexity and dynamics of the Informatics Industry requires companies to take risk.*
- Cable providers are getting ready to compete with providers of telecommunication and many new companies are entering the communications technology market because of World Trade Organisation (WTO) agreements.*

*Let me now put these scattered ideas/observations in perspective i.e, in the context of the Regional Financial Institutions and Environments.*

## MERGERS AND ALLIANCES

*Regional service institutions should come together to derive all the benefits of economics of scale. N.B: I did not say financial institutions nor did I say local institutions. "Service" and "Regional" are the operative words. Trinidad and Tobago is aspiring to be a sophisticated regional financial centre to provide a financial link between North and South America. I dare say Barbados is striving to do the same!. Curacao is. So each island is investing heavily in the same of similar technology and training to defend its own small market from foreign competition to penetrate foreign markets and to be an intermediary between the Americas (North and South).*

*It may be more profitable for various institutions within Trinidad and Tobago and within Barbados as well as across national borders to pool resources to achieve this end. Why should a banking technology available in Trinidad and Tobago not be available throughout the region? or why should it be available in Barbados and not in Trinidad and Tobago?*

*In Trinidad and Tobago, the Central Bank produces an "Annual Economic Survey" which gives a comprehensive performance of the economy including the performance of financial Institutions. This report is published six (6) months after year end i.e. by June the following year. Noticeably absent is information on Insurance companies. The Supervisor of Insurance produces a report on these companies about two years after the fact. I am confident that given their managerial skills banks, if given the opportunity, can bring this report to market one year earlier. The importance of early reporting for managerial decisions cannot be over stated.*

*I see the consumer in the 21st century as wanting to obtain as many services as possible from one provider. I see financial institutions striving to satisfy over 70% of the needs of the ideal customer. In this regard you want to provide him/her with:*

- ✓ Banking services
- ✓ Insurance Services
- ✓ Education and Training
- ✓ Medical Services
- ✓ Recreational Services including vacation and Travel
- ✓ Housing

*In short, you do not want this valued client to deal with any company outside of your umbrella! To accomplish this, companies must bring their skills together. Don't ask me how. I suggest what should be done. You find the way!*

## **DIVERSIFICATION**

*In the domestic services sector commercial banks are probably at the forefront of technological innovation in preparation for international competition. Given the present scope of informatics, banks may consider diversifying into this field since only incremental investment may be required to equip them for that market. Informatics, I am told, comprises a number of industries such as manufacture of hardware and components, software development, data entry, storage and retrieval, data processing, data transmission and control and various related services. According to Dr. Terrence Farrell, "the Informatics Industries leverage the growth and development of other key industries such as banking and finance, manufacturing and distribution". While it may not be appropriate to become involved in all aspects of the technology, certainly some aspects are worth exploring.*

## **RESEARCH**

*Occasionally at my office, I receive calls from international service providers (Researchers) enquiring about the state of the local economy and about various economic parameters. On a quarterly basis my organisation publishes an Economic Report which recipients world wide use to make business decisions. Some users from Europe and North America write to advise of change of address in order to guarantee their receipt. It is not unusual to find these statistics contained in international publications by these same researchers to which businesses in the domestic economy subscribe.*

*The huge Latin American market is at our back door but economic information on this market for use by many of our institutions is obtained from foreign publications. This should be the other way around. Financial Institutions have the capability to carry out research to obtain information for their own use and at the same time sell to foreign markets.*

## **PRIVATE SECTOR DRIVEN REGIONAL INTEGRATION**

*The Conference in Curacao advised that regional governments have not clarified their policy in respect of communications. There is no proper regulatory policy and regional territories are in danger of failing to preserve their rights against the onslaught of foreign competition.*

\* Dr. Terrence Farrell is Regional Manager Fujitsu - ICL, Trinidad & Tobago.  
He presented a paper at the Conference in Curacao

*We are conscious of the progress that regional governments have made or have not made in matters of integration. The pace of economic change worldwide now threatens to overtake them. A more viable proposition may be for private sector institutions in general and financial institutions in particular to forge the required linkages.*

*Yet it is still necessary for the various governments to provide the required institutional framework to allow private sector entities to grow and flourish in the emerging global environment. Each territory by itself does not have the resources for this massive undertaking.*

*James McKenzie*