

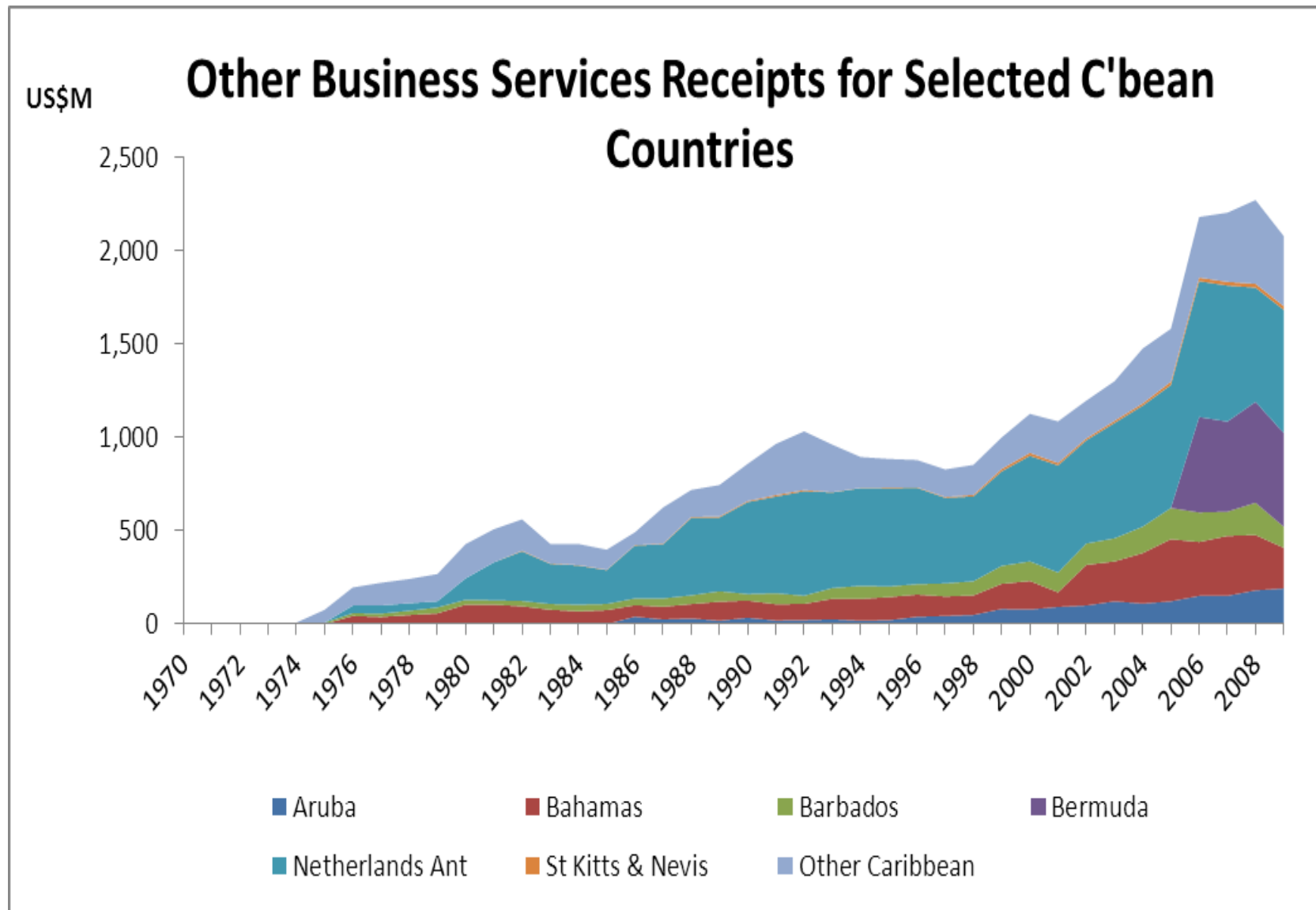


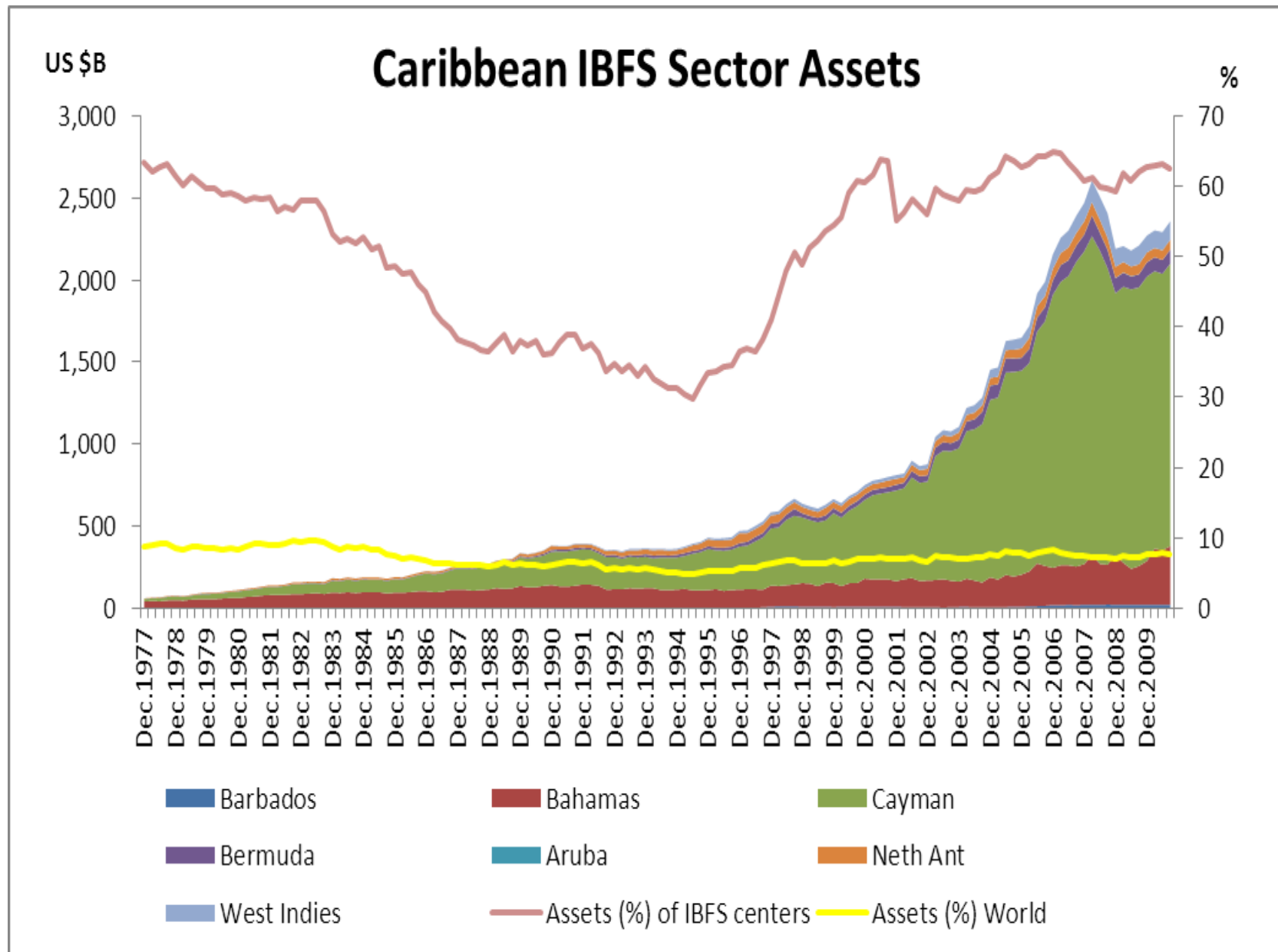
International Financial Reform – A Caribbean Perspective

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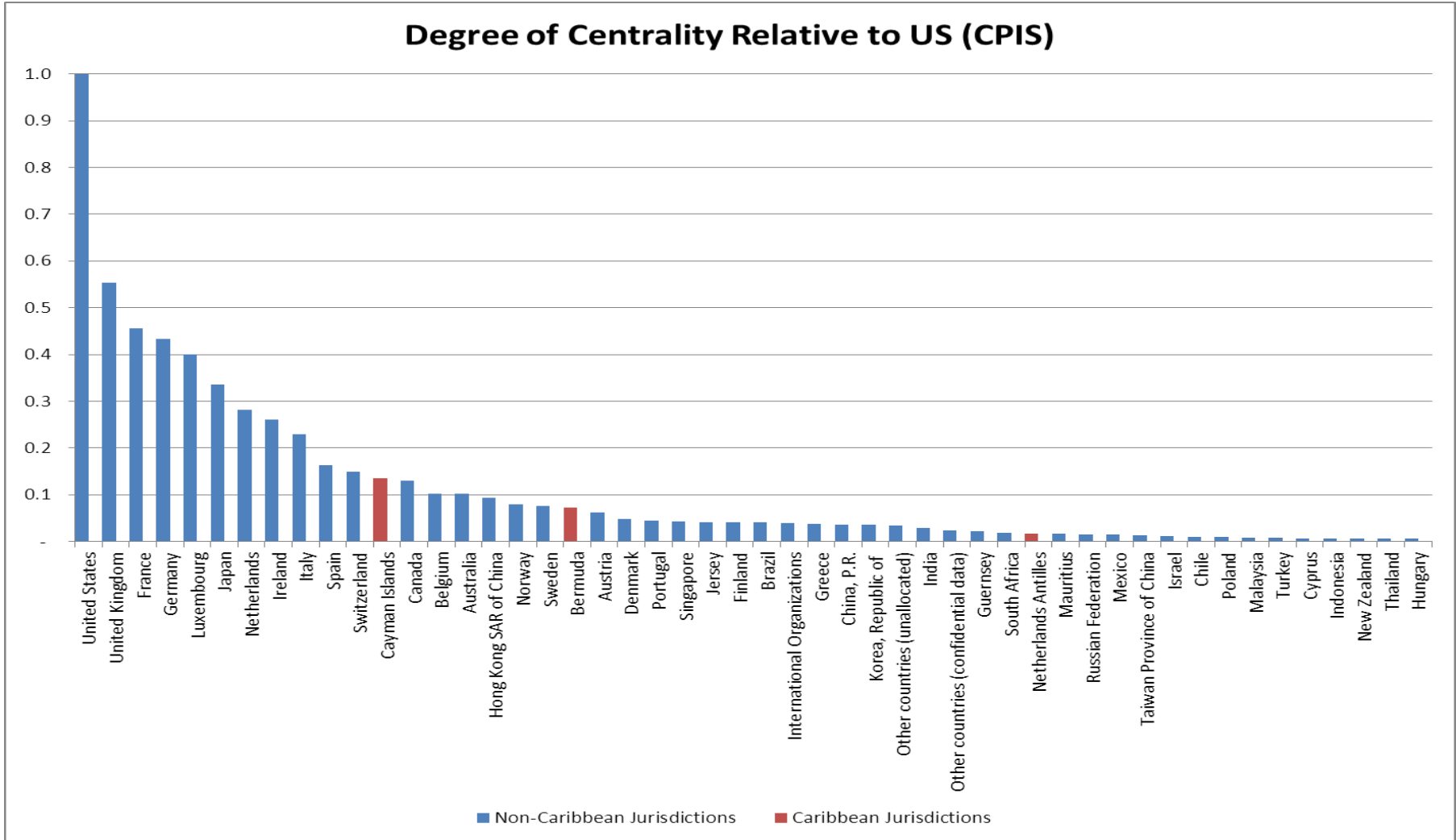
Source: BIS

Measuring Global Connectivity

- Clear need for deeper understanding of international financial flows and interconnectedness;
- Data available to measure:
 - BIS Locational and Consolidated Banking Statistics
 - Coordinated Portfolio Investment Survey (CPIS)
 - Coordinated Direct Investment Survey (CDIS)
 - Other sources
- Are Caribbean IFCs really that central to the global financial system?

Caribbean Connectivity is via the IFCs

Degree of Centrality Relative to US (CPIS)



Source: IMF, CPIS and Authors' calculations

Caribbean Competitive Advantage and Regulatory Framework

- Caribbean holds a comparative advantage in IBFS;
- Caribbean continues to compete with traditional and emerging international centres;
- All Caribbean IBFS centres evaluated under the FSAP/ROSCs (IMF-World Bank);
- Mutual evaluations of anti-money-laundering frameworks through the Caribbean Financial Action Task Force (CFATF);
- Significant progress in implementing regulatory upgrades;
- Technical assistance from the Caribbean Technical Assistance Centre, the IMF, World Bank, the Commonwealth Secretariat and the regulatory agencies of the USA, Canada, the UK and other nations and regions;
- Many double taxation treaties and TIEAs have been negotiated.

The Impact of the 2008 International Financial Crisis on Caribbean IBFS Centres

- A sharp falloff of assets, which have since begun to recover, and liabilities, which so far have not;
- No major financial failures or interventions in IBFS sectors in Bermuda, Cayman, The Bahamas, Barbados, the BVI or TCI;
- Despite low levels of intraregional trade, Caribbean financial sectors are large relative to the regional economies
- Principal Sources of Risk for the Domestic Financial Systems
- Impact on domestic banks of any size, and on foreign branches and subsidiaries, limited to reduced profitability;
- Increases in NPLs, but no increases in actual amounts written off, while banks remain liquid and well capitalised;
- Most significant impact: insolvency of large financial holding company, mainly insurance, with HQ in T'dad-Tobago.
- Spillover from the IBFS sector to domestic financial sector limited to one tiny bank in Antigua, a subsidiary of the failed Stanford financial company

Caribbean Priorities for and Concerns in the Direction of International Financial Reform

- Improvements in the coverage and quality of cross-border data and information flows;
- Research to provide adequate tools for the assessment of cross-border risks;
- Tailoring of assessments to country financial structures and risk profiles;
- Creation of perverse incentives: e.g. the black-listing of high-quality IBFS centres drives business to poorly regulated centres which are not blacklisted because they happen to be in industrial countries;
- Weakness of assessment methodologies and uneven application;
- Governance of international financial reform: FSB governance and resources; the role of the IMF.

The Way Forward

- Continued refinement and extension of FSAP methodologies as the anchor of financial stability assessment globally and nationally;
- Greater priority and resources for the IMF-FSB data initiative, and the resolution of barriers to data sharing;
- Scientific evaluation of assessment methodologies;
- Strengthen FSB Advisory Committees;
- A greater role for IMF and World Bank in FSB policy.

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