

## PERSAUD: PLAY CHESS, NOT FOOTBALL !



**Avinash Persaud**

**A**n international financial services expert warns Barbados and other small international financial centres (IFCs) that they must change their game plan if they are to survive the persistent attacks against them by the international community.

Avinash Persaud, Non-Resident Senior Fellow, Peterson Institute for International Economics, advises small IFCs to stop playing football with organisations like the OECD, and start playing chess instead. According to Persaud, the new regimes by the OECD are not about stamping out money laundering, terrorist financing and tax evasion, but rather are aimed at ensuring that the larger economies maintain their dominance and competitive advantage over small financial centres like Barbados.

“So the reality is that the OECD is playing a game, one in which the goal posts move whenever you kick the ball. This demands a certain strategic response, not the last minute, non-strategic, reluctant response of many of the region’s governments,” he told the participants at the annual [Small Countries Financial Management Programme](#) in England recently, at which Barbados had two representatives.

He recommended an overarching strategy for countering the assault: Match the international community move for move. “When the UK passes its beneficial ownership rules on significant and controlling shareholders, don’t wait for a letter, don’t ask why; the following day, you match them,” he explained.

His recommendation: If the big guns require the small IFCs to sign on to treaties like TIEAs, we should respond by giving them TIEAs. “They sign a multilateral convention on tax cooperation, you (small IFCS) elbow your way to the front of the photo shoot, pen in hand,” he told his audience.

Persaud also suggested that small IFCs should develop niches and discontinue their generalist approach to international business, if they want to achieve more bang for their buck. According to him, to provide general services has become too costly and it would therefore be more beneficial financially and otherwise to be a provider of the best product, best service and best expertise.

What about regulation? In his view, small international financial centres must offer a system that is “not more permissive, not lighter, but better solves a problem”. Essentially, Persaud advances that if small IFCs like Barbados hope to be successful in a more aggressive, oppressive international business environment, their arsenal should consist of elements of both defense and offense because as he put it, neither would work on their own. Much food for thought from the international consultant who is adamant that we must change our game from football to chess!

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*Blue skies over historic St. Nicholas Abbey in St. Peter.*

## ***CORRESPONDENT BANKING SERVICES HIGH ON FSB/RCG\_A AGENDA***



[Novaline Brewster](#)

**T**he Financial Stability Board Regional Consultative Group for the Americas (FSB/RCG\_A) has been examining the ramifications and impact of the reduction, and in some cases termination, of correspondent banking services across the Americas.

The FSB/RCG\_A, the World Bank, the International Monetary Fund and the Central Bank of Barbados hosted these talks in Bridgetown in early December.

The decision by correspondent banks to either reduce or terminate their services in the Caribbean is of serious concern to us in the region because of our reliance on correspondent banks to facilitate international payments for both individuals and businesses. The decision by correspondent banks to change the service relationship impacts international wire transfers, flows of remittances, cheque clearing and settlement, cash management services, and trade finance.

A World Bank Survey of jurisdictions and banks, which was discussed at the Bridgetown meeting, revealed that the Caribbean is among the regions most affected by this latest development in the financial services sector.

“The roundtable discussion was quite fruitful, and paved the way for follow up dialogue in 2016,” revealed Central Bank of Barbados Governor Dr. DeLisle Worrell, host and one of the co-chairs of the FSB/RCG\_A. The other chair is Senior Deputy Central Bank Governor, Bank of Canada, Carolyn Wilkins.

The 50 participants at the roundtable discussion also zeroed in on global initiatives to lower the risks associated with correspondent banking, including the work international standard setters are undertaking to better measure, understand and address the challenges presented by the reduction of these important banking services. They also noted that the disruption in service could result in financial institutions turning to second tier or underground correspondent banking services.

In this regard, they welcomed the four-point action point plan outlined in the [Report to the G20](#) on Actions to assess the decline in correspondent banking. The points are (1) further examine the dimensions of the issue; (2) clarify regulatory expectations, as a matter of priority, including more guidance by the FATF; (3) Domestic capacity building in jurisdictions that are home to affected respondent banks; and (4) strengthen the tools for due diligence by correspondent banks.

On the day following the roundtable talks, the FSB/RCG\_A convened its ninth Meeting. This time the focus was on funding for small and medium-sized enterprises (SMEs). The importance of this type of financing to sustainable economic growth globally was highlighted and a Report on Promoting Long-Term Investment (LTIF) in Asia was shared with the delegates.

They also paid particular attention to investment flows among countries and examined any vulnerabilities in relation to liquidity in the financial system and in how banks manage their assets.

The framework that countries use to review each other’s bank supervisory policies and approaches, the handling of banks that are critical to the financial system, and shadow banking were all agenda items. The discussion on the latter subject centred on the FSB’s Global Shadow Banking Monitoring Report and the work being undertaken to strengthen the policy tools available to regulators addressing potential systemic risks that are associated with nonbank financial intermediation.



## ***JUST HOW ISLE OF MAN IS ASSISTING OTHER SMALL IFC'S***

**T**he Isle of Man, a small island located between Great Britain and Ireland, is punching above its weight in the international arena. This 572 sq. kilometres island, with a population of only 85,000 is helping small International Financial Centres like Barbados, unravel financial regulation and leadership issues

How? Annually since 2009, the Isle of Man has hosted about two dozen financial services policymakers from the Pacific and the Caribbean at a two-week executive programme entitled “The Small Countries Financial Management Programme (SCFMP). Participants are exposed to a wealth of practical approaches to tackling technical financial management issues such as new approaches to risk management and regulation; tax information exchange agreements; growth lessons for small countries; anti-money laundering and prosecuting financial management crime; assessing and mitigating the financial sector risks, cash and debt management, and financial services regulation – responding to international initiatives and the governance of the regulator. Their leadership skills are sharpened as they undertake theoretical and practical sessions on inspiring their charges, delivering more efficient, public services, managing the delivery of projects in the public sector and honing negotiations skills.

The inclusion of mytho-drama – an arts-based approach to exploring issues to build leadership capacity in organisations – was quite novel and illuminating. Drawing on Shakespeare’s Henry the Eighth play, attendees studied the key elements of leadership, namely creating a picture of the future, assessing the past, selecting allies, cutting off inappropriate relationships, dealing with traitors, and connecting with one’s own sense of purpose.

The 2015 participants, among them two Barbadians, commended as quite beneficial the business school approach to the programme and the vast knowledge and experience of the presenters who came from leading universities like the Oxford Business School and Harvard.

Tim Cullen, founder of the programme and Director of the Oxford Programme on Negotiation at the Saïd Business School, explained that his motivation behind the SCFMP was his first-hand knowledge of the great effort that a small jurisdiction (like the Isle of Man) had to employ to meet ever more demanding international standards. “I realized that what was challenging for the Isle of Man must have been much harder for small and remote countries with a limited number of experienced and highly qualified government officials,” he explained to this newsletter.

Cullen said that the world-class executive education programme is therefore designed to empower policymakers in small states by providing them with the tools to run the financial side of their economies more effectively and engage with international bodies on the global stage.

Participants are challenged in the programme to use the tools and techniques acquired in the two weeks to crack a difficult work-related problem. Attendees from a large number of countries revealed that they were encouraged to function differently on returning home. They reported being able to overhaul their budget negotiations to implement risk-based supervision procedures.



***Above: Scenic internet images of the Isle of Man. The second photo was posted by photographer Peter Killey.***



**BARBADOS ARCHITECTURAL FIRMS IN WINNERS' ROW**

Several Barbados companies offering architecture and related design services have received prestigious 2015 [International Property Awards](#), as adjudged by the UK-based International Property and Travel Magazine.

The Awards were first presented in 1995. They recognize exemplary work in several areas of architecture, including single and multi-residence, high-rise, hotel, leisure and mixed-use. Entrants are divided according to geographical regions, with new of categories added for the UK (2005), Africa & Arabia (2006), Europe (2008), and the Americas (2008). The competition is structured so as to limit the pool of candidates, and the Barbadian firms were included in a pool of 71 winners in the 2015 Americas categories.

Talma Mills Studios Ltd. earned a place in Winners' Row for its transformation of Church Village Green, the new public recreation space in the Central Bank of Barbados complex. "It's gratifying to see our beautification efforts being recognized," said Kevin Talma, landscape architect for the project, in response to learning of the award. Talma was especially pleased about the award because the project was executed under tight budget constraints. He also revealed that the project relied exclusively on Barbadian consultants and contractors. "It was a completely local effort."

Also commenting on the award was the Central Bank's coordinator for the project, Hartley Jordan: "We conceived Church Village Green as an oasis in the city, a space where sunset concerts and other community events, even weddings could take place. It's also a place people can just go, relax and take a breather; it's gratifying to see our beautification efforts being recognized. The Green, which was officially opened in March 2014, is part of the Central Bank of Barbados' and the Barbados Tourism Investment Inc.'s ongoing redevelopment of the area.

**Barbados Awardees**

|                         |   |
|-------------------------|---|
| Talma Mills Studios Ltd | Best Commercial Landscape Architecture (Church Village Green)       |
| Gillespie & Steel       | Best Architecture – Multiple Residence (Settlers Beach)             |
| Talma Mills Studios Ltd | Best Residential Landscape Architecture (Private Villa, Sandy Lane) |
| Gillespie & Steel       | Best Leisure Architecture (The Spa)                                 |
| Gillespie & Steel       | Highly Commended – Single Residence (Footprints)                    |
| Gillespie & Steel       | Highly Commended – Retail Architecture (Limegrove Lifestyle Centre) |



*Two views of Church Village Green; the park also reflects a green energy approach.*



## ***SIGNIFICANT AMENDMENTS MADE TO SAVINGS BONDS REGULATIONS***

Prompted by the removal of the minimum savings rate, the Central Bank of Barbados has begun promoting savings bonds. The decision to remove the minimum savings rate, which was announced April 17, 2015, signaled the end of a decades-long policy of structured interest rates on loans and deposits.

Maintaining an administratively determined deposit interest rate was creating strain in other areas of the financial sector. It led to inflated Treasury Bill rates as commercial banks sought to use the gains from their investments to offset the costs of paying interest to thousands of account holders, in a market that is experiencing excess liquidity. It also resulted in higher mortgage and loan rates, thereby making it more difficult for ordinary Barbadians to own homes or start businesses.

After careful consideration, the Central Bank determined that deregulating interest rates and allowing market forces to determine what commercial banks offer their customers, was the appropriate step to take. In making this decision, the Bank did not lose sight of the potential impact on lower and middle-income Barbadians, who relied on the interest income their savings accounts generated to supplement their earnings. Almost immediately after, the island's five commercial banks began making adjustments to their rates, the Central Bank re-launched its Savings Bonds programme, highlighting a government security targeted for the benefit of the average saver that it first introduced in the early 1980s. The re-launch included two major amendments to the Savings Bonds Regulations (1980) Act: an increase in the minimum nominal value that investors can hold per series—\$100,000 per individual or organisation, and \$200,000 for joint holders—and the issue of a single certificate instead of denominational certificates. The Bank is currently offering a yield of 5.5% at maturity, more than double what commercial banks were offering before the removal of the minimum deposit rate.

While the focus of its promotional efforts is currently on Savings Bonds, Treasury Notes and Debentures, which pay periodic interest and therefore provide an income stream for retirees and other Barbadians who do not have a regular income remain popular. Each of these types of investments, with their history of being safe, while offering attractive returns, are worthy of consideration in a post-minimum savings rate environment. Members of the Barbadian diaspora have also been encouraged to see the savings bonds as a very good method of diversifying their investment portfolios, while remitting foreign exchange in the process, thus providing an important benefit to Barbados. For additional information about the savings bonds programme, email [savingsbonds@centralbank.org.bb](mailto:savingsbonds@centralbank.org.bb) or visit the [Central Bank of Barbados website](http://www.centralbank.org.bb).



## **Savings Bonds**

A Safe Way to Save More

### ***FEATURED CONTRIBUTOR***

**Novaline Brewster** is the Public Affairs Officer of the Central Bank of Barbados. Novaline Brewster is currently the Public Affairs Officer (PAO) of the Central Bank of Barbados. In this role she assists with the Bank's internal and external communications. Prior to assuming the office of PAO, she worked for more than a decade as a broadcast reporter and editor at the state-owned Caribbean Broadcasting Corporation. During her tenure at the CBC, she covered several local and regional events and for about three years served as the Business Editor.

Novaline holds a B.A in Foreign Languages from the University of the West Indies, Cave Hill Campus, a Post Graduate Diploma in Tourism Management from the UWI School of Business and an M.Sc. in Public Relations from the University of Stirling, Scotland. Email: [Novaline.brewster@centralbank.org.bb](mailto:Novaline.brewster@centralbank.org.bb)

***BARBADOS IS AN EXCELLENT PLACE TO LIVE, WORK AND DO BUSINESS!***

This claim is supported by surveys and reviews regularly conducted by a number of reputable organisations. Some of the more recent rankings:



**Education:** UN HDR data ranks 'Expected Years of Schooling' for Barbados at 15.4, compared to 13.6 for others in the High HDI category. *Pictured: Harrison College, a Barbadian*



**Quality of Life:** Barbados has been described by the online publication Carib Journal as one of the best Caribbean countries to live in. *Pictured: A view from Carlisle Bay.*

The **2015 Human Development Report** compiles its various multiple indices to rank Barbados at 57th, out of 188 countries. The Report's [Country Briefing Notes](#) for Barbados indicate that the country's Human Development Index (HDI) of .785 puts it in the 'high human development category', above the average for countries in Latin America and the Caribbean. Numbers such as these have led [Carib Journal](#), the online magazine, to label Barbados as one of the best Caribbean countries to live in, second only to Bahamas whose HDI of .790, gave it a ranking of 55<sup>th</sup> in the world, while Barbados is ranked 57<sup>th</sup>, with an HDI of .785. Antigua and Barbados followed closely, at the rank of 58.

Meanwhile, [Travel Daily News](#) has ranked Barbados at number 11 in the world for its Public WiFi accessibility, making it the only country in the western hemisphere to make the top 20. The majority of the Top 20 countries were located in Europe (the U.K. was in sixth place), and the U.S., where most of the world's biggest internet companies are located, dropped off the Top 20 list altogether.

This poll was conducted by global tech watchdog [RottenWiFi](#), whose website also offers a facility for visitors to rate the upload and download speeds of their network providers. In explaining the usefulness of such a poll, the watchdog operation felt it was important to identify which countries have the best, and worst, WiFi as it would serve to help develop networks and therefore make the experience better for people traveling around the world who increasingly rely on WiFi to stay connected, and to do work while on-the-go.

**Editor's Note**



[Laurie Blackman](#)

*Due to some unexpected technical difficulties, our September 2015 issue was not published. We apologise for that break, and are pleased to bring a combined September-December 2015 issue. Please accept my apologies for any inconvenience caused, as well as a renewed commitment to produce newsletters worthy of your attention during 2016.*

*We continue to welcome relevant submissions from new contributors and representatives of stakeholder agencies. Please direct submissions, comments and other feedback to: [laurie.blackman@centralbank.org.bb](mailto:laurie.blackman@centralbank.org.bb).*

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