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**Remarks by Dr. DeLisle Worrell, Governor, Central Bank of Barbados, on Behalf
of the Caribbean Group at Breakfast with the Managing Director of the IMF
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The international business and financial sector is vital to Caribbean growth

The international business and financial sector (IBFS) plays a key role in the strategies for diversifying the sources of growth for the small countries of the Caribbean. These countries are all very open and dependent on foreign-exchange earnings as the engine of growth and employment. Already the IBFS is the principal source of foreign exchange and growth for the smallest countries, and for others it is second in importance only to tourism. Yet other Caribbean countries look to the sector as a potential source of diversification.

All Caribbean jurisdictions ground their IBFS sectors on their competitive advantages of geographical location, environmental appeal, a superior quality of life, a relatively stable economic and political environment, and a highly skilled labour force. In addition, well established Caribbean jurisdictions like The Bahamas and Barbados now boast a strong infrastructure of professional and technical skills, in law, accounting, finance and related disciplines, and can provide those services to international financial institutions at highly competitive prices.

Furthermore, the Caribbean is dedicated to the business of high quality institutions operating through fully legitimate channels and in accordance with the best international standards and practices. In order to guarantee the quality of our international financial services Caribbean jurisdictions have been fully involved for the past decade in the Financial Sector Assessment Programs (FSAP) and Reviews of Standards and Codes (ROSCs), conducted by the IMF and World Bank, and actively participate in the work of the Financial Action Task Force (FATF) and the Caribbean regional body CFATF. There are published reports on these reviews available for all jurisdictions.

As is inevitably the case, there are, in every case, areas where financial regulation needs to be upgraded and legislation and guidelines need to be revised. There is

universal commitment to address the issues identified, as swiftly as resources and skills permit. In this effort the Caribbean benefits from technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC), the IMF, the Association of Supervisors of Banks of the Americas (ASBA) and financial supervisory agencies of the US, Canada, the UK and others.

The Caribbean welcomes any further assistance which the international community might offer

The Caribbean welcomes offers of additional assistance in the upgrading of financial surveillance. In particular, we are concerned about the inadequacy of data on regional and international linkages and cross border risk exposures. This is an issue of vital importance for domestic financial stability in the Caribbean region, as well as for the stability of the region's international financial business. In this connection we would be glad to be involved with the joint initiative of the IMF and the Financial Stability Board (FSB) on "The financial crisis and information gaps", which speaks to these issues.

However, the FSB's "non-cooperative jurisdictions" initiative is puzzling and unhelpful

Caribbean jurisdictions were in no way implicated in the recent international financial crisis, and there were no failures in IBFS sectors in Caribbean jurisdictions. Since the FSB's mandate is international financial stability, its selection process, which has placed some Caribbean jurisdictions on its priority list, appears to be flawed.

The Caribbean jurisdictions are fully involved in the FSAP and ROSC processes, and are adequately served by technical assistance. The FSB appears to be questioning the assessments published in the Financial System Stability Assessments for Caribbean countries. Moreover, the FSB has not published the criteria by which it will supercede the judgment of FSAP teams, reflected in the published FSSAs. In any case, what is required in order to strengthen financial surveillance is improved data and methodologies, not an additional review of information which will already be out of date. Furthermore, it is unclear that the FSB has the technical capacity to render a balanced and informed judgment on the adequacy of financial systems.

The fact that the FSB contemplates declaring as "non-cooperative" countries which are fully involved with the FSAP and FATF processes, if taken at face value, implies a totally unjustified lack of confidence in the FSAP process. The FSAP was developed on the basis of intensive research and analysis, and the tools, techniques and processes of the FSAP continue to be refined, in particular to incorporate the lessons of the international financial crisis. The FSB appears to discount this considerable intellectual investment, without providing an adequate substitute.

In short, the FSB “non-cooperative jurisdictions initiative” lacks transparency, legitimacy, intellectual integrity and justification. Rather than contribute to strengthening international financial stability it represents a disincentive for international financial cooperation and the development of a level playing field in international financial transactions, and it is therefore a threat to international financial stability.

The Caribbean is requesting that the IMF, through its membership of the FSB, insist that the FSB refocus its engagement with the Caribbean to concentrate on issues where the FSB can reinforce the efforts which the Caribbean has been engaged in for many years, to upgrade and maintain surveillance of domestic and international financial sectors which offer international financial services of the highest quality and integrity. These activities are undertaken with the assistance of and in collaboration with the IMF, the World Bank and other international institutions, and the FSB should support already established processes. In this connection, the Caribbean identifies the statistical data gaps as a priority for attention.

DeLisle Worrell
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