



3rd Report of the

JOINT SELECT COMMITTEE ON

FINANCE AND LEGAL AFFAIRS

on an

Inquiry into

Commercial Banking Fees in Trinidad and Tobago

THIRD SESSION (2017/2018) OF THE 11TH PARLIAMENT

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The Joint Select Committee on Finance and Legal Affairs

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3rd REPORT

OF THE

**JOINT SELECT COMMITTEE ON FINANCE AND
LEGAL AFFAIRS**

ON

**AN INQUIRY INTO COMMERCIAL BANKING FEES IN
TRINIDAD AND TOBAGO**

Date Laid: HoR:

Senate:

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ACRONYMS AND ABBREVIATIONS

Abbreviation	Term
ATM	Automated Teller Machine
BATT	Bankers Association of Trinidad and Tobago
CARICOM	Caribbean Community
CBTT	Central Bank of Trinidad and Tobago
CFASIT	Chartered Financial Analysts Society of Trinidad and Tobago
FCB	First Citizens Bank
FIA	Financial Institutions Act, Chap. 79:09
OFSO	Office of the Financial Services Ombudsman
RBL	Republic Bank Limited
ROE	Return on Equity
UWI	University of the West Indies

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MEMBERS OF THE COMMITTEE



Ms. Sophia Chote, SC
Chairman



Mr. Clarence Rambharat



Ms. Marlene McDonald, MP



Dr. Lovell Francis, MP



Mr. Prakash Ramadhar, MP



Mr. Randall Mitchell, MP

THE COMMITTEE

COMMITTEE MANDATE AND ESTABLISHMENT

1. Section 66 A of the Constitution of Trinidad and Tobago declares, that not later than three months after the first meeting of the House of Representatives, the Parliament shall appoint Joint Select Committees to inquire into and report to both Houses in respect of Government Ministries, Municipal Corporations, Statutory Authorities, State Enterprises and Service Commissions, in relation to their administration, the manner of exercise of their powers, their methods of functioning and any criteria adopted by them in the exercise of their powers and functions.
2. Pursuant to the foregoing provision, motions approved in the House of Representatives and Senate on November 13, 2015 and November 17, 2015, respectively, the **Joint Select Committee on Finance and Legal Affairs** was established
3. Standing Order 91 of the Senate and 101 of the House of Representatives outlines the general function of a Committee of this nature. They are as follows:
 - a. to examine Bills and review all legislation relating to the relevant Ministries, departments or bodies or as may be referred to it by the House;
 - b. to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration and operations of the assigned Ministries, departments or bodies;
 - c. to study the programme and policy objectives of Ministries, departments or bodies and the effectiveness of the implementation;
 - d. to assess and monitor the performance of Ministries, Departments and Bodies and the manner of the exercise of their powers;

- e. to investigate and inquire into all matters relating to the assigned Ministries, Departments and Bodies as they may deem necessary, or as may be referred to them by the House or a Minister; and
- f. to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

SPECIFIC AREAS OF RESPONSIBILITY

4. The Joint Select Committee on Finance and Legal Affairs is mandated to inquire into areas related to Finance, Planning, Trade, Tobago Affairs, Office of the Prime Minister, Attorney General, Justice and Legal Affairs as listed in Appendix IV and V of the Standing Orders of the House of Representatives and Senate respectively.

POWERS OF THE COMMITTEE

5. Standing Orders 101 of the Senate and 111 of the House of Representatives delineate the general powers of the Committee which include:
 - a. to send for persons, papers and records;
 - b. to sit notwithstanding any adjournment of the House;
 - c. to adjourn from place to place;
 - d. to report from time to time;
 - e. to appoint specialist advisers either to supply information which is not otherwise readily available, or to elucidate matters of complexity within the Committee's order of reference;
 - f. to communicate with any other Committee on matters of common interest; and
 - g. to meet concurrently with any other Committee for the purpose of deliberating, taking evidence or considering draft reports.

MEMBERSHIP

6. The Committee comprises the following members:
 - i. Ms. Sophia Chote, SC - Chairman
 - ii. Dr. Lovell Francis, MP
 - iii. Mr. Prakash Ramadhar, MP
 - iv. Ms. Marlene Mc Donald, MP
 - v. Mr. Randall Mitchell, MP
 - vi. Mr. Clarence Rambharat

FORMER MEMBERS

7. The following persons served on the Committee during the course of this inquiry:
 - i. Mr. Michael Coppin - Vice Chairman
 - ii. Mr. Wayne Sturge - Member

SECRETARIAT SUPPORT

8. The following officers were assigned to assist the Committee:
 - i. Mr. Julien Ogilvie - Secretary
 - ii. Ms. Shanice Ramdhan - Assistant Secretary
 - iii. Ms. Sacha Singh - Research Assistant

EXECUTIVE SUMMARY

1. At its Tenth meeting held on January 20th 2017, the Committee resolved to pursue an inquiry into Commercial Banking Fees in Trinidad and Tobago. The Committee's decision to examine this issue was propelled by what it perceived was an increasing level of public disenchantment regarding the amount of fees which were being imposed by commercial banks.
2. The inquiry process involved gathering and collating oral and written evidence from primary and secondary stakeholders as well as from the public. As far as possible, the Committee ensured that oral and written evidence received were relevant to the terms of reference of the objectives of the inquiry. In this regard the Committee received evidence from several stakeholders, listed as follows:
 - i. The Central Bank of Trinidad and Tobago (CBTT);
 - ii. The Bankers Association of Trinidad and Tobago (BATT);
 - iii. The Office of the Financial Services Ombudsman (OFSO);
 - iv. Ms. Lisa Awai, member of the Chartered Financial Analysts Society; and
 - v. Mr. Prakash Ramlakhan, Lecturer in Banking and Finance at the University of the West Indies, St. Augustine.
3. From the evidence received, the Committee took particular note of what, in its view, were some significant issues and developments concerning Commercial Banking Fees in Trinidad and Tobago. These were as follows:
 - i. the limitations in the regulatory powers of the CBTT to regulate commercial bank fees and charges;
 - ii. the factors which influence the determination of commercial bank fees and charges;

- iii. the need for a framework of customer protection policies relating to financial services;
- iv. the benefits gained by customers when commercial banks and other financial institutions are transparent and accountable in their operations;
- v. the need to encourage and improve the financial literacy of the public;
- vi. The proportion of bank income and profits to which fees and charges are attributable;
- vii. the spread between deposit interest rates and loan interest rates;
- viii. the level of competition in the financial sector of Trinidad and Tobago;
- ix. the independence of commercial banks to make individual pricing decisions based on their respective strategies and focus;
- x. the quality of customer service/interface provided at commercial bank branches;
- xi. the importance of customer satisfaction to commercial banks;
- xii. the imposition of bank fees as a means of cost recovery;
- xiii. the significance of online and mobile banking in improving customer accessibility and convenience;
- xiv. the access to banking services by rural communities;
- xv. the oversight of hire purchase and other financing arrangements offered by furniture and appliance retailers and other types of retailers; and
- xvi. the monitoring and management of household debt in relation to assets, in particular the use of credit cards and contracting for unsecured debt.

SUMMARY OF RECOMMENDATIONS

The following are key recommendations proffered by the Committee:

1. The Ministry of Finance, in consultation with the CBTT, should examine the existing legislation governing commercial banks and other financial institutions with a view of providing legislative oversight of fees (applicability and quantum) to commercial banking services;
2. The Ministry of Finance, in consultations with the CBTT, should examine the provisions of Section 10 (d) of the FIA, with the view of issuing rules/guidelines for the imposition of fees for commercial banking Services.
3. The Central Bank of Trinidad and Tobago to issue a clear statement informing the public of its official position relating to its powers under the FIA and other legislation, with specific reference to fees for commercial banking services and its plans to increase oversight of such fees and charges.
4. Expansion of the regulatory role of the CBTT to ensure that commercial banks establish and comply with an enhanced Code of Practice on consumer related matters including:
 - a. educating customers on bank fees and charges;
 - b. promoting “fair and reasonable” charges for financial services and products;
 - c. providing reasonable notice of bank fee adjustments; and
 - d. providing quality customer service and establishing effective mechanisms for attending to customer complaints.
5. The CBTT with the support of the OFSO must dedicate more effort and resources to promoting a culture of consumer rights knowledge and advocacy for financial services with particular reference to the more vulnerable in the society.

6. **The Ministry of Finance in collaboration with the CBTT and the Ministry of the Attorney General and Legal Affairs should assess the feasibility of amending the Consumer Protection and Safety Act, Chap. 82:34 to make specific provision for the protection of customers doing business with financial institutions, including commercial banks.**

7. **The Ministry of Finance, in consultation with the CBTT, should review the regulations governing the banking sector to include:**
 - a. **the type of information that commercial banks are obligated to disseminate to their customers and to the general public;**
 - b. **standards of customer service; and**
 - c. **regulation of fees charged for ancillary services such as safe deposit lockers and other custodial and depository services.**

8. **Commercial banks to consider the expansion of “No-Fee Bank Account” services across the commercial banking sector in Trinidad and Tobago.**

9. **The CBTT should ensure greater transparency from commercial banks as it relates to the rationale for fee adjustments.**

10. **The Ministry of Finance, in consultation with the CBTT, should examine the commercial banking sector to determine whether customers encounter any unwarranted impediments when terminating services with one commercial bank and initiating business with another commercial bank.**

11. **The CBTT initiate discussions with BATT on the following proposals to enhance the services provided to commercial bank customers:**

- a. offering of a basic package of financial services with minimal charges to vulnerable groups in society such as students, the elderly and differently-abled; and
 - b. providing financial literacy sessions to the public, with a special focus on the school population.

12. The CBTT examines the local banking sector to analyse the impact of new entrants (such as the Bank of Baroda (Trinidad & Tobago) Limited and JMMB (Trinidad & Tobago) Limited) on market conditions inclusive of product pricing and customer/competitor responsiveness to these new entrants.

13. Conditioned on the findings of the examination recommended at 12 above, the Ministry of Finance should engage the CBTT with a view to conducting an analysis of the cost and benefits of permitting two (2) small to medium-sized commercial banks to enter the local commercial banking sector.

14. The CBTT to publish comparative data on fees charged by banks in a sample of CARICOM countries.

15. The CBTT and Ministry of Finance should examine the feasibility of enacting legislation for the purpose of establishing standards and procedures in the provision of commercial banking services.

16. The CBTT in consultation with the Ministry of Finance and the Ministry of the Attorney General and Legal Affairs take steps to enact legislation to permit agency banking in Trinidad and Tobago as a means of reaching more rural communities.

17. The CBTT in consultation with the Ministry of Finance and the Ministry of the Attorney General and Legal Affairs take steps to provide more oversight for hire

purchase and similar financing arrangements offered by furniture and appliance retailers and other types of retailers.

INTRODUCTION

BACKGROUND

1. In Trinidad and Tobago, there are eight (8) existing commercial banks. These include:
 - i. Bank of Baroda (Trinidad & Tobago) Limited;
 - ii. Citibank (Trinidad & Tobago) Limited;
 - iii. First Caribbean International Bank (Trinidad & Tobago) Limited;
 - iv. First Citizens Bank Limited;
 - v. JMMB Bank (Trinidad & Tobago) Limited;
 - vi. Republic Bank Limited;
 - vii. RBC Royal Bank (Trinidad and Tobago) Limited ; and
 - viii. Scotiabank Trinidad and Tobago Limited.

2. In 2015 the financial sector of Trinidad and Tobago contributed thirteen (13) per cent to the gross domestic product (GDP), two (2) per cent higher than the previous year. Commercial banks dominate the financial system, contributing forty-four (44) per cent of the total financial system assets.¹

3. According to the FIA, Section 5(1), the CBTT is responsible for, *“The general administration of this Act, the supervision of licensees and the oversight of payment systems, and shall have the powers and duties conferred on it by this Act and the Central Bank Act.”*²

¹ Central Bank of Trinidad and Tobago: Financial Stability Report 2015, p. 5. <http://www.central-bank.org.tt/sites/default/files/FSR%202015%20-%20Online.pdf>

² Financial Institutions Act, Chap. 79:09 http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical_List/lawspdfs/79.09.pdf

4. The Central Bank Act, Chap. 79:02³ outlines the Central Bank's role as the supervisory body to all financial institutions in Trinidad and Tobago. The Act states that the Central Bank, "*May act as banker to financial institutions in Trinidad and Tobago and as agent of and correspondent to banks abroad.*" Section 44A of the Central Bank Act further asserts that, "*The Bank may fix the maximum and minimum interest rates payable on deposits received, and may fix the maximum and minimum interest rates, fees and charges to be charged on loans, advances or other credit facilities, by a financial institution.*"⁴

OBJECTIVES

5. In view of the above, the Committee agreed that its inquiry will be guided by the following objectives:
- 1. To determine the rationale for the fee structure established by commercial banks in Trinidad and Tobago;**
 - 2. To determine the feasibility of State involvement in the regulation of commercial banking fees in Trinidad and Tobago;**
 - 3. To determine the possible effects of unregulated fees on consumer welfare;**
 - 4. To examine the possible instances of anti-competitive behaviour by commercial banks with respect to fees;**
 - 5. To ascertain the amount of profits made by commercial banks per year due to changes in fees over the last ten (10) years;**
 - 6. To ascertain the trends in banking fees/charges in Trinidad and Tobago in the last ten (10) years.**

³ Central Bank Act, Chap. 79:02 http://rgd.legalaffairs.gov.tt/Laws2/Alphabetical_List/lawspdfs/79.02.pdf

⁴ Ministry of Legal Affairs: Central Bank Act, 1964.

http://rgd.legalaffairs.gov.tt/laws2/alphabetical_list/lawspdfs/79.02.pdf

CONDUCT OF THE INQUIRY

6. The Committee commenced the inquiry with its *first Public Hearing* on **February 17th 2017** with the **Central Bank of Trinidad and Tobago**.
7. At its Fourteenth Meeting held on **May 5th 2017**, the Committee convened its *second Public Hearing* with the BATT.
8. At its Fifteenth Meeting held on **May 19th 2017**, the Committee convened its *third Public Hearing* with the following entities:
 - Republic Bank Limited; and
 - First Citizens Bank.

WRITTEN SUBMISSIONS

9. The Committee received written submissions from the following entities/stakeholders:
 - i. The Central Bank of Trinidad and Tobago;
 - ii. The Bankers Association of Trinidad and Tobago;
 - iii. The Office of the Financial Services Ombudsman;
 - iv. Ms. Lisa Awai, member of the Chartered Financial Analysts Society of Trinidad and Tobago ; and
 - v. Mr. Prakash Ramlakhan, Lecturer in Banking and Finance at the University of the West Indies, St. Augustine.
10. The Minutes of the Meetings during which the public hearings were held are attached as [Appendix II](#) and the Verbatim Notes as [Appendix III](#).

SUMMARY OF EVIDENCE, FINDINGS AND RECOMMENDATIONS

OBJECTIVE 1: TO DETERMINE THE RATIONALE FOR THE FEE STRUCTURE OBSERVED BY COMMERCIAL BANKS IN TRINIDAD AND TOBAGO.

Independent Fee Structures across the Banking System

1. The CBTT reported that commercial bank charges and fees on products and services provided are not consistent across the banking system. Moreover, the banks may have varying degrees of charges and unique fee structures according to the distinguishable features of products or services provided and/or target markets.

Regulation of Commercial Banks

2. The CBTT indicated that there is no existing legislation which regulates or administers the charges and fees that commercial banks set for their products and services. The CBTT stated that Section 44A(1) of the Central Bank Act does not give the CBTT the power to prescribe fees and charges on the following products and services:
 - i. Deposit account fees;
 - ii. Charges for in-branch teller transactions;
 - iii. Dormant account fees; and
 - iv. ATM charges.⁵
3. Moreover, the CBTT reported that there is no regulation which stipulates the services for which a commercial bank may impose fees. Further, banks are free to adjust fees within the provisions of contractual agreements with customers.

⁵ Written submission by the Central Bank of Trinidad and Tobago, dated 02.10.16

4. The CBTT acknowledged that there are risks associated with any unregulated system as the pricing of certain products may become excessive. Nonetheless, the CBTT submitted that State regulation of commercial bank fees may limit the free competitive market behaviour of banks to alter their fees, charges and product structure.

Factors considered in determining fees and charges

5. The BATT provided the factors which may be considered in determining commercial bank fees and charges across the industry. These factors include:
 - i. Increases in operating costs;
 - ii. Market conditions and competitive forces;
 - iii. Improved efficiencies which may result in savings which are passed to customers;
 - iv. Customer feedback;
 - v. Persuasion of customers away from banking halls toward the adoption of other channels to conduct banking;
 - vi. Special segments- price differentiation for certain customer segments namely seniors and youths, services are provided at a lower rate or at no cost;
 - vii. In the case of international banks, retail banking fees are set independent of one another and their foreign parent.⁶

Spread between Lending and Deposit Rates

6. Mr. Prakash Ramlakhan, Lecturer in Banking and Finance at UWI, St. Augustine submitted that there is a high spread between lending and deposit rates which implies that the interest rate spread may cover the majority of fees associated with

⁶ Written submission by the Bankers Association of Trinidad and Tobago dated 05/04/2017.

deposits and loans. In addition, the interest spread over the past decade ranges between 7.05 per cent and 9.77 per cent as presented in Table 1.

Table 1: Interest Spread of Commercial Banks in Trinidad and Tobago

YEAR	Interest Spread (%)
2006	7.46
2007	7.90
2008	8.21
2009	9.77
2010	9.45
2011	8.55
2012	8.28
2013	7.97
2014	7.51
2015	7.05
2016	N/A

Source: Written Submission from Mr. Prakash Ramlakhan⁷

- Furthermore, Mr. Ramlakhan stated that **the rate of increases in fees cannot be considered justifiable when compared to the loss of value to depositors**. Table 2 shows that there was an increase in customer deposits by forty-one per cent (41%) between 2010 and 2015, while **interest to depositors fell by seventy-two per cent (72%)** within the same period. Further, there was a significant increase in service fees on deposit accounts compounding the loss of value to depositors. It was also noted that according to data compiled, **the total interest paid to depositors between 2014 and 2015 was considerably less than the cost of banks to maintain deposit accounts in both years**.

⁷ Written Submission by Mr. Prakash Ramlakhan dated March 23rd 2017

Table 2: Commercial Bank Deposits for the period 2010 to 2015 (\$000)

	2010	2011	2012	2013	2014	2015
Total Deposits	72,402,790	76,038,358	83,562,121	93,467,287	99,039,779	101,686,066
Interest to Depositors	590,836	319,800	223,212	201,696	167,007	163,620
Service fees on Deposit Accounts	168,747	169,398	210,651	185,581	201,553	213,970

Data Source: Central Bank of Trinidad and Tobago
Document Source: Written Submission by Mr. Prakash Ramlakhan⁸

8. The Committee noted that currently there is no legislation (primary or subsidiary) which specifically guides commercial banks in the setting of fees and charges for services provided. Section 44A of the Central Bank Act, Chap. 79:02 outlines that the Bank may regulate charges specifically related to loans, advances and other credit facilities. Thus, Section 44A of the Central Bank Act limits the Central Bank’s power of intervention, and does not allow the CBTT to regulate commercial bank fees and charges on non-credit services and products. However, the Committee was informed that the CBTT uses “moral suasion” to influence the decisions of commercial banks. It is unclear what constitutes “moral suasion” and whether it has any impact at all.
9. The BATT reiterated the statutory limitations on the CBTT, however officials of BATT cited the mortgage market reference rate (MMRR) is under the guidance of the CBTT. This policy rate is calculated and released by the CBTT, and subsequently used by commercial banks when pricing mortgages. Notably, the CBTT’s *Residential Real Estate Mortgage Market Guidelines* (Dated June 01, 2017) refers to the powers conferred on the CBTT in Section 10(d) of the FIA to, inter alia, **issue guidelines on any matter it considers necessary to regulate the “market conduct” of licensed Financial institutions (licensees).** It may be useful for the

⁸ Written Submission by Mr. Prakash Ramlakhan dated March 23rd 2017

CBTT to make public its perspective on whether this provision also applies to fees charged by commercial banks.

10. The Committee was informed that the CBTT has the power to influence interest rate spreads in collaboration with the Minister of Finance, and can also set minimum and maximum rates of interest. **However, the Governor of the Central Bank advised that the Bank has not been exercising this power.**
11. Furthermore, BATT informed the Committee that the Association is not involved in the internal business decisions of individual members. Instead, fees and charges are determined by the individual bank based on strategic objectives.
12. Officials of the Central Bank reported that banking fees have diminished for some products and services provided by commercial banks and reduced charges are offered to special customer groups such as the elderly or youths. The CBTT identified the link between risk and pricing decisions. It was outlined that an increase in the risk of providing particular services would be reflected in the cost of providing these services, as such this cost may be passed on to the customer via charges and fees.
13. BATT reported that an independent review concluded that bank fees are generally used as a means of cost recovery rather than income. Further, bank fees and charges are not a disincentive for consumers seeking in-branch transactions.
14. Officials of BATT also stated that bank charges facilitated investments in new channels to allow consumers greater ease and accessibility to services.
15. The officials of RBL informed the Committee that fee structure is discretionary and decisions relating to the adjustment of bank fees are decentralized decisions based on a number of factors.

16. Further, the officials of RBL stated that one of the main drivers of the bank's fee structure is the cost of providing financial services. The Committee also noted that RBL utilises a structure wherein general managers may review and analyse operations and make recommendations for fees and charges, which are then approved by line directors.
17. The Committee noted that the spread between interest rates on deposits and interest rates on loans in Trinidad and Tobago is considerably larger than that of developed countries such as the United States. However, officials of the CBTT stated that the local rates are well within the range existing in the Caribbean.
18. In addition, the Committee noted that the interest rate structure on deposits for the banking system depends on the overall liquidity situation in Trinidad and Tobago. RBL officials also explained that there was a different cost structure in past years, however the current liquidity in the financial system cannot support maintaining the rates from previous years.

RECOMMENDATIONS

19. The Committee recommends that:

- A. **The Ministry of Finance in consultation with the CBTT, should examine the existing legislation governing commercial banks and other financial institutions with the view of providing legislative oversight of fees (applicability and quantum) to commercial banking services.**

- B. **The Ministry of Finance in consultation with the CBTT, should examine the provisions of Section 10(d) of the Financial Institutions Act with a view to issuing rules/guidelines for the imposition of fees for commercial banking services.**

- C. **The CBTT issue a clear statement (media release) informing the public of its official position regarding its interpretation of its powers under the FIA [in particular Section 10(d)] and other legislation with reference to fees for commercial banking services and its plans to increase oversight of such fees and charges.**

- D. **Commercial banks should consider the expansion of “No-fee bank account” services across the commercial banking sector of Trinidad and Tobago. The use of ‘No-fee bank account’ alternatives has risen in North America, as it offers online banking services such as the transfer of funds, payment of bills and checking account balances with little to no transaction fees.**

OBJECTIVE 2: TO DETERMINE THE FEASIBILITY OF STATE INVOLVEMENT IN THE REGULATION OF COMMERCIAL BANK FEES IN TRINIDAD AND TOBAGO.

Challenges of establishing a regulatory body for the banking sector

20. CBTT identified the challenges of establishing a statutory body to facilitate the price regulation of commercial bank charges. These challenges include:
- i. Specification of the powers and mandate of the regulatory body and putting these into law;
 - ii. Providing the statutory body with the appropriate personnel and resources to ensure that it efficiently collects and disseminates information, makes appropriate policy and liaises effectively with banks; and
 - iii. Ensuring that the institution coordinates its activities with related regulatory and consumer affairs institutions, including the Central Bank, the OFSO, private and state consumer protection agencies, and the public.⁹

Impact of regulations on competition in the banking sector

21. The Central Bank expressed the view that state involvement in the regulation of commercial bank fees in Trinidad and Tobago may limit the “free competitive behavior” of commercial banks depending on its content and administration.
22. The Chartered Financial Analysts Society of Trinidad and Tobago (CFASTT) reported that its findings conclude that the price regulation of fees and charges within the banking sector may be considered anti-competitive and against the best interest of consumers and financial service providers alike. Further, the CFASTT was of the view that legislation should promote healthy competition and must not

⁹ Written submission from the Central Bank of Trinidad and Tobago dated 02.10.17

be a hindrance or deterrent to the development of new products and services by banks or result in inefficiencies in the pricing of financial products and services.

Central Bank's approval power on new financial products

23. The Central Bank has the power to approve new products offered by commercial banks. Section 51 (1) of the FIA, specifies that financial institutions must notify the Inspector of Financial Institutions at least one month before the launch of a new product or service. The Bank's *Guidelines for the Notification of New or Materially New Different Products or Services*¹⁰ require that the Boards of financial institutions address the pricing of new products. Some of the key requirements for approval of new products include the inclusion of contractual provisions which facilitate:

- i. Human rights;
- ii. Changes in prices;
- iii. Exiting the contract; and
- iv. Notifications regarding material changes.

¹⁰ Central Bank of Trinidad and Tobago. "Guidelines for the Notification of New or Materially New Different Products or Services" 2012. <https://www.central-bank.org.tt/sites/default/files/Guideline%20for%20Approval%20of%20New%20of%20Materially%20Different%20Baking%20Products%20or%20Services%20Under%20the%20FIA%202008.pdf>

RECOMMENDATIONS

24. The Committee recommends that:

A. The Ministry of Finance in consultation with the Central Bank, should review regulations governing the banking sector in Trinidad and Tobago to include provisions which prescribe:

- a. the type of information that commercial banks are obligated to disseminate to their customers and to the general public;
- b. Standards of customer service; and
- c. Regulation of fees charged for ancillary services such as safe deposit lockers and other custodial and depository services.

B. As the regulator, the Central Bank of Trinidad and Tobago should ensure greater transparency/disclosure on the part of commercial banks as it relates to declaring the rationale for any alterations in fees and charges.

C. The regulatory role of the CBTT be broadened to ensure that commercial banks establish and adhere to an enhanced Code of Practice on consumer-related matters including the following:

- a. Educating customers on bank fees and charges;
- b. Promoting “fair and reasonable” charges for financial services and products;
- c. Providing reasonable notice of bank fee adjustments; and
- d. Providing quality customer service and establishing effective mechanisms for attending to customer complaints.

D. The CBTT in collaboration with the Ministry of Finance should examine the feasibility of enacting legislation for the purpose of establishing standards and procedures in the provision of commercial banking services. Arguably, similar

legislation may be necessary to capture all financial or quasi-financial institutions which provide credit/lending services investment and other related services.

- E. The Central Bank in consultation with the Ministry of Finance and the Ministry of the Attorney General and Legal Affairs take steps to enact legislation to permit agency banking in Trinidad and Tobago as a means of reaching more rural communities.

OBJECTIVE 3: TO DETERMINE THE POSSIBLE EFFECTS OF UNREGULATED FEES ON CONSUMER WELFARE.

Transparency of Commercial Banks' fee structure

25. CBTT advised that, theoretically, the combination of competition, transparency and the consumer's ability to switch financial service providers without significant cost, results in pricing which is reflective of consumer power and choice.
26. Furthermore, CBTT has taken steps to promote the transparency of commercial bank operations regarding the pricing of products and services. The CBTT publishes an annual *Comparative Schedule of Fees and Charges* imposed by all commercial banks to promote fairness and transparency in the local financial market and improve consumer knowledge.

Risk Associated with Unregulated Systems

27. CBTT acknowledged that the commercial banking sector of Trinidad and Tobago is unregulated, and potentially excessive pricing of products is a risk linked to an unregulated system.

28. Mr. Ramlakhan submitted that unregulated fees may gradually increase over time and lead to an abuse of customers. In addition, **unregulated fees increase the likelihood of a decline in bank efficiency since higher fees may be used as a mechanism to counter revenue losses from lower efficiency.** In such a scenario it is the customer who absorbs this additional cost.
29. Moreover, the Central Bank indicated that commercial banks may adjust charges within the scope of established contractual agreements with customers. In the event of a breach of contract, customers may seek legal recourse or lodge a complaint with the OFSO.

Consumer Complaints lodged against Commercial Bank Fees/Charges

30. The OFSO submitted the most common complaints lodged by customers during the period 2012 to 2016, as depicted in Table 3.

Table 3: Common Complaints lodged by Customers¹¹

Type of Complaint	2012	2013	2014	2015	2016	Total
Accounts and Transactions	7	8	4	5	6	30
Card Services	5	2	6	2	2	17
Fees and Charges ¹²	2	0	1	2	0	5
Loans and Credit	1	2	2	0	3	8
Privacy and Confidentiality	0	1	0	0	0	1
Service & Advice	1	0	0	0	0	1
Other	0	3	3	0	4	10

¹¹ Written Submission from the Office of the Financial Services Ombudsman dated April 10, 2017.

¹² When fees and charges are used in the recording of complaints, these are specific to a product or service that a customer already has with his/her Bank. For example a mortgage or a loan, or credit card. The use of the terminology here is not in relation to general service fees charged by Banks.

Total	16	16	16	9	15	72
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Source: Written submission from the Office of the Financial Services Ombudsman (OFSO)

31. Further, the OFSO reported that complaints submitted in relation to bank fees and interest rates are recorded under the heading, “Fees and Charges”. The total number of enquiries related to “Fees and Charges” between 2014 and 2016 is shown in Table 4.

Table 4: Fees and Charges Enquiries¹³

Year	Fees and Charges Enquiries
2014	2
2015	3
2016	12
Total	17

Source: Written submission from the OFSO

32. Officials of the CBTT stated that the fees and charges of all commercial banks have been published on the Central Bank’s website since September 30, 2016 in order to promote transparency within the sector and to provide the public with essential information to enable informed decisions. However, it was noted that this schedule provides information as at June 30th of each year, therefore it may be inaccurate if there are bank fee changes subsequent to this date.
33. The Governor of the Central Bank acknowledged the importance of financial literacy in the country, further outlining that there is an established Financial

¹³ Written Submission from the OFSO dated April 10, 2017.

- Literacy Programme that initiates campaigns nationwide to improve financial literacy among citizens. The Committee was informed that Trinidad and Tobago has a high level of financial inclusion unlike regions such as Africa and India.
34. Officials of FCB also acknowledged the need to educate customers on their financial service options. The Committee was also informed that each commercial bank has introduced a *Customer Information Day* initiative to educate customers on the financial options that meet their specific needs and requirements.
35. Moreover, the Committee was informed by the Central Bank that the OFSO was established in 2003, permitting all consumers to lodge complaints against the provisions of banking and insurance services. However, **this does not include general service fees charged by banks**. The term “Fees and Charges” used in the recording of complaints by the OFSO are specific to a product or service that the customer already had with his/her bank for example, a mortgage or a loan. The use of the terminology here is not in relation to general service fees charged by banks.¹⁴
36. In 2013, the CBTT joined the *Alliance for Financial Inclusion*. This is a global body that aims to make people, particularly those who are impoverished or live in remote areas, part of a formal system.
37. Officials of the CBTT acknowledged the need for monitoring or legislation for consumer protection relative to the credit facilities offered by sellers, particularly furniture and appliance stores for the purpose of hire purchase arrangements.
38. Further, the Governor indicated that **there are existing barriers which limit consumer choice in the financial sector**, and these barriers are more considerable

¹⁴ Written Submission from the Office of the Financial Services Ombudsman dated April 10, 2017.

for vulnerable consumer groups such as the elderly. Substantial documentation requirements and the cost of switching financial service providers were cited as limitations to consumer choice.

39. Additionally, the Committee was informed that according to the FIA, **the Central Bank may suggest amendments to the contractual provisions of new or materially different products from commercial banks.** The financial institution is required to submit to the CBTT details of the new products, and the CBTT has the ultimate power to object to the terms of the contract or the product. However the CBTT does not review the pricing structure of new products in a detailed manner, instead pricing is determined by the respective financial institution.

RECOMMENDATIONS

40. The Committee recommends that:
- A. **The CBTT with the support of the OFSO must dedicate more effort and resources to promoting a culture of consumer rights knowledge and advocacy for financial services with particular reference to the more vulnerable in the society.**
 - B. **The Ministry of Finance in collaboration with the CBTT (as Regulator), should undertake an examination of the commercial banking sector to determine whether customers encounter any unwarranted impediments when terminating services with one commercial bank and initiating business with another commercial bank.**
 - C. **The Ministry of Finance in collaboration with the Ministry of the Attorney General and Legal Affairs and the CBTT should assess the feasibility of amending the Consumer Protection and Safety Act to make specific**

provisions for the protection of customers conducting business with Financial Institutions including commercial banks.

D. The CBTT must initiate discussions with BATT on the following proposals to enhance the services provided to commercial bank customers:

- **offering of a basic package of financial services with minimal charges to vulnerable groups in society such as students, the elderly and differently-abled;**
- **providing financial literacy sessions to the public, with a special focus on the school population and seniors citizens population. The objective of such a programme would be to educate individuals on the financial services and products provided, the use of online banking and to extend advisory services on banking options.**

E. The Central Bank in consultation with the Ministry of Finance and the Ministry of the Attorney General and Legal Affairs take steps to provide more oversight for hire purchase and similar financing arrangements offered by furniture and appliance retailers and other types of retailers.

OBJECTIVE 4: TO EXAMINE THE POSSIBLE INSTANCES OF ANTI-COMPETITIVE BEHAVIOURS BY COMMERCIAL BANKS WITH RESPECT TO FEES.

41. The Central Bank reported that commercial bank fees and interest rate structures are influenced by:
- i. legal commitments;
 - ii. competitive forces; and
 - iii. transparency.

Competition in the Banking Sector

42. It was reported by the CBTT that an increase in charges by all commercial banks may be reflective of a lack of competition in the banking sector. Additionally, other factors may contribute to higher commercial banking fees including higher costs and inflation. Theoretically, beyond a certain point, higher fees may direct customers towards cash transactions or other types of financial institutions other than commercial banks.
43. BATT submitted that fee increases across commercial banks have occurred at varying times, therefore price setting is not collectively done within the industry.
44. Mr. Prakash Ramlakhan characterized the structure of the banking sector in Trinidad and Tobago as oligopolistic. Further stating that the banking system is dominated by four (4) large commercial banks which collectively control over seventy-five per cent (75%) of the asset base and deposits of the sector. Additionally, it was reported that commercial banks do not follow a competitive model and most of the products and services offered may be standardized with little price differentiation.

45. Officials of the CBTT reported that the commercial bank sector is a free market, however prospective entrants must apply to the CBTT for a licence to operate. Further it was stated that the system may be considered overbanked, and there are significant considerations to be taken into account before an institution may obtain a licence to operate.
46. Officials of the BATT and RBL attested that there is healthy competition in the local financial sector when credit unions, insurance companies and other institutions providing financial services are considered.
47. The Committee notes that witnesses who appeared suggested that there was no evidence of price-fixing in the local commercial banking sector. The BATT suggested that all bank fees and charges are reflective of the cost to provide financial products and services. However, the Officials of the CBTT acknowledged that **there are price leaders within the industry which may influence fee structures.**
48. **BATT also reported that there is no price collusion among commercial banks when setting fees,** instead fees and charges are determined based on individual pricing considerations including operating costs, competitive product placement, influencing consumer behaviour, alternate channels available and investments in technology.
49. In contrast to Mr. Ramlakhan's opinion, the BATT suggested that the commercial banking sector is not oligopolistic and there is no control of the banking sector or financial system by any group of institutions.

50. RBL reported to the Committee that the bank exercises duty of care to inform and advise customers of any bank fee and charge changes, with the appropriate period of notice.
51. It was noted that the four (4) major banks in Trinidad and Tobago do collaborate in relation to the interconnected link service. This cooperation is facilitated via a private entity called *InfoLink Services Limited*. Nevertheless, FCB underscored that fees associated with the Automated Teller Machine (ATM) service vary across the commercial banks.

RECOMMENDATIONS

52. The Committee recommends that:
 - A. **The Central Bank in its capacity as Regulator must undertake a detailed examination of the local banking sector to analyse the impact of new entrants (such as the Bank of Baroda and JMMB) on market conditions inclusive of product pricing and customer/competitor responsiveness to these new entrants.**
 - B. **Conditioned on the findings of the examination suggested above, the Committee recommends that the Ministry of Finance engage the Central Bank with a view to conducting an analysis of the cost and benefits of permitting two (2) small to medium-sized commercial banks to enter the local commercial banking sector.**

OBJECTIVE 5: TO ASCERTAIN THE AMOUNT OF PROFITS MADE BY COMMERCIAL BANKS PER YEAR DUE TO CHANGES IN FEES OVER THE LAST 10 YEARS.

53. With regard to the main generators of commercial bank earnings, the Central Bank reported that across the banking system, the charges for electronic, tele-banking and internet banking are relatively low while charges associated with credit card advances, wire transfers and foreign drafts have significantly higher costs.

Commercial Banks' Income from Fees over the past decade

54. The Central Bank reported that in the last decade, the income earned by commercial banks from fees and charges has **increased by an average of 6.1 per cent.**

55. Moreover, the Central Bank reported that there has been an increase in the average annual fee income for indigenous banks by seven per cent (7%), compared to non-indigenous banks which had an average annual **increase in fee income of 4.4 per cent.**

56. Mr. Prakash Ramlakhan indicated that between 2010 and 2015, **the aggregate fee income earned by commercial banks amounted to TT\$6.5 billion.** This is inclusive of fees from loans and deposit accounts which contributed TT\$2.5 billion. It was also noted that fee income rose to seventeen per cent (17%) of total income for commercial banks from thirteen per cent (13%) in 2010.

57. Moreover, Mr. Ramlakhan submitted that the average return on equity (ROE) for the period 2010 to 2015 was 13.6 per cent. Subsequent to discretionary adjustments to the earnings, the adjustable ROE was 11.47 per cent. This indicates that fee

income is increasing the return to shareholders by approximately two hundred (200) basis points.

58. BATT submitted that on average for the banking industry, bank fees and charges account for between seven per cent (7%) and eleven per cent (11%) of the total income earned by commercial banks in the past decade.

FINDINGS

59. The Bankers Association informed the Committee that fees and charges account for between seven per cent (7%) and eleven (11%) of the total revenue of commercial banks. Further stating, that **the banking sector's profitability per customer and per account has decreased in the past ten (10) years due to significantly greater operating costs in the sector.** Profitability in the banking sector have a compounded annual growth rate of 1.2 per cent (1.2%) over the past decade, with decreases in measures such as Return on Assets and Return on Equities.
60. In addition, BATT reported that the **net interest margins** in the banking sector is at its lowest in over a decade in all major loan categories. Similarly, interest rates are less than they were ten (10) years ago. **Deposit rates have also diminished due to the build-up of liquidity in the banking industry.**
61. The Committee was informed by FCB that credit card charges have not increased within the bank and any increased earnings associated with credit cards are due to greater volumes of transactions.
62. RBL officials added that there is no correlation between fees on credit cards and the rising credit card payment delinquency. Instead, credit card fees comprise an

annual membership fee and merchant commission rates. The annual membership fee has remained unchanged for ten (10) years while merchant commission fees have reduced in the past five (5) years.

OBJECTIVE 6: TO ASCERTAIN THE TRENDS IN BANKING FEES/CHARGES IN TRINIDAD AND TOBAGO IN THE LAST 10 YEARS.

Factors influencing fee adjustments over the past decade

63. CBTT outlined that over the past ten (10) years, commercial banking fees may have increased due to a combination of related factors including:
- i. inflation;
 - ii. compensation for low interest earnings due to a low interest rate environment;
 - iii. compensation for higher operating costs; or
 - iv. attempts to encourage changes in consumer behaviour.

Each bank may consider individual factors differently, and take into account their global operations when establishing fee structures.

64. Furthermore, the factors that contribute to a decrease in commercial bank fees and charges include:
- i. competition from other financial institutions;
 - ii. ability to gain income from other sources;
 - iii. lower costs to provide services due to technology; and
 - iv. a desire to encourage banking by certain groups.

Trends in fee fluctuations over the past decade

65. BATT submitted that commercial bank fees have not increased annually for any fee category analysed over the past decade. Further, the notable pattern over the past ten (10) years shows that **fees have held constant for a period of time and then increased**, with typically two (2) to three (3) increases within the time-frame.
66. Furthermore the BATT indicated that for certain fee categories no increases were observed over the ten (10) year period, and online and mobile banking options have remained free to customers.
67. Contrary to BATT's position, Mr. Ramlakhan stated that over the last decade, the three largest banks have increased their income from fees and commissions by over one hundred per cent (100%), with the largest increase imposed by First Citizens Bank which raised by two hundred and fifty-eight per cent (258%) over the same period.

FINDINGS

68. BATT stated that recent data depicts that there were no yearly increases in commercial banking fees and charges within any fee category over the past ten (10) years. Officials further indicated that **fees across the industry have been adjusted only three (3) times in the past decade**, with these changes occurring independently of each bank.
69. BATT also informed the Committee that for some fee categories there were no increases over the past decade. For example, mobile and online banking has remained free to customers over the past ten (10) years. Officials of BATT also outlined that inflation-adjusted fee increases for many fee categories have actually been negative in the past decade.

70. Officials of RBL reported to the Committee that the bank has introduced many new products over the last two (2) years relating to mobile and internet banking solutions which have incurred no bank fees or charges.
71. Officials of FCB informed the Committee that over the last two (2) years there has not been considerable fee changes. Moreover, the last time the fee structure of the bank was reviewed was in January 2015. Since then, the bank imposed new fees and charges in May 2016 in connection with the introduction of new types of accounts.
72. In addition, BATT compared local commercial bank fees and charges to similar services provided regionally and suggested that bank fees in Trinidad and Tobago were lower than regional counterparts in the majority of fee categories.

RECOMMENDATIONS

73. The Committee recommends that:
 - A. **In addition to publishing a Schedule of Local Commercial Bank Fees the Central Bank must within three months of the submission of this report, publish comparative data on fees charged by banks in a sample of CARICOM countries. This would add to the level of financial awareness of the local population. This type of comparative data would also allow all players in the industry to compare Trinidad and Tobago's commercial banking fees (subject to the necessary caveats) relative to those of our regional counterparts.**

The Committee respectfully submits the foregoing for the consideration of the Parliament.

Ms. Sophia Chote, SC
Chairman

Mr. Clarence Rambharat
Member

Ms. Marlene McDonald, MP
Member

Dr. Lovell Francis, MP
Member

Mr. Prakash Ramadhar, MP
Member

Mr. Randall Mitchell MP
Member

Dated October 09, 2017

APPENDICES

APPENDIX I

Table 1. Persons that Entered an Appearance and Provided Oral Evidence

Name of Official	Portfolio	Organization
Public Hearing held on February 17th 2017		
Dr. Alvin Hilaire	Governor	Central Bank of Trinidad and Tobago
Dr. Sandra Sookram	Deputy Governor	Central Bank of Trinidad and Tobago
Ms. Nicole Chapman	Senior Manager, Legal, Contract and Corporate Secretariat Services Division	Central Bank of Trinidad and Tobago
Public Hearing held on May 5th 2017		
Ms. Anya Schnoor	President	Bankers Association of Trinidad and Tobago (BATT)
Mr. Nigel Baptiste	Vice-President	Bankers Association of Trinidad and Tobago (BATT)
Ms. Kelly Bute-Seaton	Executive Director	Bankers Association of Trinidad and Tobago (BATT)
Ms. Kimi Rochard	Legal Committee, Chair	Bankers Association of Trinidad and Tobago (BATT)
Ms. Rachel Laquis	Legal Committee, Vice-Chair	Bankers Association of Trinidad and Tobago (BATT)
Mrs. Lindi Ballah-Tull	Legal Committee Member	Bankers Association of Trinidad and Tobago (BATT)
Mrs. Karen Darbasie	Treasurer	Bankers Association of Trinidad and Tobago (BATT)
Public Hearing held on May 19th 2017		
Mr. Nigel Baptiste	Managing Director	Republic Bank Limited
Ms. Jacqueline Quamina	Executive Director and General Counsel	Republic Bank Limited
Mrs. Karen Darbasie	Group Chief Executive Officer	First Citizens Bank

Mr. Jason Julien	Deputy Chief Executive Officer – Business Generation	First Citizens Bank
Mrs. Lindi Ballah-Tull	Head – Legal, Compliance and Governance	First Citizens Bank

APPENDIX II

MINUTES OF PROCEEDINGS

MINUTES OF THE ELEVENTH MEETING OF THE JOINT SELECT COMMITTEE ON FINANCE AND LEGAL AFFAIRS, HELD IN THE ARNOLD THOMASOS ROOM (EAST), LEVEL 6 AND IN THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR, OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD PORT OF SPAIN ON FEBRUARY 17, 2017

Ms. Sophia Chote, SC	Chairman
Mr. W. Michael Coppin	Vice-Chairman
Mr. Clarence Rambharat	Member
Mr. Prakash Ramadhar, MP	Member
Mr. Randall Mitchell, MP	Member

Secretariat

Mr. Julien Ogilvie	Secretary
Ms. Shanice Ramdhan	Assistant Secretary
Ms. Sacha Singh	Research Assistant

ABSENT

Ms. Marlene Mc Donald, MP	Member
Dr. Lovell Francis, MP	Member
Mr. Wayne Sturge	Member (Excused)

REPRESENTATIVES OF THE CENTRAL BANK OF TRINIDAD AND TOBAGO

Dr. Alvin Hilaire	Governor
Dr. Sandra Sookram	Deputy Governor
Ms. Nicole Chapman	Senior Manager, Legal, Contract and Corporate Secretariat Services Division

COMMENCEMENT

1.1 The Chairman called the meeting to order at 9:37 a.m.

ANNOUNCEMENTS

2.1 The Chairman indicated that Mr Sturge requested to be excused.

CONFIRMATION OF MINUTES OF THE TENTH MEETING HELD ON JANUARY 20, 2017

3.1 The Chairman invited Members to consider the Minutes of the 10th Meeting held on January 20, 2017 and inquired whether there were any amendments.

3.2 The Committee agreed that the following amendments be made at:

- i. **Item i) b) Page 5**, the word “supermarket” should be replaced with the word “supermarkets”.
- ii. **Item iv) c) Page 6**, the word “business” be replaced with the word “businesses”
- iii. **Item v) a) Page 6**, the word “visits” be replaced with the word “visit”
- iv. **Item v) a) Page 6**, the word “inspects” be replaced with the word “inspect”
- v. **Item v) a) Page 6**, the word “practise” be replaced with the word “practice”
- vi. **Item v) d) Page 7**, the word “license” be replaced with the word “licence”
- vii. **Item ix) a) Page 8** a comma be placed after the word “manufacturers”
- viii. **Item ix) a) Page 8**, the phrase, “cases to prosecution” be replaced by the phrase “cases for prosecution”
- ix. **Item x) d) Page 9**, the phrase, “is a lack of” be replaced by the phrase “should be”
- x. **Item xi) a) Page 9**, the word “tomatoes” be replaced with the word “foods”
- xi. **Item xii) a) Page 9**, the word “questioned” be replaced with the word “asked”
- xii. **Item xiii) a) Page 10**, the word “require” be replaced with the word “requires”
- xiii. **Item xiv) a) Page 10**, insert “be tested and exported with a certificate from a veterinarian”
- xiv. **Item xv) a) Page 10**, the word “purported” be replaced with “stated”
- xv. **Item xvi) a) Page 10**, the word “wholesale” be replaced with “wholesale”
- xvi. **Item xvii) a) Page 10**, the word “practice” be replaced with “practices”
- xvii. **Item xviii) a) Page 10**, the word “produce” be replaced with “produced”
- xviii. **Item xix) a) Page 11**, the phrase “eradicate the use of GMOs” be inserted.
- xix. **Item xix b) Page 11**, the phrase, “are paid only” be replaced with the phrase “are being paid only”

3.3 There being no further amendments, a motion for the confirmation of the Minutes was moved by Ms Chote and seconded by Mr Ramadhar.

MATTERS ARISING FROM THE MINUTES OF THE TENTH MEETING

4.1 The Chairman enquired whether there were any matters arising from the Minutes. No other matters were raised by members.

PRE-HEARING DISCUSSIONS

5.1 The Chairman referred members to a letter received from the Bankers Association of Trinidad and Tobago (BATT) dated February 13 2017.

5.2 She highlighted that in its correspondence the Association expressed its concerns with participating in public deliberations on the matter of commercial banking fees and that the Association had requested additional time to furnish the committee with the information it requested.

5.3 The Chairman then invited the views of members on the contents of BATT's letter.

5.4 Based on the discussions the committee agreed to:

- i. Write to the BATT requesting that the Committee be informed of the aspects of the inquiry that the Association is concerned with;
- ii. Invite the BATT to meeting with the Committee (in camera) to ascertain what matters they considered sensitive prior to pursuing a public meeting;
- iii. Seek the input of experts in the areas of banking and finance to guide the Committee's future deliberations on the issue of commercial banking fees;
- iv. With respect to (iii) above, the Secretariat was directed to write to tertiary level institutions such as UWI, requesting the input of relevant experts.

5.5 The Chairman advised Members that representatives from the Central Bank of Trinidad and Tobago were expected to appear before the Committee during the public hearing.

5.6 The Chairman advised members that the Committee received submissions from the Central Bank of Trinidad and Tobago which was circulated to Members.

OTHER BUSINESS

Site visits to testing Laboratories on February 22, 2017

6.1 The Chairman reminded members that a site visit to the Chemistry Food and Drug Division (CFDD) Laboratory and the Caribbean Industrial Research Institute (CARIRI) Laboratory was carded for February 22nd 2017.

6.2 She then inquired whether the members present were available to attend.

6.3 The Chairman advised that the Committee's next meeting date is **Friday March 17th 2017**.

SUSPENSION

7.1 The meeting was suspended at 10:22 a.m.

[Members proceeded to the J. Hamilton Maurice Room on the Mezzanine Floor]

PUBLIC HEARING

8.1 The meeting resumed (*in public*) at 10:28 a.m. in the J. Hamilton Maurice Room.

8.2 The Chairman welcomed officials of the Central Bank of Trinidad and Tobago.

8.3 Introductions were exchanged.

8.4 The Chairman acknowledged receipt of a written submission from the Central Bank of Trinidad and Tobago.

8.5 Opening statements were made by the Governor of the Central Bank of Trinidad and Tobago.

8.6 Detailed hereunder are the issues/concerns/queries raised and the responses proffered by the Central Bank:

Discussions with officials of the Central Bank of Trinidad and Tobago

(i) The major spread between deposit interest rates and loan interest rates

- a) In response to a question on the Central Bank's authority to influence these interest rates, the Governor indicated that the Central Bank has the power to influence interest rates spreads with the input of the Minister of Finance and can also set minimum and maximum rates of interest.
- b) A member enquired of the Governor whether he was satisfied that the existing spread is fair and meets international standards. In response, the Governor informed the Committee that the nature of the interest rates on loans and deposits are determined by the competitive forces in the banking market. Globally, interest rates on deposits have shifted downwards. As a consequence, the rates associated with local Commercial Banks are consistent with global trends. With respect to interest rates on loans, these are determined by competitive forces. For example, if a customer determines the interest rate on a mortgage is too high at one institution, they are free to select another institution.
- c) In response to a question regarding interest rates on loans specifically, the Governor indicated that there has been a slight downward shift in interest rates on mortgages however consumer loans have remained relatively constant. Credit card rates are usually very high but have not increased significantly in recent times.
- d) A Committee member enquired whether the vast spread between interest rates on deposits and interest rates on loans exists internationally. The Governor indicated that in developed countries such as the United States, the rates tend to be "tighter" than in Trinidad and Tobago. However, in the case of the Caribbean, Trinidad and Tobago is in the "ballpark".

(ii) Determining factors that cause interest rates to increase or decrease

- a) With reference to a statement given in the Central Bank's written submission, a Committee member asked whether banks should assess their fees structure in relation to the cost of providing a service to customers or should banks be looking at fees as an income generator. The Governor responded by stating that fees are indeed related to the cost of providing these services, however it is more of a competitive issue.
- b) The Governor continued by stating that the Central Bank fosters transparency by publishing the fees and charges of all commercial banks on its website. The Governor indicated that the Central Bank meets with the various Commercial Banks every quarter. He further advised that four out of five of these meetings (held in recently) involved discussions on fees and charges. Each institution has provided responses and the issue is a work in progress.
- c) In response to a question on whether banks should offer a basic suite of services for which there are no fees, the Governor indicated that letters were disseminated to the various commercial banks seeking an update on measures being taken to review fee structures and facilities to vulnerable groups. A suggestion was made that old aged pensioners should be permitted to cash their government cheques free of charge.

(iii) Barriers to entry for commercial banks in the local market

- a) In response to a question regarding the barriers to entry into the local commercial bank sector, the Governor indicated that it is a free market. However, banks must apply to the Central Bank for a licence to operate but he does not consider this requirement a "barrier".
- b) In response to a question on the existence of price fixing in the local market, the Governor stated that there is no direct evidence of price fixing in the banking sector, however due to the small size of the market, there are price leaders.

(iv) Dominance in the commercial banking market

- a) In response to the question of which commercial bank is dominant, the Governor indicated that he was not at liberty to mention the names of any particular bank.
- b) With reference to the listing posted on the Central Bank's website of fees charged by each commercial bank, a committee member questioned the reasoning behind such differing prices amongst banks in a competitive

market. For e.g. the fees on a savings account at Republic Bank is \$15.01 whereas at the Bank of Baroda, an international bank, is \$4.00.

- c) The Governor responded firstly by stating that the list exists to give customers the ability to make an informed decision when choosing a commercial bank.
- d) Secondly, the Governor indicated that each bank has separate means of gaining profits. Where a bank has a small customer base, whether the fee is high or low would not influence the profit. For example, a bank that has few credit card holders will operate differently to a bank having a number of credit card holders.

(v) The installation of Bathroom facilities in Commercial Banks

The Governor informed the Committee that discussions with the various banks pertaining to this development, have taken place. Several banks have indicated that when new branches are constructed, these facilities will be included.

(vi) The issue of financial inclusion

- a) With reference to the existing level of financial literacy amongst citizens in Trinidad and Tobago, a committee member asked whether fees reflect the bank's desire to encourage more people to utilize online banking and less in branch transactions. The Governor indicated that there is a National Financial Literacy Programme that initiates campaigns nationwide to improve financial literacy among individuals. The Programme also allows any dissatisfied customer to make a complaint to the office of the Financial Services Ombudsman.
- b) The Governor informed the Committee that the Central Bank has joined the Alliance for Financial Inclusion. This is a global body that aims to make people, particularly those that are impoverished or live in remote areas, part of the formal system.

(vii) Legislation governing commercial banking and the consumer

- a) In response to a question on whether this Committee should advocate for stronger legislation, the Governor answered in the affirmative. However, he suggested that stronger legislation will not be effective without, i) consumer knowledge; ii) transparency; iii) consumer ability i.e. knowing their rights and being able to assert it; and iv) another regulatory body e.g. a Fair Trading Commission.

- b) A committee member informed the Central Bank that the Fair Trading Commission has been initialized and this body should assist the population in areas that the Central Bank does not have jurisdiction.

(viii) Barriers in consumer choice

- a) A member suggested that there are certain barriers which hinder the “ordinary man” from accessing commercial banking services. For example, barriers in the form of documentation. The member also suggested that in reality consumers do not have the freedom to switch banking institutions as they wish.
- b) In response to a question on whether the Central Bank has authority to intervene to reduce the barriers to facilitate greater competition, the Governor answered in the affirmative. The Governor submitted that the Central Bank can use its influence to allow customers to move freely between banking institutions should they so please.

(ix) Publishing Revenue banks earn from fees

The Governor indicated that this information can be published and will take the necessary steps to have it posted on the Central Bank’s website. However, this information will be according to sector or type of institution as opposed to information on individual banks.

(x) The prevalence of Counterfeit currency

- a) The Governor assured that the occurrence of counterfeit currency appearing within the system is very rare.
- b) It was further asked, whether the move to polymer can be extended to other bank notes to reduce the existence of counterfeit money. The Governor indicated that the Central Bank is examining the possibilities of extending the suite of polymer notes.

(xi) Credit card fraud

The Governor indicated measures that can be taken to reduce credit card fraud. These include, improving technology for e.g. chip technology and having better detection and enforcement of penalties. If banks implement a better system, customers will gravitate to the less risky institution.

(xii) Commercial banks and new products

- a) In response to a question on whether the Central Bank can suggest amendments to contractual provisions for new products from a commercial bank, the Senior Manager, Legal Contract and Corporate Secretariat Services answered in the affirmative. She submitted that when a bank is proposing to introduce a new product to the market the Board of Directors must ensure that the institution has an approved product development policy
- b) In addition, the institution is required to submit a product development report for the consideration of the Central Bank who has the ultimate power to object to a product.
- c) The pricing of new products are in accordance with the requirements of that institution. The Central Bank does not necessarily consider the pricing details.

(xiii) Financial legislation that require amendment

The Governor identified the Insurance Act as a piece of legislation that required urgent amendment.

9.1 The Chairman thanked the witnesses for their attendance.

Requested information

10.1 The Chairman requested that information on U.S. private lending agency “the Moneytree” be brought forward and that this information be communicated to the Central Bank to commence investigations.

ADJOURNMENT

11.1 The meeting was adjourned at 11: 56 a.m.

I certify that these Minutes are true and correct.

Chairman

Secretary

March 10, 2017

**MINUTES OF THE FOURTEENTH MEETING OF THE JOINT SELECT COMMITTEE
ON FINANCE AND LEGAL AFFAIRS, HELD IN CAMERA IN THE A.N.R. ROBINSON
ROOM (WEST), LEVEL 9 AND IN PUBLIC IN THE A.N.R. ROBINSON ROOM (EAST),
LEVEL 9, OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN
INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD PORT OF SPAIN ON
MAY 05, 2017**

PRESENT

Ms. Sophia Chote, S.C.	Chairman
Mr. W. Michael Coppin	Vice-Chairman
Mr. Prakash Ramadhar, MP	Member
Mr. Clarence Rambharat	Member
Mr. Wayne Sturge	Member

Secretariat

Mr. Julien Ogilvie	Secretary
Ms. Shanice Ramdhan	Assistant Secretary
Ms. Sacha Singh	Research Assistant
Ms Simone Yallery	Legal Officer

ABSENT

Mr. Randall Mitchell, MP	Member <i>[Excused]</i>
Ms. Marlene Mc Donald, MP	Member <i>[Excused]</i>
Dr. Lovell Francis, MP	Member <i>[Excused]</i>

REPRESENTATIVES OF THE BANKERS ASSOCIATION OF TRINIDAD AND TOBAGO

Ms. Anya Schnoor	President
Mr. Nigel Baptiste	Vice-President
Ms. Kelly-Bute Seaton	Executive Director
Mrs. Karen Darbasie	Treasurer, BATT
Ms. Kimi Rochard	Legal Committee, Chair
Ms. Rachel Laquis	Legal Committee, Vice-Chair
Ms. Lindi Ballah-Tull	Legal Committee Member

COMMENCEMENT

1.2 The Chairman called the meeting to order at 9:18 a.m.

ANNOUNCEMENTS

- 2.2 The Chairman announced that Dr Francis, Ms McDonald and Mr Mitchell requested to be excused.
- 2.3 In the interest of time, the Chairman proposed that all items on the agenda save for the public hearing be deferred to the next Committee Meeting.
- 2.4 Members agreed to this proposal.

SUSPENSION

- 3.1 The meeting was suspended at 9:20 a.m.
[Members proceeded to the A.N.R. Robinson Meeting Room (East) on the 9th Floor]

PUBLIC HEARING WITH OFFICIALS OF THE BANKERS ASSOCIATION OF TRINIDAD AND TOBAGO (BATT)

- 8.7 The meeting resumed (*in public*) at 9:23 a.m. in the A.N.R. Robinson Meeting Room (East).
- 8.8 The Chairman welcomed officials of the Bankers Association of Trinidad and Tobago.
- 8.9 Introductions were exchanged.
- 8.10 The Chairman acknowledged receipt of a written presentation from the Bankers Association of Trinidad and Tobago.
- 8.11 Opening statements were made by the President of the Bankers Association of Trinidad and Tobago.
- 8.12 Detailed hereunder are the issues/concerns/queries raised and the responses proffered by the Bankers Association:

(i) Role and purpose of the BATT and commercial banks

- a) In the President's opening statement, she indicated that the BATT's core purpose is to ensure that member banks are positioned to meet international trends and compliance standards, educate the public on financial options available to them, public awareness of fraud and risk prevention as well as working with the Central Bank and other regulators on areas to improve the overall strength and stability of the sector.
- b) The President further indicated that the BATT is not involved in the internal business decisions of any member bank.
- c) She advised that commercial banks contribute to economic development by channelling funds from depositors to borrowers thereby increasing economic

efficiency. Financial services are perhaps the second largest contributor to the GDP of the country and consequently provide significant tax revenues.

(ii) Important facts about the banking industry

- a) The following facts were presented by the President:
 - i. Fees have not increased annually for any fee category analyzed over the last 10 years;
 - ii. Fees and services were adjusted three times over the last 10 years and independently of each bank;
 - iii. For certain fee categories, there were no increase over the past 10 years;
 - iv. Online and mobile options have remained free over the last 10 years;
 - v. For certain fee categories, the inflation-adjusted fee increases have actually been negative over the last 10 years;
 - vi. Most of the fee categories in Trinidad and Tobago are lower than regional counterparts;
 - vii. There is no price collusion among banks in setting fees and charges; and
 - viii. Bank fees are determined by individual pricing considerations which include operating costs, competitive product placement, influencing customer behaviour, alternate channels available and technology investments.

- b) General industry facts:
 - i. Fees and charges represent 7 to 11 percent of total bank revenue;
 - ii. The banking sector's profitability per customer and per account has declined over the last 10 years;
 - iii. Net interest margins in the banking industry are at their lowest level in over a decade in all major loan categories;
 - iv. Current interest rates are lower than they were a decade ago;
 - v. Deposit rates have declined;
 - vi. Banks do not price fix; and
 - vii. Fees and charges are reflective of the cost of providing financial services.

(iii) Financial Literacy and Education

- a) In response to a question on whether the public's negative perception of banks is reasonable, the President suggested the possible reason for this is the impression that there is one product for all customers.

- b) The President indicated that education and financial literacy is very important and this is in fact provided to customers. However, it relies upon how the customer chooses to interact with the bank.

- c) The President also stated that there are a suite of products that are geared toward several particular activities. The BATT believes it is important for clients to have access to information in order to make the right choices that suit their particular need.
- d) The BATT has partnered with the Central Bank to ensure that all services are public and available on the individual banks' websites and the Central Bank's website.

(iv) Profits of Banks

- a. The treasurer of the BATT informed the Committee that the strength of commercial banks is capital and profits. Two things that come out of profits of banks are tax payments and dividend payments.
- b. Over the past decade commercial banks have provided over \$4.6 billion in taxes to the Government and over \$11.8 billion in dividends to shareholders, the vast majority of whom are residents of Trinidad and Tobago.
- c. Whilst majority shareholders do consist of other banks, these bank-to-bank investments are held by trust companies, which are pension trust fund investments and the Unit Trust which is a mutual fund holder on behalf of investors. In this context, investors mean the general public.

(v) Whether the banking sector operates as an oligopoly

The President asserted that the banking industry in Trinidad and Tobago does not operate as an oligopoly. When taking into consideration the entirety of the financial sector, there are 126 credit unions and several other financial players who all offer similar products and services that the eight commercial banks offer. Therefore the financial system is highly competitive.

(vi) Determination of fees

- a. In response to questions on the factors determining the setting of fees and the significant differences in the fees charged amongst banks, the President indicated that it is dependent on the individual bank's business strategy. Each bank does its own price analysis based on its existing strategy. The President reiterated that each product and suite of products are different.
- b. The BATT is not aware of the individual pricing decisions of its members and can only pronounce on matters concerning the industry as an aggregate.

- c. Fees and charges focus on cost recovery and investment in new channels to allow customers to access services with the ease they want.

(vii) Perception of BATT regarding the Central Bank as a regulator of fees and charges. BATT made the following observations:

- a. The Central Bank does not have power to regulate fees and charges, however they do have the power to regulate interest rates through monetary policy changes that are reflected in the 'interest rate in prime'.
- b. The Mortgage Market Reference Rate (MMFR) is a prescribed rate that is applied under the guidance of the Central Bank by commercial banks in pricing mortgages.
- c. The Central Bank's regulatory role with respect to fees and charges specifically are limited to moral suasion.

(viii) Client protection

In response to a question on whether the sector operates in an environment where clients are not sufficiently protected, the President answered in the negative. She indicated that protecting the customer and ensuring their deposits are safe and that they get the advice they need are important considerations for commercial banks.

(ix) Disincentivising customers

- a. The President assured that online banking is not a method of disincentivising customers.
- b. The President confirmed that disincentivising clients from in branch transaction is not the banks' intention. Rather, banks are trying to cater to changing customer need and demands for more convenient services. Some clients prefer mobile and online banking whereas other clients prefer to conduct in-branch transactions.
- c. Banks are trying to keep up with technological changes as effectively as possible.

(x) Layoffs in the banking industry

The President indicated that according to aggregate data of all eight (8) commercial banks, the number of employees have grown within the past decade.

(xi) Capital investment benefits

- a. Since increases in fees are a result of increases in operating costs, market conditions, competition, improved efficiencies and customer feedback, a Member inquired whether the benefits gained from improved efficiencies are being transferred to customers.
- b. In response, the President listed services that were previously unavailable to clients. These include, mobile banking, transferring funds and paying bills.
- c. Banks utilize capital investments to provide new services and options to customers.

(xii) Whether commercial banks have a formula for the disbursement of Foreign Exchange

- a. In response to a question on the formula and criteria used to distribute forex to customers and who dictates how much a customer receives, the Vice-President informed the Committee that there is no specific formula.
- b. He indicated that the various account managers and branch managers determine how forex is distributed. Consideration is given to the purpose behind the transaction. For example, the size of long outstanding payables owed to foreign suppliers.
- c. There is no prioritization in the distribution of forex apart from monies owed to foreign suppliers.

7.1 The Chairman thanked the officials for their attendance.

[Officials of BATT exited the meeting room]

OTHER BUSINESS

Next Meeting of the Committee

8.1 The Committee agreed to next meet on May 19, 2017 for a second public meeting with the Bankers Association of Trinidad and Tobago. Alternatively, it was agreed that should the BATT be unavailable, representatives of the First Citizens Bank and Republic Bank Limited will be invited.

ADJOURNMENT

7.1 The meeting was adjourned at 10: 53 a.m.

I certify that these Minutes are true and correct.

Chairman

Secretary

May 17, 2017

MINUTES OF THE FIFTEENTH MEETING OF THE JOINT SELECT COMMITTEE ON FINANCE AND LEGAL AFFAIRS, HELD IN CAMERA IN THE A.N.R. ROBINSON ROOM (WEST), LEVEL 9 AND IN PUBLIC IN THE A.N.R. ROBINSON ROOM (EAST), LEVEL 9, OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD PORT OF SPAIN ON MAY 19, 2017

PRESENT

Mr. W. Michael Coppin	Vice-Chairman
Dr. Lovell Francis, MP	Member
Mr. Prakash Ramadhar, MP	Member
Mr. Clarence Rambharat	Member

Secretariat

Mr. Julien Ogilvie	Secretary
Ms. Shanice Ramdhan	Assistant Secretary
Ms. Sacha Singh	Research Assistant
Ms. Simone Yallery	Legal Officer

ABSENT

Ms. Sophia Chote, S.C.	Chairman <i>[Excused]</i>
Mr. Randall Mitchell, MP	Member <i>[Excused]</i>
Mr. Wayne Sturge	Member <i>[Excused]</i>
Ms. Marlene Mc Donald, MP	Member <i>[Excused]</i>

REPRESENTATIVES OF THE FIRST CITIZENS BANK

Mrs. Karen Darbasie	Group Chief Executive Officer
Mr. Jason Julien	Deputy Chief Executive Officer – Business Generation
Ms. Lindi Ballah-Tull	Head Legal, Compliance and Governance

REPRESENTATIVES OF THE REPUBLIC BANK LIMITED

Mr. Nigel Baptiste	Managing Director
Ms. Jacqueline Quamina	Executive Director and General Counsel

COMMENCEMENT

1.3 The Vice-Chairman called the meeting to order at 9:38 a.m.

ANNOUNCEMENTS

2.5 The Vice-Chairman announced that Ms Chote, Ms McDonald, Mr Sturge and Mr Mitchell requested to be excused.

2.6 The Vice-Chairman reminded Members that on the last occasion all matters on the agenda were deferred to this meeting due to time constraints.

CONFIRMATION OF MINUTES OF THE THIRTEENTH MEETING HELD ON APRIL 07, 2017

3.1 There being no amendments, a motion for the confirmation of the Minutes was moved by Mr Rambharat and seconded by Mr Ramadhar.

MATTERS ARISING FROM THE MINUTES OF THE THIRTEENTH MEETING

4.1 No matters arose in the Minutes of the thirteenth meeting.

CONFIRMATION OF MINUTES OF THE FOURTEENTH MEETING HELD ON MAY 05, 2017

5.1 The Vice-Chairman invited Members to consider the Minutes of the 14th Meeting held on May 05, 2017 and inquired whether there were any amendments.

5.2 The Committee agreed that the following amendments be made at:

- i. Page 1, the word "Mr" should be replaced with the word "Dr".
- ii. Page 3, (ii) (a) (i) the word "analysed" should be inserted after "any fee category".
- iii. Page 4, (vi) (a) the word "a" should be removed.
- iv. Page 5, (vii) the phrase "BATT made the following observations" should be inserted.
- v. Page 5 (x) the word "president" be replaced with the word "President".
- vi. Page 5 (xi) the word "about" be replaced with the word "whether".
- vii. Page 6 (xii) (c) the word "for" be replaced with the word "of".

5.3 There being no further amendments, a motion for the confirmation of the Minutes was moved by Mr Rambharat and seconded by Mr Ramadhar

MATTERS ARISING FROM THE MINUTES OF THE FOURTEENTH MEETING

6.1 The Vice-Chairman highlighted the following matter arising from the Minutes:

- **Page 6, item 6.1** – the Vice-Chairman stated that invitations to the public hearing were sent to Republic Bank Limited (RBL) and First Citizens Bank (FCB) instead of the Bankers Association of Trinidad and Tobago (BATT).

6.2 The Vice-Chairman inquired whether there were any other matters arising from the Minutes. No other matters were raised by Members.

CONSIDERATION OF DRAFT REPORT ON AN INQUIRY INTO FOOD FRAUD IN TRINIDAD AND TOBAGO

7.1 After deliberations, the Committee decided that Members would be given until 4:30pm on May 19, 2017 to submit additional amendments on the draft report.

7.2 It was agreed that Mr Ramadhar would present the report in the House of Representatives.

PRE-MEETING DISCUSSION

8.1 The Chairman sought the views of Members concerning the approach to be adopted during the meeting with officials of First Citizens Bank (FCB) and Republic Bank Limited (RBL).

SUSPENSION

9.1 The meeting was suspended at 10:02 a.m.

[Members proceeded to the A.N.R. Robinson Meeting Room (East) on the 9th Floor]

PUBLIC HEARING WITH OFFICIALS OF FIRST CITIZENS BANK (FCB) AND REPUBLIC BANK LIMITED (RBL)

10.1 The meeting resumed (*in public*) at 10:05 a.m. in the A.N.R. Robinson Meeting Room (East).

10.2 The Vice-Chairman welcomed officials of FCB and RBL.

10.3 Introductions were exchanged.

10.4 Opening statements were made by the Managing Director of RBL followed by the Group CEO of FCB.

10.5 Detailed hereunder are the issues/concerns/queries raised and the responses proffered by RBL and FCB:

(xiii) Cognisance of banks regarding the level of customer animosity towards bank fees and charges

- d) In response to a question on whether banks appreciate the level of animosity in the general public toward banks in relation to fees and charges, the Managing Director of RBL indicated that he is not aware of a high level of animosity however, he acknowledged there may be significant concern over the level of fees among the general public.
- e) The Managing Director indicated that most of the consumer concerns are directed toward fees associated with account operations or transactions on accounts. He explained that those fees account for seven (7) percent of the bank's income and roughly eleven (11) percent of profitability.

(xiv) Profitability of RBL

- c) In response to a question on whether RBL is willing to adjust their fees having regard to the small percentage of profitability contributed by fees and charges, the Managing Director answered in the negative. He explained that there are a number of variables that determine fees, the most important one being the cost of providing the service.
- d) Although the fee structure is discretionary, RBL assured the Committee that the decision to alter bank fees is not to keep profitability steady but rather, it is a means of cost recovery for services provided.

(xv) Customer Resistance to electronic banking methods

- a) The Managing Director of RBL informed the Committee that the smartphone and internet banking penetration in Trinidad and Tobago is extremely high. He also indicated that the greatest resistance to the use of these electronic channels is associated with a specific demographic (senior citizens) however this has been evolving in the past year.
- b) In response to a question whether RBL is aware that a considerable number of persons cannot access mobile and Internet banking services for free, the Managing Director responded that it is the client's personal preference whether they use electronic channels. He further stated that it is too much of a generalization to say that many people have no choice in relation to the method of banking used.

(xvi) Determination of fees

- a. In response to a question on the bank fees that increased in the last three (3) years, the Managing Director of RBL indicated that the bank has introduced a

- number of new products such as mobile banking and internet banking solutions which have incurred no fees. The Managing Director further stated that fee adjustment decisions are decentralized and are based on a number of factors.
- b. The Managing Director of RBL explained that fees are generated by various areas within the organization. RBL has a structure with a number of line managers and even branch managers who analyse their operations, review and recommend charges for products and services which may be approved by line directors.
 - c. The Group CEO of FCB informed the Committee that the last time the Bank reviewed their fee structure was in January, 2015. She further explained that there has not been any substantial changes to fees in the last two years, however in May, 2016 new fees were introduced along with the new types of accounts offered by the Bank.

(xvii) Customer satisfaction

- e) Both banks agreed that customer satisfaction is very important in their bank's operations.
- f) RBL conducts two sets of annual customer satisfaction surveys, the bank is then evaluated based on the average of these two surveys. The surveys are done on a scale of one to six, six being the highest. There is also a six-month period in between the surveys. For the past two years, RBL's evaluation has been done by independent professionals and the Bank received 5.1 out of 6 in their surveys. However, this rating is lower for surveys on the cost of services provided.
- g) The Group CEO of FCB informed the Committee that an independent provider conducts surveys for FCB on an annual basis and these reports have been above satisfactory. These surveys include interviews of customers at branches. They are also exploring a mystery-shopper type experience across banking products.

(xviii) Duty of care to inform customers of fee changes

- a) In response to a question whether RBL believes it has a duty of care to inform customers before fee changes, the Managing Director responded in the positive. He stated that RBL advises customers in advance of fee adjustments, sometimes giving between one to three months' notice.

(xix) Access to lavatories and facilities for the elderly and differently abled

- a. The Managing Director of RBL informed the Committee that all recently constructed buildings are furnished with bathroom facilities and ramps for the

differently abled. Renovations have been done on some of the older buildings for example, the Diego Martin branch. In branches that do not have public bathroom facilities, should a customer request the access to a bathroom, a staff member will escort the customer into private bank area to access the bathroom facilities.

- b. The Group CEO of FCB informed the Committee that there has not been any new branches in Trinidad and Tobago for the past two years, however the Bank is embarking on a process of renovations to the current infrastructure of branches. She indicated that five branches across the country, including two in Tobago are being redone and they are currently negotiating a new location for the Siparia branch and an upgrade of the Diego Martin West Court branch. All of the new infrastructure will provide facilities for the differently-abled and bathroom facilities where it is feasible. It was further stated that in branches which do not have public bathroom facilities, customers may be escorted to use the washroom facilities available to staff members.

(xx) Banks promoting online channels

- a) In response to a question whether banks are “pushing” more people into using online channels, the Group CEO of FCB responded in the negative. She explained that there is a move to introduce different channels that may be appropriate to different people, as they are attempting to provide differentiated services for differentiated clients. Thus, there is no move on behalf of FCB to reduce teller services. However, there is considerable difficulty in providing adequate staffing at all peak times of business.
- b) The Managing Director of RBL indicated that they are not attempting to move clients away from teller services, but rather online and mobile banking are meant to give clients 24/7 access to services. Further informing the Committee that banks including RBL have invested heavily in technology and alternative channels to improve accessibility and convenience.

(xxi) Interest rates on deposits

- a) The Managing Director of RBL informed the Committee that there is heavy competition across the banking industry for deposits. However the overall interest rate structure for the banking system depends on the overall liquidity situation in Trinidad and Tobago. The liquidity in the financial system in Trinidad and Tobago does not support maintaining deposit rate levels from five to seven years ago.

(xxii) Efforts toward the financial education of customers

- a) The Group CEO of FCB informed the Committee that each bank has advertised customer information days, whereby customers may come into the branch and enquire of the fees on their accounts and discuss channels and options that may be suitable to their needs.

(xxiii) Charge differentials for use of ABMs

- a) The Managing Director of RBL explained that the fee associated with the use of another bank's ABM is attributed to three charges; one associated with the bank of the customer, another for the other bank's AMB and a third that deals with the "switch", which is the LINX network.
- b) In response to whether the joint venture InfoLink Services Limited is an affront to competition within this country's commercial banking system, the Group CEO of FCB indicated that there is a wide range of charges for the use of ATMs across the members of InfoLink, therefore there competition and it is differentiated with fees and services offerings. Further, it was stated that there is no discussion or collusion on the charges banks imposed for ATM services. Each bank determine their respective ATM fees.

(xxiv) Delinquency rates on credit cards in Trinidad and Tobago

- a) In response to a question on whether there are fees used to offset rising delinquency on credit card payments, the Group CEO of FCB responded in the negative. She acknowledged that credit card delinquency has risen, further explaining that credit card charges have not been increased in FCB and earnings are based on the volume of transactions.
- b) The Managing Director of RBL informed the Committee that there is no correlation between fees on credit cards and rising delinquency. He further stated that there are two fees associated with credit cards, the annual membership fee which has remained unchanged in the past ten years, and merchant commission fees which have lowered within the last five years.

(xxv) The electronic transactions act and agency banking legislation

- a) In response to a question regarding the relevance of the Electronic Transactions Act to the banking sector, the Managing Director of RBL informed the Committee that the Electronic Transactions Act contain provision which once enforced will facilitate the expeditious electronic clearing and processing of cheques. He further explained that agency banking legislation facilitates the establishment of banking

operations in remote parts of the country since the regulatory requirements and costs associated with the opening of a branch are absent.

- b) In response to a question on the reason which has caused the agency banking legislation not to be fully proclaimed, the Group CEO of FCB indicated that the banks are not aware of the reason why only part of the Act was proclaimed.

(xxvi) Whether T&T has an “Over-banked” financial sector

- a) In response to a question whether RBL agrees with the Central Bank Governor’s statement that the financial sector is over-banked, the Managing Director indicated that he does not concur with that statement. He stated that there is excellent competition within the financial system when the eight banks and other players in the financial sector are taken into account. However, he also identified the need for improved regulation for some of the other institutions within the financial sector, such as credit unions.
- b) The Group CEO of FCB affirmed that the financial system is not over-banked, and that there is healthy competition within the system.

(xxvii) Offering Saturday Banking to clients

- a) In response to a question on the reasons for not introducing Saturday banking as a means of augmenting customer services, the Group CEO of FCB stated that Saturday banking and off-hour banking requires negotiations with staff and trade unions. However, FCB has opened their banks on Saturdays to facilitate account opening for large interest groups. For example, URP workers.
- b) The Managing Director of RBL indicated that RBL has experimented with Saturday banking in the past and experienced disappointing results.

10.6 The Vice-Chairman thanked the officials for their attendance.

[Officials of RBL and FCB exited the meeting room]

ADJOURNMENT

11.1 The meeting was adjourned at 11: 57 a.m.

I certify that these Minutes are true and correct.

Chairman

Secretary

June 21, 2017

APPENDIX III

VERBATIM NOTES

VERBATIM NOTES OF THE ELEVENTH MEETING OF THE JOINT SELECT COMMITTEE ON FINANCE AND LEGAL AFFAIRS, IN THE ARNOLD THOMASOS ROOM (EAST), SIXTH FLOOR, (IN CAMERA) AND IN J HAMILTON MAURICE ROOM (IN PUBLIC) TOWER D, OFFICE OF THE PARLIAMENT, PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON FRIDAY, FEBRUARY 17, 2017 AT 9.36 A.M.

PRESENT

Miss Sophia Chote SC	Chairman
Mr. W. Michael Coppin	Vice-Chairman
Mr. Clarence Rambharat	Member
Mr. Randall Mitchell	Member
Mr. Prakash Ramadhar	Member
Mr. Julien Ogilvie	Secretary
Miss Shanice Ramdhan	Asst. Secretary
Miss Sacha Singh	Research Assistant

ABSENT

Mr. Wayne Sturge	Member [<i>Excused</i>]
Dr. Lovell Francis	Member
Miss Marlene Mc Donald	Member

Madam Chairman: Good morning. Welcome to the 11th Meeting of the Joint Select Committee on Finance and Legal Affairs. Our Committee is convening its first public hearing on the issue of commercial banking fees in Trinidad and Tobago, among other things this morning. The hearing is being broadcast live on the Parliament Channel 11, Parliament radio 105.5 FM and the Parliament's YouTube *ParlView*.

Members of the viewing public may send comments via email @Parl101 P-A-R-L 101 @ttparliament.org or on our Facebook page at Facebook.com/ttparliament or on Twitter @ttparliament.

I want to begin by welcoming the Governor of the Central Bank Dr. Hilaire and Dr. Sandra Sookram and Ms. Nicole Chapman. We appreciate the fact that you have taken the time to come sit with this Committee to help us achieve the objectives of this enquiry.

Now there are nameplates, there are name tags in front of where you sit, but for those listening on the radio, would it be possible for you to just identify yourselves? Make sure you press the button when you speak.

[Officials introduce themselves]

**CENTRAL BANK
OF TRINIDAD AND TOBAGO**

Mr. Alvin Hilaire	Governor
Dr. Sandra Sookram	Deputy Governor
Ms. Nicole Chapman	Senior Manager, Legal, Contract and Corporate Secretariat Services Division

Madam Chairman: Thank you, ladies and gentleman. I am the Chairman of this Committee, I am Sophia Chote and I will ask the members around the table to introduce themselves to you.

[Members introduce themselves]

Madam Chairman: To my left you will Mr. Julien Ogilvie who is the Clerk to this Committee and you would probably have received correspondence from Mr. Ogilvie.

I just want to remind persons who are listening in or looking on that there are certain objectives of this enquiry.

One: to determine the rationale for the fee structure observed by commercial banks in Trinidad and Tobago;

to determine the feasibility of state involvement in the regulation of commercial banking fees in Trinidad and Tobago;

to determine the possible effects of unregulated fees on consumer welfare;

to examine the possibility of anti-competitive behaviours in these financial institutions;

to ascertain the amount of profits made by commercial banks per year due to changes in fees, if any; and

to ascertain the trends in banking fees or charges in Trinidad and Tobago in the last year.

I wish to acknowledge this statement which the Central Bank has already sent to us, Governor. That was very kind of you, very helpful to us. I will invite you to make a few opening remarks, if you wish?

Dr. Hilaire: Yes. Thank you very much. Thanks for inviting us to this Committee. I think it is a very important initiative and the fact it has reached to this level means that it is a very important consumer issue.

We at the Central Bank are very committed to having a regulated and well-ordered financial system, and one issue in that regard is consumer protection. So, we welcome this Committee and we are 100 per cent committed to the effort and to cooperating, you know, depending on what you ask.

Madam Chairman: Okay. Thank you very much. Does any member wish to start off?

Mr. Mitchell: Dr. Hilaire, could you explain for us and to the listening and viewing public, what are your powers under section 44A with respect to the commercial banks?

Dr. Hilaire: Yes. Thank you very much. The Central Bank has a certain amount of power to

deal with fees and charges, but these are limited really to fees and charges on credit facilities, loans and advances. We are not empowered to deal with fees and charges on other things such as ATM charges, e-statements and the like.

Madam Chairman: Yes. Mr. Ramadhar.

Mr. Ramadhar: Yes. Thank you very much. Now, Governor, there has been tremendous concern, and I speaking as a member of the public myself, about the spread between interests on deposits and the interest charged on loans. Can you help us as to what authority or power you have to influence those issues?

Dr. Hilaire: Yes. On the matter of interest rates spreads, the Central Bank has the power under the Act to influence interest rates spreads with the input of the Minister of Finance and we can also set minimum rates and maximum rates of interest.

Mr. Ramadhar: With your leave, Chair. Are you satisfied as Governor that the spread between deposit interest rates and loan interest rates is fair and does it meet what you would consider possibly international standards or, at least, local standards that you would want?

Dr. Hilaire: Yes. Well, the competitive behaviour determines the nature of the interest rates on loans, as well as deposits. In terms of deposits, globally, interest rates have trended down tremendously. So, now interest rates are at a very low level and the rates that we find now in the commercial banks are consistent with that. The interest rates on advances are also determined by competitive forces. What we have found is that there is a lot of shopping around for loans. So that people, particularly on the mortgage market, if they determine that the rate of interest is too high in one institution they go to another one, they go to a credit union, they go the Home Mortgage Bank and so forth. So there is a lot of competition that would determine interest rates on loans.

Mr. Ramadhar: Well, I appreciate your response, but in relation to the interest rate on loans, not necessarily for mortgages, there is such a widespread and you said that there is a downward shift, of course, in the interest rates on deposits internationally. Have we seen a downward shift locally on the interest rates on loans?

Dr. Hilaire: Yes. We have noticed a slight movement downwards in recent times. There has been a lot of competition and you would see it in the mortgage market. So there has been a tapering off of the increases in the interest rates on loans. So there has been some movement downwards.

Mr. Ramadhar: Governor, with all due respect, I would like you to segment out mortgages because we have almost a governmental institution that assists in setting, in a way, a benchmark for mortgages. But let us deal with consumer loans. Has there been a consequent or a comparable reduction in the interest rates for consumer loans?

Dr. Hilaire: I would say that consumer loans have stayed relatively flat, and one of the rates that is very high is rates on credit cards. These have tended to be very high, but the others have not increased that much in recent times.

Mr. Ramadhar: I would appreciate, with your leave of course, Chair.

Madam Chairman: Sure.

Mr. Ramadhar: There has been a downward trend in the payment on deposits, but there has not been a consequent downward trend in relation to the interest charged on loans. And I am asking now: is that in accordance with your experience internationally? Because you can easily check online what the interest rates on deposits are in America as an example, and what would be the interest rates on consumer loans that are available there and the spread. Maybe I am wrong, but you could tell us whether the spread is not far, far less in these other countries?

Dr. Hilaire: Certainly. Thank you. We have looked at it internationally and what we have found is that in the case of the developed countries, particularly in the US, the rates tend to be very much tighter than in Trinidad and Tobago. However, in the case of the Caribbean, we tend to be in the ballpark. We are lower than countries such as Jamaica, but in other areas we tend to be in the same ballpark. So, there is a difference globally in terms of interest rates.

Madam Chairman: Okay. Thank you. Sure.

Mr. Ramadhar: You would agree then, I mean, you have segmented out again in the Caribbean, but many of the players locally are the very players in the Caribbean. Would that be a true statement?

Dr. Hilaire: You mean many of the players have international—

Mr. Ramadhar: Yes. Many of the Trinidad players that they represent—

Dr. Hilaire: The commercial banks?

Mr. Ramadhar: Yes. Yes. Are also in the Caribbean.

Dr. Hilaire: Yes. Yes.

Mr. Ramadhar: Thank you very much.

Dr. Hilaire: You are welcome.

Mr. Rambharat: Good morning, Governor. I have two questions, and one is that: in the submission you have made in response to question number 6, you have indicated that the increase in banking fees over the last decade may in part be related to an attempt by the banks to compensate for loss of income from other areas. Now my question is: should the banks be looking at fees as a reflection of the cost of providing a particular service? Or should the banks be looking at fees as income generation? That is the first question.

And the second question would be: I know the Central Bank has, at least, for the last decade, embarked on financial literacy training, knowing in our society literacy levels particularly relating to banking and finance may not be where we would like it to be and in particular in some parts of the country, it may be more pronounced. I am from Rio Claro. My mother is—I would not call her age again—but she is a walk-in customer, as I am. And another point you made is that fees may reflect the bank's desire to push more people into online and less in branch transactions. My second question is whether you believe and this is purely from a Central Bank philosophy—whether you believe that banks should offer a basic suite of services for which there are no fees?—reflecting a need for some segments of some

demographics to come into the bank because they need explained and they are not going to do online transactions. And secondly, reflecting the levels of financial literacy and the need for some clients of the bank to have that in-person interaction so that the financial obligations or the financial product could be explained? Thank you.

Dr. Hilaire: Yes. Thank you very much. If, with the indulgence of the Committee, if I could spend some time in going through what the Central Bank has been doing and it would cover some of the areas that you have mentioned because they are all interlinked.

It is quite important what the rate that banks charge on their services, and the Central Bank has been discussing the issue with the banks continuously. We meet with them every quarter and over the last year and month we have had five meetings with them. In four of those meetings, we have dealt with the issue of fees and charges. So it is a live issue.

In some of the cases we have actually written to them to ask them what are they doing with fees and charges so that they could either reduce the rate to some individuals or constituencies, and what can they do to assist the whole situation. We have had responses from all institutions and we continue to work with them on this. So the issue of moral suasion is one that we take very seriously.

The second issue...and member Ramadhar had talked about...we had been discussing the fees and charges on mortgage interest rates. We have been talking to the banks and have, since 2011, come up with a mortgage reference rate and looking at the whole issue of transparency for mortgage rate setting. So a lot of work has been done on that and we could elaborate on that, if you wish.

In terms of transparency, the Central Bank has since September 30, 2016, published the fees and charges of all commercial banks on its website. This is a very novel situation. Most central banks do not do this. We have found a few central banks have done it: Namibia, Seychelles, Spain, Jamaica, The Bahamas, but they tend not to be very detailed. Ours is very detailed. We have links to websites and so forth.

So this is where we think it is important for consumers to know exactly what is happening so that they can make informed decisions and could adjust their behaviour, they could complain; they could lobby; they could move their accounts; they could do anything.

The fourth issue is on the National Financial Literacy Programme as you mentioned about literacy. We have two facets of this. One, is the Office of the Financial Services Ombudsman which is set up since 2003, so that consumers or businessmen, small businesses and individuals, if they have a problem with their financial institutions, fees and charges and so forth, not so much the level of them, but the contractual arrangements they think are not being honoured, they could go to the Financial Services Ombudsman.

The second aspect is on the National Financial Literacy Programme. This year as part of our strategic plan at the Central Bank —we have a five-year plan and it is on our website, you could look at it.—we have been focussing a lot on financial literacy. We have joined the financial literacy effort with the Ombudsman. And just last Tuesday we had a launch of our

Know Your Money campaign. And our Ombudsman who is Mr. Dominic Stoddard made a very important statement that, you know, a lot of things come with instructions, but money does not come with instructions. So the Central Bank is working very diligently over the course of this year to improve financial literacy among individuals.

So, yes, we are talking to the commercial banks on this. When we met with them over the course of last year, one of the things that we did do was that we requested them to tell us, by a formal letter from the Governor on July 25, 2016, what are they doing to review their fees structures and facilities afforded to vulnerable groups? And all banks responded. Some of them told us that the old-aged pensioners can encash their government checks at no cost and they indicated a number of things. But I think to the extent that you have an educated consumer, I do agree with you, this would help a lot to improve the situation and the bank is working towards that end.

It terms of your first question, I think it was related to the rationale for banks fees and charges. I think a lot of it is a competitive issue. Yes, of course it would be related to the cost of providing these services, but clearly in a situation where interest rates have gone down to rock bottom and they try to maintain some profitability, then they would use other avenues. And so this is a natural competitive force. One may argue that it may not be fair, and we would hope that competition would help to reduce that situation.

Madam Chairman: Thank you. Mr. Coppin has a question.

Mr. Coppin: Please. I have a series of questions. When looking at regulation of markets, I know that two of major concerns or two of the indicators one looks at is whether there is price fixing in a market on whether there is an abuse of dominance. So the question I would want to begin with: there are presently eight commercial banks in Trinidad and Tobago. Do you believe, given the level of profits that have been made or are being made, supernormal profits, that this is indicative of some sort of artificial barrier to entry for banks coming into this country? That is the first question.

The second question: Have you or has the bank found any instances of price fixing as it relates to commercial fees and charges having regard for the levels or fees currently charged?

And thirdly, in your estimation, I want to know which bank is currently dominant as it relates to checking accounts and savings accounts and do you believe there has been any abuse of dominance in relation to or price setting by this dominant bank?

Dr. Hilaire: Yes. Thank you for your questions. In terms of barriers to entry, I do not think that there are really barriers to entry. It is a free system, but certainly at the Central Bank when we are considering granting a licence, we think about what would this institution bring. We have eight banks and some may consider it a lot. Internationally there is a feeling that we are actually over-banked, that we have too many banks already in the system. When people apply to us for a banking licence, we do not only look at how many would come in and bring competition, but it is a public service and they have a responsibility. We certainly want

them to make profits, but we have a contract with them. We allow you to give a service with a licence, but we expect a certain pattern of behaviour. So it is not—we do not—I would not call that barriers to entry, but we do not give licences just like that, unless we think that this institution will be solid and would be responsible. So that in itself, you know, puts a cap on the amount of banks that can come in generally.

In terms of the supra-normality of the profits, I think that they are making profits. I do not think that it would be necessarily supra-normal in our estimation in terms of the return on assets and so forth.

In terms of the second question, price fixing. We do not have evidence of this directly, but we could consider in a small country and in a situation like the financial sector, you could have, let us say, price leaders where one puts a price and others say well, okay. Will this be accepted? After a while if it is accepted then they follow suit. So there is a possibility that you could have behaviour like that in any market including in the financial services market. So it might seem that I am not being very precise, but, you know, we do not have evidence, but we think that something like this is not impossible in a small situation. In terms of the third question, I cannot tell you about the relationship with any particular financial institution. I will not name any particular institution because of the Central Bank Act on secrecy, but also good business practice. I would not really want to do that. But I can say, there are certain banks that would have more dominance than the others. You would have some banks, a couple of them are just in the merchant banking or dealing with corporate customers. They do not have a big client base. So we do have differences in the type and the reach of banks. Not all of them are the same. So to that extent there is clearly a few banks that have more reach across the country than others. So unfortunately, I cannot get into more details.

Mr. Coppin: But we have some statistics and what is interesting as it relates to checking and saving accounts and fees charged: First Citizens; Bank; JMMB; Republic Bank; RCB; Scotiabank; as it relates to checking accounts, their fees are 20, \$20 on 1 cent, \$22, \$30, \$25, whereas Bank of Baroda which is not an indigenous bank, but an international bank which I suspect would have into the market much later, they have fees of \$4; that is the checking account.

If you look at savings accounts, we have First Citizens Bank, RBC, Royal Bank, \$15; Republic Bank, \$15 and 1 cent; we have Scotiabank \$10; and then we have Bank of Baroda, \$4. Now, that is quite interesting. That type of pricing, for me, I think is quite suspicious. It seems to suggest that the argument posited by the Central Bank in its response, that these fees are somehow justified because of the charges and security and trying to discourage people from personal banking and online banking. It is a fallacy. It appears that the marginal cost of producing or maintaining a savings account or checking account is not \$20 or 25 or 22. It is probably near more to \$4. I cannot see an international bank in a competitive, where there is international competition and freedom of flows of capital coming to a Third World country and charging \$4 and having no regard to profit. So do you believe having regard for the fees

that you publish that these banks are “taking the mickey”, as they would say in England, on the consumers, in Trinidad and Tobago?

Dr. Hilaire: Taking the what? Sorry.

Mr. Coppin: Taking advantage, it is a term, “taking the mickey”.

Dr. Hilaire: Sorry. I was not familiar with the term. I am glad you looked at our website to find this information, and this is the kind of thing we want to encourage people to do and to be able to compare across the board. Now, I would just say, generally, as I said, I do not want to talk for specific institutions, but each bank would have its own way of getting profits. If a bank does not have a big customer base, then a small fee, a large fee, it does not make much of a difference. So I think they would be utilizing their whole operation and see where they make profits and then adjusting to suit. For example, if you do not have many credit card customers then you operate a certain way. If you gain most of your fees from credit facilities to large institutions, then you do things a certain way.

So, I think you are right that the fees and charges that they would levy would be based partly on their cost, but partly on the way they view their overall operations and where they could gain the best, you know, facility.

Madam Chairman: Mr. Mitchell. Sorry.

Mr. Mitchell: Thank you. Mr. Hilaire, I want to go back to Mr. Ramadhar’s questions. I think your focus on the customer and on financial literacy is commendable, but it seems to be focused just on the consumer. I want to go back to 44A and your powers under 44A because I see constituents many times and they come in to me and they bring these letters from these banking institutions like Island Finance who provide micro-financing. And it appears to me that some of these institutions charge between 30 to 50 per cent in interest on some of these small loans.

So, I want to know from you: What triggers the Central Bank or what would trigger the Central Bank’s intervention into this large spread? And when last did you intervene to contain this large and unfair spread?

Dr. Hilaire: Thanks a lot for the question. In fact, it is a very important issue that you raised about financial institutions as a whole as opposed to just the commercial banks. And I like that kind of thing and I would recommend that the Committee also take into the account the wider picture.

Because you have the commercial banks that would charge a certain amount of fees or interest rates as was discussed before, then you have the non-bank financial institutions. As I was saying, that you do have competition on the loan market and people could go different places for loans, and one is to the other non-bank financial institutions. And why do they go? A lot of the times they may not have credit worthiness. They may not have the collateral. They may not have the relationship and so forth. So then they get into a situation where—the ironic thing now, we are talking about lower interest rates by commercial banks and higher interest rates by other institutions. So, I think I would urge you to also think about the

global picture in that regard.

If you were to look at—has the Central Bank ever exercised its power directly on setting interest rates and the spread? I would say, no. Not to my knowledge directly in terms of mandating it, but we do have a lot of conversations around facilities. So a lot of the things that you might see in the end may be a result of dialogue with the commercial banks before things happen. So it may not come out as a particular mandate from the Central Bank, but we do talk a lot. So that is on the issue of that. And as I said, the spread, you know, we have never utilized it directly.

Madam Chairman: Okay. Mr. Ramadhar.

Mr. Ramadhar: Thank you very much. Governor, I am happy to hear that you have regular conversations with the wider banking community, but is that on a one-to-one basis or through the Bankers' Association. First question.

Secondly, we all appreciate that the economy has faltered and many are very, very concerned about their future and in particular, home ownership. Of course, the banks have a right to foreclose on homes if it is that it is through delinquency. Have you had any conversation about the softening of the possibility of persons who may have found themselves, through no fault of their own, on difficult circumstances, for basically for the banks to go easy on them and to reschedule, possibly, so that families will not be troubled by losing their homes in these times? That is the second issue.

And on a third, I do not know if it is within your remit. But in terms of, I mean, just like MP Mitchell, I too am regaled with complaints of especially old attending banks without washroom facilities and so. Is the Central Bank engaged in any conversation along those humanitarian rights, issues? Thank you very much.

Dr. Hilaire: Yes. Thank you for your very important question. The first one: yes, we engage with the banks at quarterly meetings. As I said, we had four meetings last year on January 14th, April 27th, July 22nd, October 22nd and then we had one this year, February 2nd. So we have formal quarterly meetings because we think it is important. We meet with the non-banks less regularly. We meet with insurance companies semi-annually and so forth because we think it is important to have a regular dialogue with the financial institutions as a whole.

Madam Chairman: Governor, sorry to interrupt you. But if I could just ask you to stick a pin in your answers to Mr. Ramadhar because the Vice-Chairman of this Committee, Mr. Coppin, has a question to ask, but he is required to leave at 11.00. So I would like to accommodate him, if possible?

Mr. Coppin: I am grateful, Chairman. Returning back to the matter of fees and charges which is effectively what this enquiry is about, we asked you and you did respond on February 10th about the factors determining, determining factors which cause commercial banks fees/charges to decrease. And in your response you would have spoken about increasing competition, you would have spoken to technology and you would have spoken to a desire to encourage banking by certain groups. What I would like to find out from you is, in your

publishing of these and your research into comparable banking fees, is there any evidence of decreasing financial fees in response to technology, increasing competition, and a desire, as you say, to encourage certain groups to bank? That is first the question?

And then from an international comparative perspective, because I have some experience having lived abroad. You do not find these types of fees common in modern, developed countries. So it suggest that there is, in fact, less competition in this market, contrary to what you appear to believe about the overpopulation of banks. Could you tell me, in your research, have you found these charges to be normal in a competitive, developed economy? And if so, does that suggest that your previous thesis about this financial sector being overpopulated with commercial banks, correct?

Dr. Hilaire: Okay. Thank you for your questions. In terms of—when we responded on the question on decreasing fees, we took it in a hypothetical way, in the sense that the question was, what are the determining factors which could cause commercial bank fees to decrease? So, we said, these are the factors that could cause it. We did not mean that these had actually happened, but you know, in the response to the question, and so it was in that light that we put it there.

In terms of the evidence to that effect, we do see in certain cases that some fees may have gone down because the service is no longer required. Or, I remember some of the banks telling us, we do not have all of the data from them, that they have been reducing fees to the elderly and to the very young. So this is what they have been telling us. And in response to the questions that we posed to them in my letter to them in July 2016. So this is what they had been saying to us. In terms of the international scenario, I would agree with you that in the very highly developed market, some of these things may not be apparent because there is so much intense competition, you move from one institution and another one across the road, and the transactions cost of moving things are very, very small. So you want to refinance your mortgage, you could go online and they tell you, okay. We do not have that here.

So although we are striving towards this situation in the country, we clearly are not at the level of, let us say, the US or some of those things. So, I would think that some of the fees that we would have here would not necessarily be represented in the very highly developed countries.

Madam Chairman: Thank you. Now, perhaps you can go back to Mr. Ramadhar's questions and take it from there?

Dr. Hilaire: Yes. Sure. I think we were talking about, the first one about meetings with the institutions.

Mr. Ramadhar: Yes.

Dr. Hilaire: Okay. Right. So we have, as I said, we do have meetings with the institutions. We think it is very important. We at the Central Bank, we convene meetings with them. It is important to engage with them. It is important to have a dialogue. We need to know what is

happening on a regular basis, to and fro. So that a lot of things may not appear in the public, but they may be solved before that. So this dialogue, we think, is quite important, and we have the formal meetings every quarter. We do meet with them one on one. We have a lot of discussion on, you know, they come to see me on foreign exchange, and a lot of things I go to see them. And we have discussions at all levels. For example, at the trader's level, where the traders meet and talk about, you know, how things are going in the Forex market or so. So there is a dialogue at that level. We have dialogue at the middle management level. We have dialogue at the CEO level, one on one and so forth. Sometimes a couple of them may come, so that is quite important to have that relationship and we value that?

In terms of the home ownership thing, what we have been discussing and as I said, when we meet with them, we generally start off and say what is happening with the economy? What are the things that could affect the financial sector? We know we have a situation where the credit quality could be compromised to some extent because of the macro-economic situation. It is no secret. We say, is there a possibility that you are having problems with one market, which is the mortgage market? We discuss that and we say, "How are you going to deal with it?" So, we do have discourse on that matter. But we do have to strike a balance because we do not want, although we want to make sure that people do not lose their homes and so forth, at the same time we want to make sure that credit quality does not slip unduly. So it is a delicate balance, to balance having home ownership continue, but a delinquent mortgage. But we do have an active discussion with them on this issue.

In terms of the bathroom facilities. Yes. This is a clear one that we had discussed with them. We had met with them. We had talked about it. We asked them, listen, the fees and charges is something that is being raised publicly. It is a concern for people. Tell us, apart from what you are doing with fees and charges for vulnerable groups including the elderly, the infirmed, the disadvantaged and so forth, what are you doing with respect to making sure that these groups of individuals are well served in your communities and in your places of business in terms of bathroom facilities, in terms of having special lines for them, and in terms of just dealing with them.

So, we have raised it with them. Some have responded and said, well yes, they are doing it. When they have new branches they would include these facilities. Now, of course, what we would need to do is to have feedback, because we would hear this from them, to be honest. We hear this from them, but we would not police it. We would not be able to go and say, well, this is so, this is not so. So, we would certainly rely on the members of the public and groups like this, you know, your constituents to tell you and you raise it with them. You raise it with us and you say, but listen, you have this commercial bank that is having, could you talk to them and so forth.

We have the Financial Services Ombudsman who is not directly for things like that, but we do consider it a major consumer issue, and we want to have people protected. We also want, as we have dialogued with them, to not have a situation of financial exclusion in the sense

that, if you have a situation where the cost of financial services are too high. Guess what?— people will go outside of the traditional banking system and either use a lot of cash in which case that has a security implication, a risk implication and they might lose their money. They could forget where they put it or they do not earn interest and so forth. So they could go onto that. Or then they could go to other institutions. Some of them may be traditional, but they could go into non-traditional areas which could also be very risky. So, we want to make sure that financial exclusion does not happen because of too high cost of doing business.

Madam Chairman: Yes. Thank you. Governor, I just wanted to enquire about two things. The first is, Trinidad and Tobago is committed to the Sustainable Development Goals of the United Nations, one of which is poverty reduction. And one way in which the United Nations looks at poverty reduction is by having poor people enter into the banking system so that they can establish lines of credit and they will not be going to unregulated lenders who charge extortionate fees.

11.10 a.m.

Looking at the schedule provided to us, which had been culled from your website, is there any way the Central Bank can intervene to sort of press down the interest rates which we see here? Sorry, not the interest rates, the charges, so that people, may be encouraged to open accounts? Is that something that you can do, or is it that you can do it but would prefer not to?

Dr. Hilaire: If it is okay I will just deal with the broad issue that you—

Madam Chairman: Sure.

Dr. Hilaire: As we talked about, the whole issue of financial inclusion is important, what the Central Bank had done about two or three years ago, we joined what you call, the Alliance for Financial Inclusion. This is a global body that is really focused on making people, particularly the poor individuals, people in remote areas, become part of the formal system. Actually, in Trinidad and Tobago we do have a high level of inclusion, but in other countries—in Africa, in India and so forth—it is a major issue.

We were the 100th member to join this AFI, as you call it, and we held a big conference a couple years ago, and we participate religiously in that. We discuss it, financial education, consumer protection, and so forth, so that is so. In terms of the specific issue you raised about fees and charges, I think we have influence. As I discussed before, moral suasion and some other. We are constrained by the Act, but I think in discussing it, we can help to influence it. But, to be practical, pragmatic and efficient and effective, we would need to understand specifics of what may be bothering people. We do make the effort, and we spent a long time doing this thing to have it on the website, but it is limited in the sense that it provides information at a certain date, June the 30th of each year, but things may have moved.

We want to encourage people to tell us if, let us say, the numbers that we have are not right, because we may have got it wrong, or we may have put something wrong, or it may be badly represented and so forth, and it may be outdated, because things change all the time. But I

think it is important to have lobby groups, consumer power and strength, so that these issues can come to the fore, and in that sense even if we may not have the legislative authority, there would be such a weight of public interest and pressure that it could facilitate our dialogue with the bank, short of having legislation, or something that empowers us to do that, but we will utilize our abilities as far as possible.

Madam Chairman: Sure. Now, the other thing I was concerned about is, how does Central Bank approach the numerous security breaches which are taking place in the commercial banking system? Is there any role for the Central Bank there?

Dr. Hilaire: You mean security in terms of IT, or information leaks, or physical, like robberies?

Madam Chairman: Well, I do not know that there has been a bank robbery recently, but I am thinking about IT breaches.

Dr. Hilaire: Yes, IT. This is something that is important to us. The world is evolving, some years ago nobody had computers, it was not so. But, we have been focusing a lot more on that, even at the Central Bank we have set up a special team, a special IT committee of the board and so forth to get our own act together. We discussed this with the commercial banks. Just recently our head of IT has been liaising and leading the charge with the commercial banks to have regular meetings to dialogue on what may be going on, what are some of the breaches, and how we could at least share information on that area. I will admit that we may be somewhat behind the curve, we are not IT experts, this is not our forte, but we would stand as a clearing house and as a way to gather information and to get best practice and if necessary, work together to make sure that these breaches do not occur.

So, it is a big issue on our radar; even at the Central Bank Governors' Meeting which I attended some time ago; they had set up a committee of Central Bank IT specialists just to make sure that we keep on top of things, because I do not know if you know what happened in Bangladesh where you had a problem with some Central Bank funds being spirited away through the IT system. We are looking at that very seriously, we are working with the financial institutions as far as possible, but, as I said, we would necessarily be behind the curve to some extent because we are not experts in that area, but it is something that we are working a lot to improve, and to lower the risk.

Madam Chairman: Thank you Governor. Mr. Rambharat has a question.

Mr. Rambharat: I want to ask four quick questions, Governor. The first one, just in your brief—and you are at a disadvantage, I recognize that, because your brief makes it very clear that the law does not give you a very strong role in commercial banking fees, which is the reason we are here, so I just want to first, to ask you whether you believe that this Committee should be advocating strong legislating? The current—and I am just giving it from the perspective of having worked with an international bank in a highly regulated environment, in a regulatory position, that I was happy we were so regulated, because it made my job far easier.

My assessment of the current framework in Trinidad is that the two primary pieces of legislation, the Financial Institutions Act and the Central Bank Act, really deal with the relationship between Central Bank and the financial institutions, and from time to time you may through guidelines and circulars touch on the banking relationship itself, but my first question is whether you believe we need to have a suite of legislation and regulations dealing with the relationship between the bank and the consumer? And I will just use one piece of legislation from Canada, for example, the access to basic services legislation, and one entity, which I found extremely useful, the federal agency that deals with the customer service offered by banks. That is my first question, and it is just an opinion.

The second one is, I just want to ask you your views on—take, for example, furniture and appliances companies, which in my view, are in the commercial banking business—the customer does not see it that way—but in my view some of the major furniture and appliances companies are in the business of banking, and the whole hire purchase arrangement is structured on the profitability of that banking relationship and not necessarily on the sale of furniture and appliances, and I just wanted to get your opinion on that, and your opinion on the need to regulate that, because that is an area where customers are at a serious disadvantage.

The third area is the area of credit cards which you have already spoken about, and I would say this—it might surprise a lot of people—I do not even own a credit card, and one of the things under the Obama government it was very topical, but in North America there was a very close look at this issue of the resetting of the interest rates when there is a default—I am just using one example—and the practice among North American banks was that you offer a credit card at a very low rate, but at the first default you move to a higher rate, and the rate was reset retroactively, and the legislators had to intervene to fix that issue. And, I am also asking in relation to credit cards, whether you are satisfied that as the Central Bank has intervened, or is doing what it should be doing in relation to the credit card, which is an increasing form of, you know, banking in Trinidad?

And the last one I want to ask you is, the issue of hard selling—because that is tied to commercial banking fees—in terms of bundling of products. I do not think it has been completely resolved, banks offering insurance products. For example, commercial banks bundling products like a loan product with an insurance product, and commercial banks using the client relationship to hard-sell clients, especially clients who are at a disadvantage because they do not have sufficient information. Those are just the four quick areas.

Dr. Hilaire: Yes, thank you very much for your intervention and questions. In terms of the first one which was on legislation—do I advocate strong legislation in this area? My view is as follows, as I said, the issue is an important one, I would see it as a whole—the need for a whole network of consumer protection, and let me explain. Because, I think, if we miss part of it then whatever legislation you have will not work. The four areas are:

One, knowledge that consumers would have on what is going on. They need to have that, and here is where as I said we have the NFLP on financial literacy, but people need to understand

the products. If they do not, then you could have all the legislation, they could still have problems.

The second area related to that is transparency, that the financial institutions, whether banks, non-banks, whatever, must have some guidelines or adhere to some principles that they would not only provide disclosure, but provide it in a form that people can actually understand it, it is not in the fine print or buried somewhere on some legalese that nobody could understand. So, there must be transparency on what is happening. Like in some countries there is an insistence that interest rates must not only be posted, but we must know the effective interest rates and so forth, and you must know when it is going to be reset and these kinds of things. That is the second aspect.

The third aspect is on the consumer ability, or the awareness and the power to act, because you could have consumers that are knowledgeable, the issues could be transparent, but there may not be a culture, or there may not be support, or there may not be a practice of standing up for your rights. I think consumer advocacy groups could help in this area. But just so that consumers know their rights, and could be able to assert it, and deal with situations, because a lot of things sometimes you could get from just saying, "Listen, I am not prepared to do this, or I will move my business elsewhere".

And the fourth one, to bolster that, and here is where we come to the issue you talked about. Is some agency, or some regulation, or some law to handle it? So, it could be—you have different options—it could be the Central Bank, some people use the Central Bank or some other supervisor. There is a lot of use of fair trading commissions, you have Fair Trading Authorities in Barbados and Jamaica, Competition and Market Authority in the UK, Consumer Council in Fiji, all these sorts of things to help build the framework. So, it could be regulation, it could be using a particular institution, as I say the Central Bank or something else, or Fair Trading Commission, and if necessary legislation would have to be part of it, but how I see it is, it is a whole framework. So, the short answer to your question is that, yes, legislation could be part of it, if, you know, that is the choice, but it needs to be bolstered by these other aspects for it to be effective.

The second answer, mine would be short, it would be yes, that to the extent that you have certain credit facilities being offered by different sellers, whether it is furniture and appliance stores, or something, there needs to be somebody looking at it to make sure that it is not getting out of hand. As I say, we do not have the power in our legislation, but there certainly needs, however you do it, whether it is by legislation or you have some watchdog, I think that is quite important. So, I have an unambiguous yes on that question.

The third thing, on credit cards, let me just put it again in a sort of broad context, in the sense that credit cards could be a very seductive thing, and in the US you find a lot of people get into credit card debt, they may know it, but it is easy. You know, you go to buy something, you pay with cash, you know your hard cash coming out of your pocket, you look at it in a different way. So, there are studies that show that they give bigger tips, you buy more when

you have a credit card, because it is not seen as, you know, money coming out, because it is some time in the future, and so forth, but then it ends up blossoming and growing.

In the US there is a lot of concern that the more risky people are the ones who are offered more credit cards because they know they will default, so therefore that is the ones they want to have, because by the time they put interest rates and so forth, this is how the banks make money. You said you do not have a credit card, some of us have credit cards and we just pay it off when the time is due, and the financial institutions may not be interested in that because they do not get any interest, but you are using it responsibly and not building up debt.

So, it requires a lot of discipline to be able to operate a credit card, but also I think consumer awareness could help because, as we discussed before when some individuals may not be able to get credit from a traditional institution they go to another one; when you get a credit card—well, I could just use it at any time. So, they need to understand that this could be a very dangerous situation and could just spiral completely out of control. So, the combination of knowledge, awareness, but also public education, I think, would be important, and, as well, it may be something that people could look at even more carefully; regulators, we could probably look a little more carefully at what—if there are issues of non-transparency. We have not had, as far as I know, a lot of complaints lodged with the Financial Services Ombudsman on this, but it is something that, I think, would be important to keep looking at, because it could blossom out of control.

In terms of the hard selling and bundled products, I think this could be really a tricky area in the sense that, again, it could be attractive to someone who is purchasing some product—a vehicle, a home, or whatever—and say, well, you do not need to go across the street to get the insurance, you could get it from us. But, again, it comes to disclosure, but also people have to understand if there are any hidden tricks inside there.

But, I agree it is something that could be looked at even more carefully, because there could be stuff inside there that people are not aware of, even if they look carefully, because one product you may have everything lined up nicely—the other product, the insurance product, the credit product—but by the time you put it together and you link them, then you could have some traps. So, it is something I think is worth also looking at.

Madam Chairman: Mr. Mitchell.

Mr. Mitchell: Thank you, Dr. Hilaire. I want to go back to the fees and charges, the bank fees and charges. Now, you keep alluding to the fact that, you know, it is basically regulated by competition; now, many out there are of the view, including me, that these commercial banks are really an oligopoly, and they go about their business with concerted practices, and they are really anti-competitive, and I will tell you why it cannot really be based on fair competition. There is a general barrier, you keep saying that, you know, someone could just—if they are unhappy with particular fees and charges—go to another bank. Well, no, that cannot happen, because there is a general barrier to shopping around, to moving, to going to another bank to open an account.

For example, I have a constituent, she is elderly, she had a bank account and it went dormant, she has been—well, she took about three months just to get the appointment, appointment dates are long, and six months have gone by and she has not yet set up that account because of the amount of documents, criteria, for opening an account now. So, there is a tremendous barrier to moving from bank to bank, and also there is a barrier to moving loans around. If you are unhappy with your particular bank, to move a loan it is very difficult, and in Trinidad now we are tending towards a culture that looks down on cash transactions.

So, I think it is the case that the poorer and more vulnerable groups in society are really just sitting ducks. I mean, the ultimate sanction on a bank where they are anti-competitive is for the customers to go in an uproar and take out their money and there would be a run on the bank and that has not happened despite the uproar, and it leads me to believe that because of these barriers to moving to the competition that they are just sitting ducks. Now, from the Central Bank's point of view, is it in your power to at least remove these barriers for customers going from bank to bank?

Dr. Hilaire: Yes, thank you again for this question. First of all, before I answer the question, I agree with you 100 per cent that you do have barriers; depending on who you are the barrier could be higher. If you are disabled, if you are in a wheelchair, you cannot just move around like that; if you have a visual impairment you cannot use the computer necessarily to do what you want and so forth, so you do have that, and this is why we use our moral suasion to try to encourage this looking at these vulnerable groups.

So, that is the first thing. I agree with you on the barriers; it is not costless to do anything. Even in other countries it is not costless for the poorer, the more vulnerable groups. In terms of the Central Bank's ability, as I noted before, we do have the capacity to discuss these issues, to look at them, we do not have the power to regulate these things, but I think we do have some influence which we will try to use as much as possible, and I think bolstered by public discussion like this it would certainly help. We cannot guarantee everything, but we would do our part as much as possible.

Mr. Mitchell: Just to be—

Madam Chairman: Okay, sorry—

Mr. Mitchell: One more question, just to be specific. Now, about 10 years ago you go into the bank with a job letter, two forms of ID, and a hundred dollars and you are able to open a bank account. But now you have a lot of documents to fill out. I mean, some documents I cannot even understand. So, those are the barriers now for customers in opening an account, and is it that you can intervene, impact, to reduce the barriers so that there is more competition?—customers can freely go to another bank, open an account, and, you know, the competition will be a lot tighter.

Dr. Hilaire: Yes, I think we could, to the extent that we understand the situation, we know what is happening with particular instances; we will use our influence to try to minimize that possibility.

Madam Chairman: Mr. Ramadhhar.

Mr. Ramadhhar: Thank you, again. Governor, it might be of some comfort to you to know that in the last administration—I know there is a continuity of Government—there was already an effort to prepare legislation to deal with many of the issues in terms of consumer protection. We had consultations with the banking association, moving forward, so I hope that that could be ferreted out of the Ministry, so that many of the issues, for instance, bathroom facilities and the transparency in lending and so, these are matters I think that the country is ready for.

It might also be a great comfort to learn that the Fair Trading Commission has been initialized. We have not heard from them for some time, and I believe it would be ripe for us to probably bring them before this Committee to see what work they have done, and how we can use them better to assist the population, and certainly the Central Bank, in areas that you do not now have jurisdiction.

But, taking up on a point that Minister Rambharat, and followed on by member Coppin, in relation to bank fees, it is Economics 101 that the scale of your business should make things cheaper, but it is highly ironic that the fees charged by the larger banks are much higher than the smallest of banks, and therefore you made an interesting statement when you said, whether it is an apportionment of actual cost of profit making, and I think we have to have a clear distinction because what has been put in the public domain is that a lot of these fees is to cover costs.

So, if we are right that your scale of operation should have cheaper costs, if you are larger, then how is it possible for the largest of banks to charge more? So, you know, it is illogical and irrational.

The other issue, of course—and forgive me for lumping so many into one—is coming again from the observation of my friend member Mitchell, when he spoke about recourse to the non-traditional banking sector for loans, and we have heard, of course, the percentage of rates that could really be nothing short of loan sharking, or whatever term you use, but I have also had complaints from constituents that when you go to the traditional banks to obtain loans the collateral requirements are sometimes far higher than the actual loan sought, and there are other conditions put that make it non-feasible to pursue that effort.

I think we need to really look and see whether the banks, of course, must be averse to risk, but they must be able to take some risks if it is they are going to charge a percentage that will cover them in the event of some default, and I think that is a huge problem now as we have a shrinking economy for persons who have ideas, who may wish to invest and may not be able to traditionally source funding from banks because of the collateral requirement and other conditions that make it impossible for them to do so, and therefore, put them literally into the hands of loan sharks. I thank you, and I would like to have your consideration on these matters.

Dr. Hilaire: Yes, thank you, and I am heartened to hear about the consumer protection legislation, the Fair Trading Commission work, I think this will be quite important. I am not familiar with the Fair Trading Commission's mandate, if it covers financial services, but however it is, I think it would be important to get that kind of discussion in the game. In terms of the fees and scale, I agree with you, and as I indicated you have one aspect which would be the base cost, but also the profitability issue could drive rates on fees and charges higher than their costs. So, I agree with you, it is not necessarily just to cover costs. It is clearly not, because otherwise if interest rates go down it should have no relation with interest rates at all, but the way it has been happening to the extent that interest rates have been going up to shore up profitability, fees have been—we have seen that, it is clear thing, so I agree with you on that.

In terms of the collateral requirements and so forth, and the fact that basically you could have exclusion of the riskier clients, and of the ones who may have less capacity to prepare well for a loan engagement, either because they may not have collateral, they may not have the backing, they may not have the knowledge, they may not know how to fill in a form and so forth. This is an issue.

Again, at the Central Bank, I would indicate that for many years the National Financial Literacy Programme has been working with the small and medium enterprises to prepare balance sheets, to prepare things and so forth, so that they can successfully present a case to commercial banks, but I know you were talking about other cases where small individuals who may have some problem, and there is a problem with the land title or so forth, this is a real issue. We do discuss this with the banks, but, as I said, there is a balance between having the proper collateral and backing the loan successfully.

Madam Chairman: Okay, Governor, could I—

Mr. Ramadhar: Sorry, just to make this clear, I do not think I made myself clear. In terms of the collateral issue, for instance you go for a \$10,000 loan, but the collateral requirement is above \$10,000, so there is no real, you know, risk being taken by the bank at all. So, it was just on that, if you would like to look at that? I am sorry, Madam Chair, I beg your pardon.

Madam Chairman: Well, perhaps we could have the question from Minister Rambharat, because I understand he also has to leave a bit early.

Mr. Rambharat: I just want this—I would have asked it in summing up, but I just want to ask, whether among the studies that the Central Bank would do, if you consider that you should look at the banks in the country and tell the public what percentage of revenue of these banks come from fees, so that the public could make an assessment whether they are in the business of banking or the business of fees.

I do not think a study—I know Jamaica in 2013 had done some work in terms of assessing that, but I know in North America is something that is published all the time. And it is not surprising that the financial institutions that cater for the more vulnerable borrower in terms of those who have problems with collateral, or those who have problems with

property titles, and so on, they are the ones that end up on the table with the highest percentage of income coming from fees, because they charge fees because they are dealing with a more vulnerable clientele. I do not know if you think that it is in your power, and if it is something that you are willing to look at.

Dr. Hilaire: Yes, in terms of the first question—I am not sure if I got the second one clearly, so I will have to—

Mr. Rambharat: Fees.

Dr. Hilaire: Okay, the one on the percentage of revenue from fees. We should have that easily available. I do not have the information now, but we would not be able to put it out by institution, but it is something that is readily available, fee income over total revenue. So, if it is not on the website we could put it there. That is not difficult. We would have it by institution, but we would not be able to publish it by institution, we would be able to publish it by sector or by type of institution.

Madam Chairman: Mr. Ramadhar, you had a question?

Mr. Ramadhar: No, no.

Madam Chairman: Well, perhaps, Governor, you would be happy to know that we have been having some questions coming in from persons who are listening and looking on at this session, so I am going to try to ask you some of those questions. One person would like to know whether counterfeit currency has an impact upon banking fees?

Dr. Hilaire: I would think that that would be very small. In the sense that if they have to cater for counterfeit currency, I guess that might be—they may have to increase their—this may be a further expense to have to be checking for it and so forth. But I would think that that would be very, very, very minuscule in the scheme of things.

Madam Chairman: Do you have a high incidence of counterfeit currency popping up in the commercial banks?

Dr. Hilaire: No, we do not have a high incidence, it is very rare.

Madam Chairman: And one of the persons would like to know whether the move to polymer can be extended to other bank notes, and whether that would be an issue in terms of cutting down on the likelihood of counterfeit currency appearing within the systems?

Dr. Hilaire: Okay. Yes, we have—as you know we have the \$50 note that is already polymer, the rest of the suite is cotton, and we are looking at all possibilities, including extending the suite with appropriate public engagement and feedback to make sure that it is effective, it is well accepted, and it is something that would benefit the country. So, it is something that we are looking at very carefully.

Madam Chairman: One person posted up a question, which I immediately thought was to the point. There is a push in the banking system for banking to be done online—if more persons are banking online, why are we not seeing a reduction in banking fees?

Dr. Hilaire: I would think that the fees may be disaggregated. I mean, I do not know if they are talking about overall fees, but I would assume that what is happening is that the banks

would be “discriminating”—in inverted commas—or encouraging people to go online so that if you go online then you have to pay less than if you go in the branch, or if you have to get paper statements and so forth.

Then you would have a scale of fees that is more beneficial then, in other words, lower for online transactions versus the rest. So, I think that you would have that scale as opposed to overall.

Madam Chairman: Another person looking on would like to know whether you are aware that there is a group called Moneytree, which is a private US lending agency operating in Trinidad and Tobago? And, if you do know of that agency, how are they governed?

Dr. Hilaire: No, I am not aware, but we would certainly be happy to receive information. You could send it to us via email, and we would certainly look into it. Personally, I am not aware, but perhaps other people in the establishment are more familiar with it, but I am not aware.

Madam Chairman: Sure. Well, we have to thank that person who sent in that information, and we would ask that person to either communicate with the Secretary to this Committee, so that we may pass it on to you, or communicate with your office so that that can be investigated. Is there any other question?

Mr. Mitchell: Yes, thank you. Mr. Governor, just to piggyback on the question of counterfeiting, there is suspected to be a high incidence of fraud, credit card fraud and so on, that the banks have to treat with—does this high incidence of fraud, especially in relation to credit card fraud, impact on the amount of fees that are charged to the consumer? Is it that it is passed on? Because I know where these fraudsters get into possession of somebody’s credit card details, credit information, and they use that information to procure goods and services, that in most instances the consumer, the owner of the credit card is not made to bear the financial burden of that, the banks bear it all. Maybe there is some insurance scheme, or whatever, but is that passed on to the consumer, either directly or indirectly?

Dr. Hilaire: I will say that to the extent that there is anything that increases the risk of doing any category of business, whether it is insurance cost, or higher claims, or more checking, or so forth, that would increase the cost of doing business and it may potentially be passed on. What we would hope is that, one, over time there would be measures to reduce that risk either by improving technology, having better detection, or better enforcement, or penalties and so forth, and at the same time that the institutions that are better policed, or have a better system in place, would then be able to offer more efficient services so that the consumer would say, listen, if I have this incidence of credit card fraud is rampant in one institution, I will not take the chance, I will go to the other one that has chip technology and so forth, so that you would hope that that would help to distinguish between the cost of doing business in one institution versus the other one, and people would then gravitate to the less risky institution.

Madam Chairman: Thank you. Perhaps these questions should be posed to Ms. Chapman, and it refers to your written submission to us, that in Trinidad and Tobago the Central Bank

approves new products issued by licensed financial institutions, and key requirements relate to inclusion of contractual provisions which facilitate customer rights, change in prices, exiting the contract and notification in terms of material changes, and so on.

So, the first question is, can the Central Bank suggest amendments to contractual provisions for new products from a commercial bank? And, has this ever happened?

Ms. Chapman: Yes. We have the power, Chair, under our Financial Institutions Act. It is a non-objection power in that when a new product or materially different product is introduced in the market the institution must send that for our non-objection, and there is a 14-day non-objection period. During that time, we consider a list of things, and there is a particular guideline that sets out the particular documents, the particular studies that the institution would have to undertake when introducing a new product.

In fact, that guideline imposes on the board of the institution an obligation to have an approved product development policy, and as part of that they must produce a product development report which would cover things of risk, terms and conditions of the product, pricing and those issues, and that sort of information would come to the Central Bank. And we do look at the terms and conditions from the point of view of undue risk for the consumer as well as for the institution, in terms of clarity of terms, confidentiality issues, the ability for the institution to deliver on the product. And we have had instances where certain provisions may be probably inherently conflicting or not clear to the consumer, or posing certain risk considerations, and we would make recommendations to the institutions, and there would be adjustments. So, that is part of the process.

Madam Chairman: Is it simply a case of recommendations, or do you have any sort of power to say whether it comes from legislation, or rules, or whatever? Do you have any power to say that certain terms ought not to be included in contracts for new products?

Ms. Chapman: We do have the ultimate power to object to the product. So, if we consider it to be a material term or condition, and we feel strongly that this would be an impairment in the product, in the interest of the consumer or in the interest of the market, it is something that we would insist on, and it may feature in actually giving an objection to the product.

Madam Chairman: And the price of the product, do you think that the Central Bank will have a say in the pricing of the product, or do you just leave that to the commercial banks?

Ms. Chapman: The pricing of the product is generally done according to the requirements of that institution, and it is part of their whole product development report, and the studies that they would do. So, from our perspective we do not necessarily see the details of that pricing. We may be alerted to the fact that certain fees may attach to a particular product, but we do not review the pricing in that sort of detailed way.

Madam Chairman: Governor, just one last thing before we wrap up. Do you think there that there is any urgent need for amendment to any piece of financial legislation which would assist you in the performance of your duties?

Dr. Hilaire: Well, we have the insurance—perhaps I can use this pulpit to talk about—we certainly have the insurance legislation that needs to be sorted out. As you know, we have—to put it bluntly—deficiencies in our current legislation. I think that is important, very, very important to sort out. That would be the main thing that we want. We have things that we could pose on other legislation, but I would say that that is a huge issue, and we would certainly want to have action on that as quickly as possible.

Madam Chairman: Okay. Unless there are questions from any other members. No? Well, thank you all very much for attending this session, and Governor would you wish to make any other closing remarks?

Dr. Hilaire: Thank you for having this interaction. We appreciate the invitation. We stand committed to have a strong financial system, and that has consumer protection as its base. We are learning constantly. We want to keep hearing from the public, from the Members of Parliament, so that we could work together to make things better for our country. Thank you.

Madam Chairman: Thank you. I also want to thank the media for attending, and those persons who tuned in to this session this morning, whether by looking at the Parliament channel, or listening to it on the radio, or following it on facebook, or sending out their total comments. So, thank you all, the meeting is adjourned.

11.56 a.m.: *Meeting adjourned.*

VERBATIM NOTES OF THE FOURTEENTH MEETING OF THE JOINT SELECT COMMITTEE ON FINANCE AND LEGAL AFFAIRS HELD IN THE ANR ROBINSON MEETING ROOM (EAST), LEVEL 9 (IN PUBLIC), TOWER D, OFFICE OF THE PARLIAMENT, PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON FRIDAY, MAY 05, 2017 AT 9.15 A.M.

PRESENT

Miss Sophia Chote SC	Chairman
Mr. W. Michael Coppin	Vice-Chairman
Mr. Clarence Rambharat	Member
Mr. Prakash Ramadhar	Member
Mr. Wayne Sturge	Member
Mr. Julien Ogilvie	Secretary
Miss Shanice Ramdhan	Asst. Secretary
Miss Sacha Singh	Research Assistant
Miss Simone Yallery	Legal Officer I

ABSENT

Mr. Randall Mitchell	Member
Dr. Lovell Francis	Member
Miss Marlene Mc Donald	Member

BANKERS ASSOCIATION OF TRINIDAD AND TOBAGO

Ms. Anya Schnoor	President, BATT
Mr. Nigel Baptiste	Vice-President, BATT
Mrs. Kelly Bute Seaton	Executive Director, BATT
Ms. Kimi Rochard	Chairperson, Legal Sub-Committee, BATT
Ms. Rachel Laquis	Vice-Chairperson, Legal Sub- Committee, BATT
Mrs. Karen Darbasie	Treasurer
Ms. Lindi Ballah-Tull	Legal Committee Member

Madam Chairman: Good morning, this is the Fourteenth Meeting of the Joint Select Committee on Finance and Legal Affairs. The Committee is convening its second public hearing on the issue of commercial banking fees in Trinidad and Tobago. For those of you

who are following us live, either on TV or on the radio, the first session had been held on Friday, February 17, 2017, when we had personnel from the Central Bank here.

This hearing is being broadcast live on the Parliament Channel, Parliament radio 105.5 FM and the Parliament's YouTube channel, *ParlView*. Members of the viewing and listening audience are invited to send comments or questions via email at parl101@ttparliament.org, or on our Facebook page at [Facebook.com/ttparliament](https://www.facebook.com/ttparliament), or on Twitter @ttparliament. Now, having got all of that out of the way which I have to say because we are live, I would like to welcome members of the Bankers Association of Trinidad and Tobago, thank you all for being here and for being here on time. I apologize for the late start. I will ask Ms. Schnoor, the President of the association to make some opening comments.

Ms. Schnoor: Thank you, Madam Chairperson and other members of the Committee and the Secretariat of the Joint Select Committee. Let me first start by thanking you for the opportunity to answer questions on behalf of the Bankers Association of Trinidad and Tobago. We are aware that the topic of fees and charges in the banking sector has been the subject of much public debate and we look forward to the opportunity to speak to this Committee and probably more importantly to the people of Trinidad and Tobago to clarify some misconception which may have made their way into the public domain.

I would first like to start by explaining the role of the Bankers Association which we are representing here today and, of course, to discuss its core purpose. BATT is an association which comprises all eight of the commercial banks in Trinidad and Tobago. Its core purpose is to ensure that member banks are positioned to meet international trends and compliance standards, educate the public on financial options available to them, public awareness of fraud and risk prevention as well working with the Central Bank and other regulators on areas to improve the overall strength and stability of this sector. That is it. As an association, we are not involved in the internal business decisions of any of our individual members.

I move on to the next page. As we look at the purpose of this enquiry I think it is important that we first reiterate the overall role and the importance of banks to the economy of any country, and to understand how each of our members contribute to the economic development of the country. Banks play an intermediary role by channelling funds from depositors to borrowers thereby increasing economic efficiency. Indeed, when we look at the GDP of Trinidad and Tobago, financial services is perhaps the second largest contributor to the GDP of the country and consequently provide significant tax revenues.

The health of the financial sector is therefore critical and each of our key stakeholders in the sector, and here I refer to our shareholders, our depositors and our regulators, all of whom have a key interest in our continued growth and stability. Our depositors in particular want to be assured that their deposits are safe. Our shareholders who in large measure are citizens of Trinidad and Tobago want a return on their investment and our regulators want to be assured that banks are well managed and adequately capitalized to meet any unforeseen

shocks which may impact the viability of the industry. These are some of the key reasons, the financial industry and commercial banks, in particular, are so heavily regulated.

So that gives you some context and background as we turn to the particular subject of this enquiry and to set the stage for some of the questions I am sure members will have today. I would like to note that in preparation for this enquiry, and because BATT does not collate or have knowledge of the strategic-making process of any individual member bank, we engaged the services of an international accounting firm to collate information in aggregate on the industry.

Here are some of the facts which came out of that engagement which I think the public will be interested in. Fees have not increased annually for any fee category analyzed over the last 10 years. Fees and service charges were adjusted only three times over the last 10 years and independently of each bank. For some fee categories there were no increases over the past 10 years. Online and mobile options have remained free over the last 10 years. For many fee categories the inflation-adjusted fee increases have actually been negative over the last 10 years. When compared to similar services provided by banks in the region, in almost all fee categories in Trinidad and Tobago were lower than our regional counterparts.

The overall conclusion of this review is, there is no price collusion among banks in setting fees and charges, and bank fees and charges are determined by individual pricing considerations which include operating costs, competitive product placement, influencing customer behaviour, alternate channels available and investment in technology.

Here are some other pertinent facts. Fees and charges represent 7 to 11 per cent of the total revenue of banks. The banking sector's profitability per customer and per account has declined over the last 10 years and there are many reasons for this, the primary being the tremendous increases in operating costs in all banks over the same period. Net interest margins in the banking industry are at their lowest level in over a decade in all major loan categories. Interest rates today are lower than they were a decade ago.

Deposit rates have also declined during the last decade and this is related to the build-up of liquidity in the sector. As a reference point, deposits have grown from 50 billion a decade ago to over 110 billion today. Profitability in the banking industry has marginally moved at a compounded annual growth rate of just 1.2 per cent over the last decade and declines in key measures, such as return on assets and return on equities are noted for most banks. So what does all of this mean for the public? Banks are not price fixing, and fees and charges are reflective of the cost for providing these services.

In addition to the eight commercial banks, there are a number of other entities which provide financial services and here I speak to 126 credit unions in Trinidad, the insurance companies and, of course, the Unit Trust Corporation. And therefore, competition is fierce among all players, not just commercial banks which in large measure have kept fees at relatively competitive levels even when compared to other regional banks. Over the past decade the commercial banks have provided over \$4.6 billion in taxes to the Government and over \$11.8

billion in dividends to shareholders, the vast majority of whom are residence of Trinidad and Tobago. Banks play a critical role in the economic development, and a vibrant commercial banking sector is critical to the future growth and stability of the economy. Banks have invested heavily in technology over the past decade to provide new products and services to customers which make it easier and cheaper for them to conduct their banking needs.

I wish to conclude these opening remarks by stating that banks are proud to provide the services we offer the public or customers. Many of our members have been doing so in Trinidad and Tobago for over a century. Our entire value propositions and core purpose is to provide our customers with financial advice and options to suit their individual needs. Banks also play a critical role in the communities we serve. We employ over 7,400 citizens and during the past three years alone we have contributed \$131million to the various corporate social responsibility programmes that we each individually undertake.

Indeed, despite the tremendous challenges facing our country, banks collectively have increased spending on CSR by 20 per cent over the last three years alone. We recognize and embrace our role in society and we look forward to continuing to work with our customers, to grow and develop this beautiful twin island state. So thank you very much and we will now answer any questions the Committee members may have. Thank you.

Madam Chairman: Thank you, Ms. Schnoor. Before we go on to the questions, I want to say I appreciate the fact that you took the time to go through your content slowly so that our viewers would be fully apprised of the position of the association before we start.

Now, I am not sure as to whether the persons who are attending today on your part are the same as on the last occasion. So what I am going to do is to simply from left to right ask you to introduce yourselves.

[Introductions made]

Madam Chairman: Thank you all. Now, I will ask members of our Committee, starting with my Vice-Chairman to introduce themselves to you.

[Introductions made]

Madam Chairman: My name is Sofia Chote and I am the Chairman of this Committee. The gentleman to my left is Mr. Julien Ogilvie whom you may have communicated with in the past with respect to the setting up of this enquiry. The other persons you see in the room are members of the Secretariat and members of the audiovisual team.

Now, for the viewing public I need to remind everyone about the six objectives of the enquiry. I will do so very quickly:

1. To determine the rationale for the fee structure observed by commercial banks in Trinidad and Tobago.
2. To determine the feasibility of state involvement in the regulation of commercial banking fees in Trinidad and Tobago.
3. To determine the possible effects of unregulated fees on consumer welfare.

4. To examine the possible instances of anti-competitive behaviours by commercial banks with respect to fees.
5. To ascertain the amount of profits made by commercial banks per year due to changes in fees over the last 10 years, and
6. To ascertain the trends in banking fees or charges in Trinidad and Tobago in the last 10 years.

Now, because we are short for time and because Ms. Schnoor has been so thorough in her opening remarks, I think that we can go straight to questions and I invite any members of the Committee who would like to start off. Mr. Ramadhar.

Mr. Ramadhar: First of all, let me tell you how grateful I am for your opening statement and it really does not add much to say that banks are crucially important in our society. But what I find very disturbing, now, for whatever reason I think we need to explore, there is a tremendous backlash against the banks. We need to know how we have arrived there, if there is good reason for it or whether it is unreasonable. And one of the issues that have come to us, as Members of Parliament, is the number and some have described it as incredible rise in banking fees. I heard you say that there has been no real increase over the last 10 years. So we need to explore something in relation to that.

I would like really for you to also explain to us, in a declining economy for the last couple of years, in particular, you have seen banks posting record profits and at the same time we are getting disturbing reports that when persons go to the banks for any loan that they are met with a collateral requirement that sometimes exceed the value of the loan required and many stumbling blocks are put in their way for the citizens to have access to meaningful funding to create business in an economy that requires it and we will explore some of that, but I would like you to give us some response to begin with on that.

Ms. Schnoor: Thank you for your question. And, yes, we represent 7,400 employees across our industry. So obviously we are concerned with any negative perceptions of any of our members and it is very important that we address some of the concerns that have been expressed by various customers. And I think it is important that we understand the different ways in which people interact with the banks and there is the impression sometimes that there is one product for all the customers and it really is around how do you chose to interact with the bank. I think we have invested quite a bit over the last decade and for a number of decades in trying to provide new and different options for clients.

So if you want to interact with the bank to save there is a suite of products that are geared towards that particular activity. If you want to interact with the bank to do a number of transactions there is a different suite of products to suit that particular activity. If you want to interact with the banks only online and through mobile channels, there is a suite of products that suit that. So I think for us and what we have learnt through the last few years is that it is very important for clients to have access to information to make the choices that

suit their particular need and that is one of the reasons we have partnered with the Central Bank to ensure that all our services are now public, not only on our own individual websites, but also on the Central Bank's website so that clients can be better informed to choose the particular service that suits their need. And that is one of the reasons why we think education and financial literacy and providing information to clients is so critical.

In terms of the decline in the economy and banks making record profits, I will ask my member here to talk a little bit more about the profitability in line with the sheer size of the banking industry and what happens to those profits.

Mrs. Darbasie: So let me start by saying, I am going to address this from three sides. The first thing is, and in a very topical manner, rating agencies and entities that look at banks and when entities outside, such as the rating agencies look at banks they look to banks from two very fundamental points for strength. One is profitability and one is capital. And those are two things that the banks are very closely monitored to ensure that we maintain a strong banking sector in Trinidad and Tobago. We have all seen the impacts in the global economy of difficulties within a banking sector and that impact on the economy as a whole.

When you look at the profits that banks are making I would like to start, before I go into Anya's specific question, and understand how profits are deployed, for a want of a better description, because I think there is a perception that the profits are for some purpose held by banks.

9.45a.m.

So when you look at profits—and I start by profit before tax, so base profit which is revenues less operating expenses—the first thing that comes out as a payment from profits are taxes, and as Anya mentioned, banks as a significant contributor to GDP have made over \$4.6 billion in tax payments to the Government of Trinidad and Tobago over the last 10 years. Taxes go towards the better interest of the general public. They are paid across to the Government for deployment of the better interest of the communities at large.

The second point that comes out of profits are dividend payments, and again, dividend payments go to our shareholders and the majority of the shareholders of the institution, certainly around this table, sit in Trinidad and Tobago. They are individuals and they are institutions and I think if you look very specifically at the dividend payment track record of the banks, most of the banks make dividend payments in the 45 to 55 per cent range. So after taxes, the next point of profits go into dividend payments, again out into the general public benefiting shareholders, institutional investors, members of the public.

Madam Chairman: Mrs. Darbasie, I do not want to interrupt you, but since you referred to shareholders I would be grateful if you could confirm this, because we got this information from the annual report for FCB for 2016. The majority shareholders for First Citizens Bank are First Citizens Holdings Limited, National Insurance Board of Trinidad and Tobago, Trinidad and Tobago Unit Trust Corporation/FUS—whatever that means—Guardian Life of the Caribbean Limited, Republic Bank Limited, National Enterprises Limited, RBTT Trust

Limited, TATIL Life Assurance Limited, Colonial Life Insurance Company (Trinidad) Limited and RBC Trust (Trinidad and Tobago) Limited. So your majority shareholders are other banks and insurance companies. Is that correct?

Mrs. Darbasie: We have in excess of 12,000 shareholders. Those would be the majority shareholders, but we do have—

Madam Chairman: Yes. I am asking about the majority shareholders.

Mrs. Darbasie: The majority shareholders, First Citizens Holdings Limited is owned by the Government of Trinidad and Tobago.

Madam Chairman: Yes.

Mrs. Darbasie: Yes.

Madam Chairman: And the other majority shareholders or the other shareholders which may be included in the description of majority shareholders are other banks and insurance companies?

Mrs. Darbasie: Yes. But I think you need to dimension what that means. So it is banks in the form of trust companies which are the pension fund investments, and it is the Unit Trust which is the mutual fund holder on behalf of investors which are the general public. So they are not banks. Republic Bank Limited does not own shares in First Citizens for its own right. It is Republic Trust or RBC Trust who is holding it on behalf of pension funds that they are managing. But, yes.

Madam Chairman: And this is why I asked the question, because someone reading the annual report may not necessarily know that—

Mrs. Darbasie: Draw that connection.

Madam Chairman:—so I thank you for your explanation.

Mrs. Darbasie: So it not for their own individual capacity; it is on behalf of further funds that they are managing.

Madam Chairman: Yes.

Mrs. Darbasie: And the third point on the profitability—so I have dealt with profits and the first thing that comes out are taxes across to the Government. The second point is dividend payments across to shareholders. And the third point is going back into the retained earnings or the capital of the bank, and I said at the beginning that banks' strengths are measured in large part by its capital. And what is capital? Capital is the fund that the bank builds up for future investments, but also for buffers for adverse economic conditions. So the profits of the banks are deployed, as you can see, for better interest of several stakeholders. That is the first point.

As part of the analysis that we retain the international accounting firm to do, you do not look at profits in isolation, you look at profitability as a measure against several factors. One of the measures that the accounting firm looks at is profitability as a return on assets, which really link your profit to size.

Madam Chairman: Mrs. Darbasie, we have to make sure that the information that we put out is understood and accepted. So if we have too much information or one speaker giving too much information at a time, using terms which are normally confined to the financial industry, we are going to lose the impact that we want to have as a result of this enquiry. All right?

Mrs. Darbasie: Understood.

Mr. Sturge: Can I just interject? You said that the banking sector has paid \$4.6 billion in taxes over 10 years, but that is spread across eight commercial banks over 10 years.

Mrs. Darbasie: Yes.

Mr. Sturge: That is not much.

Mrs. Darbasie: \$4.6 billion is—

Mr. Sturge: Over eight commercial banks over 10 years. That is not much per year.

Mrs. Darbasie: I am not sure I would consider \$4.6 billion over 10 years—that is \$460 million per year—as not material.

Mr. Sturge: Per bank. And per bank it would be what?

Ms. Schnoor: Whatever the corporate tax rate—

Mrs. Darbasie: Whatever the corporate tax rate is.

Mr. Sturge: But that is against the background that in the last 10 years, have you made losses? You all seem to be profitable and post billion-dollar profits every year.

Ms. Schnoor: So let us look at what does that mean. So you have an industry today that the asset size is \$130 billion. So when you look at the size of the commercial banking system, it is the second largest contributor to GDP in the country. So what you are looking at is an industry that is pretty big.

Mr. Sturge: Right.

Ms. Schnoor: So therefore, it goes to say that the profitability of that industry, based on its size, would be bigger than a smaller company in a smaller industry.

Mr. Sturge: Yes, but the short point is—

Ms. Schnoor: So you have to compare it to the size.

Mr. Sturge: Yes, I understand all that, but what I am saying, in the context of the economy sometimes doing well and sometimes not doing well, sometimes in entrenched recessionary periods, you seem to be making profits every year. So I am wondering, in light of the material you have given us, I am wondering if you all have any risk at all.

Mrs. Darbasie: If we have, sorry?

Mr. Sturge: What sort of risk you all have. I mean, taken into the context what Mr. Ramadhar has put forward, and I know to be a fact, sometimes you seem not to take risk in terms of giving loans because you are asking people to have their loans fully secured by collateral. In fact, in many instances they are being asked, if they want to borrow \$3,000, to put \$3,000 in the bank. So what risk is there for you?

Mr. Baptiste: Good morning again, members. I would just like to build a bit on what Karen and Anya would have said and also to address specifically that question about the collateral requirements and the risks to the bank and the loans. But I actually will start from that second part of the question which is the risk to the banks and the loans.

Over the last five years, loans in the commercial banking system have grown on average cumulatively by over 6 per cent. If we look at a breakdown of those loans, mortgage loans have grown, on average per annum by over 8 per cent. So there is a substantial amount of individuals who have been able to access loans from the banking system over the last five years and even before that. And when we talk about the collateral requirements for those loans, Karen made reference to the fact that when countries are being assessed by international rating agencies, these agencies look at the profitability and the strength of the banking system, and I do not think this would be particular news, but it certainly occurred yesterday, where Standard & Poors, in following their downgrade of Trinidad and Tobago, advised me that Republic Bank was also being downgraded in their rating. And when they put out their release and they indicate the reasons for the downgrade, there are two things that stand out. Besides the downgrade of the country, they make reference to the implications of that downgrade on the profitability and capital of the banks. And in trying to explain why they felt there was an implication, they made further reference to the fact that the house prices and other security that the banks may hold are likely to decline as a result of the downgrade in the country and, let us say the economic slowdown, which could have implications for the provisioning requirements, which are the requirements that the bank would have to set aside—the capital that the bank would have to set aside—for bad loans, for non-performing loans.

Mr. Sturge: Can you stick a pin there? I want—

Madam Chairman: Mr. Baptiste, we are trying to reach the layperson. I know lawyers talk in a certain kind of jargon, and I know that bankers and financial people probably do so as well. So when you answer questions, could you try to make it as simple as possible so we do not need to ask follow-up questions as, “What do you mean by that?”, and that kind of thing. That would help us, I think, quite a bit. But the Vice-Chairman has a question.

Mr. Coppin: Good morning. This question is for Ms. Schnoor. In your opening remarks you would have categorically stated that the competition in Trinidad and Tobago amongst banks is fierce, if I remember correctly. However, in my own research—and I know as lawyers there is a rule against hearsay, and the gentleman is not here, or the person purporting to be the gentleman is not here. But I came upon a website by the name of jwalarambarran.com. And on that particular website there is an article that deals specifically with the issue of competition. In fact, it goes in great detail in breaking down the structure of the market. And on that website the author claims that, in fact, the four largest banks currently control over 90 per cent of the market. He says that RBL and FCB control 70 per cent of total loans and RBL and FCB control 75 per cent of total deposits, and RBL controls over 25 per cent of the forex market. Is that an accurate representation of the structure of the banking sector in Trinidad and Tobago?

Ms. Schnoor: I have not had the opportunity to read the website that you are referring to. I think in the context of the entire financial system—and I know there is a tendency to focus only on the commercial banks, but you also have to look at the wider financial market. There are 126 credit unions in Trinidad and Tobago. There are a number of insurance companies. There are a number—

Madam Chairman: Ms. Schnoor, I am sorry to interrupt you, but could we get a direct answer to what was a pretty succinct question?

Ms. Schnoor: In terms of the four banks controlling—

Madam Chairman: Yes.

Ms. Schnoor: Well, I think I am trying to answer it in the context of the wider market.

Mr. Coppin: No, I just want to know about the banking sector. That is all I want to know about.

Ms. Schnoor: The commercial banking sector—

Mr. Coppin: Yes.

Ms. Schnoor:—the four banks that you would refer to are the largest banks in the country. They have operated in the country for a number of years and would, by their presence and their market reach, the number of branches that they have, would have a larger market share than some of the newer entrants who have entered the market within the last decade.

Mr. Coppin: Well, in fact, it goes on to say that in 2000 there was a study by the Centre for Latin America Monetary Studies which was published and it dealt with Trinidad and Tobago, and it is a well-respected international journal, and the article was titled: “Money Affairs on Banking Competition”—Money Affairs. He goes on to say in detail—so he does not say that it is large or small but he says, RBL, FCB, RBC, Royal Bank and Scotiabank control 90 per cent of the total banking sector assets. RBL and FCB, 75 per cent of total deposits and 70 per cent of total loans.

You must have that information. I am asking you directly, is that an accurate representation of the banking sector in Trinidad and Tobago?

Ms. Schnoor: As I said, the larger commercial banks would have a larger representation of the banking sector and therefore by virtue of that, would have a larger section of loans and deposits.

Mr. Coppin: So it is not correct to say that it is fiercely competitive. In fact, that study, I think, recommended that two larger medium-sized banks be allowed to enter into the country which would allow there to be a more competitive market in Trinidad and Tobago. And he goes on to say that, in fact, JMMB and Bank of Baroda did, in fact, enter into the market but it has not led to any significant increase in competition. That is my understanding. Is that an accurate representation of the banking sector in Trinidad and Tobago?

Ms. Schnoor: As I said, the competitive nature of the banks between the eight of us, if you want to narrow it down to the four or five larger banks by size, is significant. When you add to that the other financial players who also offer similar products and services that we do—

they offer mortgages, they offer short-term loans, other deposit, near deposit-type products—the entire financial system is highly competitive.

Mr. Coppin: So it would not be true to say that there is an oligopoly in the banking sector in Trinidad and Tobago.

Ms. Schnoor: I would definitely say not. There is no oligopoly. There is no control of the commercial banking sector or the financial sector by any group of institutions. We are all in the business of providing services to our customers. And the reason I know this and the reason you can look at the other data which shows that interest rates on mortgages are at their lowest level in 30 years, and you can see—

Madam Chairman: Excuse me. I think we are falling into the same error that we fell into at the start. Too much information, too much jargon. I think, Ms. Schnoor, that you have answered the question and the simple answer was, yes. So do we have any other questions from members?

Mr. Sturge: I have several. Would it be correct to say that—mortgages included—most of your loans would be secured, and those that are not, a greater percentage of your loans, whether secured or unsecured, would be insured?

Mr. Baptiste: Most of the loans would be secured, but the loans that are not secured would not be insured.

Mr. Sturge: But what percentage of your loans would be unsecured?

Mr. Baptiste: That is difficult to estimate. But if I look at the breakdown of the loans I would say roughly maybe 20 per cent—20/25 per cent.

Mr. Sturge: Twenty per cent would be unsecured.

Mr. Baptiste: Unsecured.

Mr. Sturge: But unsecured loans, generally you would give to businesses and so on, as opposed to the smaller man?

Mr. Baptiste: No.

Mr. Sturge: So the larger percentage of unsecured loans would be going to who?

Mr. Baptiste: In all likelihood, it would be going to the smaller man.

Mr. Sturge: Right. And in terms of insurance—

Mrs. Darbasie: Can I just interrupt? Credit cards are unsecured loans. So that is a significant portion of the unsecured loan portfolio.

Mr. Sturge: But then the interest rate on credit cards would be 24 per cent as opposed to other loans. Not so?

Mrs. Darbasie: Reflective of the risk.

Mr. Sturge: So that takes care of the risk, generally.

Mrs. Darbasie: Reflective of the risk.

Mr. Sturge: Right. So generally most of your loans are secured and then most of your loans are insured. Correct?

Mr. Baptiste: No.

Mr. Sturge: Hold on. Are you telling me that most of your loans are not insured?

Mr. Baptiste: So mortgage loans—are you talking about the mortgage loans being insured?

Mr. Sturge: Mortgage loans, the security would be the house, for instance. Okay?

Mr. Baptiste: Correct.

Mr. Sturge: So that if there is a default, you sell the house and your risk is minimized. Correct?

Mr. Baptiste: Correct.

Mr. Sturge: Okay. Outside of that, car loans, for instance, you have a mortgage bill of sale on the car.

Mr. Baptiste: Correct.

Mr. Sturge: If the person defaults, you get the car.

Mr. Baptiste: So those are counter secured.

Mr. Sturge: So your risk is small.

Mr. Baptiste: Correct.

Mr. Sturge: And then there are other loans. Do you not insure a great percentage of your loans?

Mr. Baptiste: Okay. So once the loan falls into the unsecured category, the answer is no, it is not insured.

Mr. Sturge: It is not insured.

Madam Chairman: Could I interrupt and ask a question? Is it then that the unsecured loans are sort of like the on-demand loans, loans below \$30,000, that kind of thing?

Mr. Baptiste: Not necessarily. Most of the retail loans—and that is why Karen would have included the credit card loans. Most of the retail loans that we would call them, which we give, when you see a loan campaign around Christmas time or any other time, those tend to be unsecured loans.

Madam Chairman: And I also wanted to enquire, for the loans that you insure, does the customer have to take the cost of that?

Ms. Schnoor: I guess we are trying to understand when you say insure, what you mean. And perhaps you can clarify that for us.

Madam Chairman: Yes, sure. The Vice-President had indicated that loans are secured and those loans that are not secured, you are left with two other categories: the unsecured; and you would have loans which are insured. You do not have insured—

Ms. Schnoor: We do not have loans that are insured. I do not know if you are referring to people that may take out life insurance, or other insurance separately?

Madam Chairman: Well, perhaps if you could explain how insurance works in the context of loans.

Ms. Schnoor: For individuals, for their own personal circumstances—and that is something that each client would determine on their own—would decide whether they want to take out a life insurance policy in the event—

Madam Chairman: Against borrowing?

Ms. Schnoor: Against in the event of death, and then they would, on their own, decide if they want to assign that policy to pay off their individual loan.

Mr. Sturge: Quite apart from that, I take loans from time to time and sometimes I am told if you want to insure the loan, you can pay X amount and have the loan insured so if you default, then it is covered and your rate of interest, if you insure the loan, would be less. But if you do not insure the loan, the rate of interest would be more. Does that not exist?

Mr. Baptiste: So, there are various structures—

Mr. Sturge: Is that yes or no? Does that not exist?

Mr. Baptiste: That option exists.

Mr. Sturge: Yes. So then there are facilities for the banks to insure and therefore further reduce risk.

Mr. Baptiste: There are facilities for the client to insure and therefore reduce the risk that should something occur, that you might actually have to fall back on either the property or some other asset that the client may have. That is the main reason for the insurance, really.

Mr. Sturge: But the person paying to give you some sort of breathing space so that you are not all worried about risk is the client himself.

Mr. Baptiste: Yes, but I do think we need to understand that they are really paying to give themselves and their families the breathing space, because it is an option. So you would find that—and it primarily occurs with the mortgage loans—that individuals will be advised that insurance would be good, because if you take the insurance and should something occur, then there will actually be no need for the bank to rely on the property.

Madam Chairman: Yes, I—my mike will not work if there are four mikes on. So for the listening public, basically, if you are taking a mortgage, the mortgage is taken on the property. The house that is being bought. Let us say you have a young couple now married buying their first home, kind of thing, and they are asked by the bank to take out life insurance policies and the purpose of that is if anything happens to one, the other one, especially if the other one is not working outside of the home—the other one will not lose the security of the home. Is that correct? I also want you to answer, as well, whether this is an option or whether the loan will be refused if such insurance is not taken out.

Mrs. Darbasie: I think it depends on the particular individual, on the longevity of their work history, on their cash flows, on their—I am trying to simplify it. So you look at their expenses and their income and the potential—the possibility that the income, if you lose one job from the household, its ability to service the obligation, it is not a yes or no answer. It is an evaluation of each applicant's situation.

Mr. Ramadhar: While we are on the issue of home mortgages, we do know this issue of the property tax looms very large. How will the bank prepare itself, where under that law there is a pre-eminence of the State over mortgages that you have already? Whatever insured or whatever, there is a pre-eminence of the State to override your rights.

Ms. Schnoor: Could you repeat the first part?

Mr. Ramadhar: Under the property Act.

Ms. Schnoor: Property tax.

Mr. Ramadhar: Yes, property tax. That there is a pre-eminence if the “property tax” is not paid for a period of time, whatever mortgages or whatever you may have and your insurances and so, how would you prepare yourself, where the State now has pre-eminence over your right of redemption?

Ms. Schnoor: When a customer comes into a bank to apply for a loan, we look at their income and their expenses, and that would include property tax. So we look at what they earned and what their obligations are to see, can they qualify for the loan, and that is where we take it into consideration. So it would be up front at the application.

Mr. Ramadhar: Ms. Schnoor, I appreciate what you are saying in terms of moving into the future. I am speaking about the pre-existing mortgages. How do you deal with this?

Mrs. Darbasie: Maybe I can answer, because I think the condition that exists in the property tax legislation—and I am not a lawyer by any means—was one that always existed where the State had pre-eminence if taxes were not paid. So that is not a new condition as far as bank’s assessment of the collateral risk is concerned. If that is the question.

Mr. Ramadhar: But certainly, there would be a dramatic rise in the cost to the homeowner. From what would have been historic numbers: \$70, \$100, now, it is going to thousands. So that your numbers would be affected? So would you then be taking into consideration those issues to revisit pre-existing mortgages? And I am also hearing you say that going into the future that will be an important component in the determination of the viability of the mortgage.

Ms. Schnoor: It would be a component of our credit decision-making and that is something that has always been there. It is nothing new. It was always there.

Mr. Ramadhar: I am happy to hear you say it is nothing new, but we are dealing with banks and its viability and those who would then be able to access mortgages as we go into the future. We do agree that the numbers of the past are completely different from the prospective new numbers; thousands of per cent increase in property tax, if I may use that term loosely. Do you agree with that?

Ms. Schnoor: As we said, each application is going to be evaluated based on the viability of what the customer earns, what the customer’s expenses are and we will take it into account. I am not aware of the particular percentage increases. When it comes, when it is finally evaluated per customer and what it turns out to be for new applications—but going back in time we will not be revisiting any mortgage applications that we gave in the past.

Madam Chairman: Well the short point is, I think, in response to Mr. Ramadhar’s question that it may affect the ability of some people to access mortgages. I believe we have a question from Minister Rambharat.

Mr. Rambharat: Thank you very much. I just want to focus on the five objectives of the enquiry and on enquiry one, I do not know if you followed but in February when we had the Governor of the Central Bank before us, I asked some questions and I am going to flow along those lines. The first is: the enquiry requires us to consider, to ask you about the rationale for your commercial banking fees, and my assessment, based on your presentation, is that there are three areas in which I could say that there might be a rationale: first, cost recovery; second—and that is for another discussion—disincentivizing—because I recognize that you feel the need to disincentivize the walk-in customers, so that people could migrate to other forms of banking, particularly mobile banking. But the third area is the area of income generation, and you say on page 16 that over the last 10 years bank fees have contributed somewhere between 7 and 11 per cent of income.

The question I asked the Governor of the Central Bank was the extent to which banking fees represent cost recovery, and the extent to which they represent an income stream. That is the first question. And then the second question deals with—following along what some of the previous persons have asked—this issue of household debt service ratio. In a previous life as a columnist, I think it was 2005, in the *Guardian*, I did an analysis of the average household income of young professionals and looked at what I considered then to be the rising cost of property, and I felt in 2005 that professionals were on the edge of—

10.15 a.m.

Twelve years on, what is the view of the banking sector on the level of debt carried by households in Trinidad and Tobago, and the extent to which these households can service that debt? I ask that question because the closer to the edge a household gets in terms of the debt that is being carried, the higher the cost of banking. So those are my two questions.

Ms. Schnoor: Thank you, member. So the first question, the extent to which bank fees are cost recovery versus income. When we looked, and it came out very clearly in the independent review that was done, is that it really focuses quite a bit on cost recovery, and also the investment in new channels to be able to allow customers to access services with the ease that they want.

So what we are seeing is a seismic shift, not unique to the banking industry, we are seeing it in retail, we are seeing it in transportation, you name it. People want to be able to do transactions at their time, and therefore, we have had to invest over the past four years, collectively, over \$900 million just in technology to improve our services on fraud and all the other things. So that is important and that came out very clearly in the study. The second area dealing with household debt, I will ask Nigel to speak on that.

Mr. Baptiste: I think if you look at it from the banking sector, the level of household debt right now is quite reasonable and still reasonable. In fact, the household debt servicing ratio is not what have prevented some of the younger professionals from being able to access mortgages. The main impediment has been the down payment requirement, finding that initial lump sum whether it was a 5 per cent or a 10 per cent. That has been more an

impediment than the actual debt servicing availability. But, as I said, right now we think it is still reasonable.

Mr. Sturge: I have a question to ask if we can back-pedal a bit on the unsecured, and we want to get into the fees aspect which this is really about. You spoke about credit cards forming the bulk of unsecured loans and they fetch 24 per cent, and that compensates for the risk involved, is that correct? The higher interest rates of 24 per cent would compensate for the risk.

Mr. Baptiste: So the credit card debt would not actually account for the bulk of the unsecured debt that the banks have, but it is a sizeable component.

Mr. Sturge: It is sizeable. But most of these persons who get these unsecured loans are persons who should not be given loans in any event.

Mr. Baptiste: As I said in responding to the earlier question, the debt servicing is still quite reasonable in the households in Trinidad, but just to explain the credit card rate a little bit. The interest rate on the credit card, that is 24 per cent, that is correct—

Mr. Sturge: That is high.

Mr. Baptiste: But it needs to be put in the context really of the actual use of credit for credit cards because I think most of our clients, including yourself I am sure, would know that with credit cards you actually have an interest-free period that if you use your credit card—and in many banks it could be as high as maybe 40 days of free credit. So what we have found really and truly in the clientele is that the bulk of people actually use the free credit, but the free credit for 40 days, when you aggregate that, is really quite substantial across the system. So the interest rate really on what is left back is really meant to cover the risk because it is entirely unsecured, and also to recognize the fact that there is a substantial free element of that credit card utilization.

Mr. Sturge: Okay, but what that tells me is if most of the customers make use of the 40-day period as the example you gave, which would be interest free, then again the risk again is smaller for you. Right? That is first thing. Is that not right? If you are saying the majority take advantage of the 40-day period to not pay the 24 per cent, then again your risk keeps getting smaller.

Ms. Schnoor: The purpose of our credit card is to provide convenience.

Mr. Sturge: We understand all that, but we are dealing with fees and risk and we are trying to ascertain—listen, you are paying less than 1 per cent to persons who put their money in the bank, but you are charging 24 per cent for credit cards. Now, you have given an explanation as to why and it is to absorb risk and so on, but you are saying most of the people who use credit cards take advantage of the 40-day period so that to avoid the 24 per cent, which means there is very little risk for you because they are paying back on time. Correct? That is common sense. Is that yes, or no?

Mrs. Darbasie: Yes. But by inference, there is no return to the bank for the cash that has been lent on the credit card for that 40-day period because it is paid off before interest is required to be paid.

Mr. Sturge: No return, but no risk for you. Very little risk for you.

Mrs. Darbasie: But we have disbursed funds. So when the credit card is used we have lost the use of that fund from an investment perspective with no return because it is used. It is out of the bank.

Mr. Sturge: But it continues to help you remain, as you say, strong and profitable, and therefore, you can only be strong and profitable if your risk portfolio is very small.

Mrs. Darbasie: No, but I do not understand the profit. Once it is paid off within the 40 days, there is no accretion to the profit of the institution because there is no return but the funds have been used.

Mr. Sturge: Yes, we understand all of that. That is not the issue. The issue is, again, it goes to show that there is very little risk from this portion. You make nothing because there is no interest accrued, but there was no risk in any event. The risk is very small because people are paying back.

Madam Chairman: I think, Mr. Sturge, what the bankers are trying to say and perhaps this emphasizes the need for financial literacy throughout the country because if we are having difficulty understanding your terminology, you can imagine your average customer, and I think that you must feel a sense of responsibility to have your customer understand what you are selling to them and what they are buying into. So we take your point that the fact of the matter is when the customer uses the credit card, they essentially use the bank's money. Yes?

Ms. Schnoor: Yes.

Madam Chairman: Now, could we move on a little bit? We had someone do a printout about different kinds of fees that bankers charge, and they did an analysis of the differences in different kinds of fees. Now, perhaps we can look at the issue—perhaps you can explain to us what would determine the setting of those fees and why are there such huge differences. For example, a teller deposit or withdrawal fee for Scotiabank is \$7 and for FCB it is \$1, and for RBC, FCB I beg your pardon—for RBC and FCB there is no cost, how is that determined?

Ms. Schnoor: So again, when you take a fee in isolation without the context of what the fee is related to, meaning is it a part of a wider suite of products, what else is the customer suite that the customer has used with the banks. So, for instance, there are some banks that have transactional accounts which allow clients a certain number of free transactions, teller charges for instance. If they go over that particular number for a month, then the fee may kick in.

Madam Chairman: Now is the customer, therefore, not still paying something then? Is that what you are saying? Because if a customer has three accounts, so we call that or we refer to that as the suite of services—you see that is a big term for me. I thought it was only people

who traded on the New York Stock Exchange would be talking about suite of services and that kind of thing. But essentially what it means is the collection of accounts that you may have. Yes? So if you do not pay for one, the likelihood is that you are paying a general fee for this. Is that what you are saying?

Ms. Schnoor: And it all depends on the bank's strategy and what their particular focus is, and that just reinforces the point that each bank does their own price analysis based on what they feel is the strategy for that bank, and each product and suite of products are different. And as I said in my opening statement, what has really come out of all of these questions is the need for us—and I agree with you—to ensure the information is available to customers so they understand how to best utilize this channel, the bank and its products more efficiently for them. So I cannot speak to what each individual bank strategy is, but I can assure you that each bank provides different services at different costs to customers depending on how they utilize that service.

Madam Chairman: Is it that the strategy is determined by home office?

Ms. Schnoor: When you say home office, you mean what?

Madam Chairman: If the bank is owned, or the majority shareholding is owned by another bank located in another territory, would the policy be determined by that other bank as opposed to the local executive?

Ms. Schnoor: Again, speaking on behalf of BATT, we are not aware of the individual pricing decisions that individual banks make. We can only speak about the industry as an aggregate.

Mr. Coppin: Perhaps we could turn our attention back to the document that was submitted to us. Ms. Schnoor, earlier in your submission you would have been pretty careful to say the fees have not increased annually. However, if we look at actual document you sent, fees have increased almost double from 2007 to 2017. In fact, on page 15, we have the maintenance fee, at least the revenue collected I should say, increased from—I am assuming this is billion dollars. There is no clarification of what this unit is, but it says eight in 2007, and in 2017—this is maintenance fees, personal savings account—the revenues increased to \$15 billion. As it relates to in-branch withdrawal transaction teller fees, in 2007 we have five—I do not know if that is billion TT dollars, million TT dollars—and then in 2017 we have eight—I assume again billion dollars. So it is doubling. In the last 10 years fees collected in maintenance fees have doubled, and in the said document you would have said that banking fees contributed between 7 per cent and 11 per cent of total income earned in the last 10 years. Maybe you could explain to me because I do not have all the information. My terminology may be different between the documents that are available to the public, but in the said jwalarambarran.com, again which you have read, it says:

Service charges now comprise the single largest source of fee income for commercial banks in Trinidad and Tobago. In 2015 banks earned \$835 million in service fees, or about 70% of their total fee income.

It goes on to say:

A decade ago, banks collected \$330 million in service charges which represented just over half of their total fee income.

So it appears to me there is some variance as to what this individual who appears to be the former Central Bank Governor and what is stated in your document. Could you perhaps explain to us the variance that appears to be in these two documents?

Ms. Schnoor: Sure. So let us start with page 15, and the amounts that you are referring to are not income. It is actual charge itself. As the chart indicates, it is the high and the low for the eight commercial banks. And so what is showed for that particular service fee is what the high has moved to and what the low has moved to over the last decade, and the point was it has not moved every year. I think that was the point of the chart because I think that was one of the questions that was posed to the banking association.

In terms of your second question on the information that was provided, as I said I have not seen it but I can categorically tell you it is incorrect. As we have said, the fees that the banks earn are between 7 to 11 per cent. That information is available on the Central Bank's website for all to see, and it can be provided to you and the Committee by the Central Bank. This is all available to them by the information that we all provided the Central Bank in our monthly submissions to them in our regulatory reports.

Madam Chairman: Since we are talking about the Central Bank, I wanted to enquire, what is the bankers association's view, as a body, with respect to Central Bank's exercise, or non-exercise depending on how you see it, of its powers?

Mrs. Darbasie: Sorry, its powers in respect to what? Because the Central Bank has many powers available under the Act.

Madam Chairman: Regulatory obviously.

Mrs. Darbasie: The powers currently with respect to fees and charges, there is nothing in the regulation with respect to fees and charges, but in respect of interest rates the Central Bank does send through its monetary policy changes that are reflected in the interest rate in prime. The mortgage market reference rate is a policy rate that is under guidance or guideline from the Central Bank that they calculate and they release, and the mortgage market reference rate is used by the commercial banking system in pricing mortgages. So the Central Bank does exercise its authority in respect of those areas under the Act.

Madam Chairman: That is interesting because when the Governor was here on a previous occasion he suggested that in effect all that he had been able to effect with respect to your members was moral suasion. He said he used moral suasion. Is it that when he sends out these directives your members are of the view that they may comply or not comply? What is the value as an association of these directives from the Governors?

Mr. Baptiste: I think the moral suasion comment would be specifically in connection with fees and charges on the deposits. So that is where the Central Bank would in fact have regular conversations with the commercial banking system and really ask us to make sure that we continue to look and see the frequency, the levels, et cetera, that we really do not increase

the fees inordinately. That certainly would have contributed over the years that the banks are very, very slow to actually move any of these fees, and even the slides, referred to on page 15, show how it moved really, as you say, two or three times over the last 10 years. When it comes to the other areas, as Karen is referring to insofar as the policy rates are concerned, MMRR, or repo, or prime, that is not moral suasion. Those are ones where the banks do follow and, of course, all of the other regulatory requirements, whether it be the capital requirements, et cetera, that is not moral suasion, the banks do follow.

Madam Chairman: Thank you. I believe member Rambharat has a question.

Mr. Rambharat: Just following on that. I had asked the Central Bank Governor about the regulatory environmental and whether he was satisfied, and we all know that when it comes to services provided to the customer there is no regulation, nobody looking after customers. I read your submission and I noted in it that it, of course, presented your side of the story. There was very little of the customers' side and I worry about the protection afforded to customers. The first question is: Do you believe that the sector is operating in an environment where the client is not sufficiently being protected? That is the first question. The second thing I want to draw your attention to is the results of your customer surveys, and I note that you have reported on various categories in which you have asked customers for feedback, but nothing in there tells me that you have asked your customers for their feedback on your fees, but I will point to something in the results. I see that the lowest score you have gotten is 55 per cent and that deals with the waiting time in the bank, and the second lowest score you have gotten is in the category of taking time to understand your customer needs, and it brings me right back to the rationale for banking fees, and my point earlier on, that you yourself say that banking fees include an element of discouraging people from coming into the bank. And my question to you is: As part of discouraging people to not come in the bank which would minimize your transaction costs and boost your profits; a part of discouraging people from coming into the bank includes not putting sufficient CSRs at the counter so that the lines are long, not having sufficient people to interface with customers and to answer questions, and not providing quality of service that encourages people to walk into the bank because I am very concerned.

I come from a rural community. I myself having adopted almost every part of my life to the technology, I still refuse—and I worked with an international bank as you know—I steadfastly still refuse to do online banking because I particularly enjoy going into the bank. When I am in Rio Claro and Mayaro—because nobody has brought a bank to Biche or Guayaguayare—I see most of the population going into the bank and I feel that part of your disincentivizing or discouraging includes not making banks particularly customer friendly at branches and I wonder, in the absence of regulation, in the absence of a robust system of complaints, in the absence of—and I use the model of the Canadian system of the FCAC where banks are required a strong oversight to deal with customer complaints, and where the balance is struck by the regulation and the regulatory environment between the banks and

the customer that the balance is too heavily weighted in favour of banks and banks operate in a manner which for over time has been against customer welfare. And that is the second and third objective of this enquiry.

Ms. Schnoor: And that really goes to the heart of why we are all here. Without a customer there is no bank, and I think protecting the customer and ensuring that their deposits and they get the advice that they need is the most important thing that we all think about every single day. So I support your comments and support what you have said. The question around whether we are trying to disincentivize people from coming into the bank, that is not the case. What we have seen and this is not something that is only going on here in Trinidad, it is going on around the world.

As you have said, you have worked in banks outside of Trinidad and it is affecting the industry in tremendous ways. Banking is no different than what is happening in retail, et cetera, and what we are seeing is that our customers are coming to us and saying, “Look, we do not want to spend time in traffic. We do not want to have to drive to a branch. We need you to provide us services in the ways that we want it”, and we are having to invest, to cater to that customer segment; a millennial has no interest in going into a branch and we have to also think of that population. But then there are also the existing population of customers, who as you said, enjoy coming into the branch and wanting to interact with their tellers, and we have ensured that there are services available for them.

Do we get it always right? Do we not make mistakes? We are dealing with human beings. The 7,400 people that work in our organization are committed every single day to trying to make sure that we get it right. Can we improve, can we provide better services? That is what we are doing and working on every single day, but I do not want any customer and the public to leave this JSC by thinking we are trying to push anybody out of our banking halls. We are trying to cater to a seismic change that technology is bringing to the banking industry. Your phone will be your credit card, will be your advice option very soon, and that is something that we cannot fall behind in Trinidad and Tobago or we risk the entire future viability of the banking sector here.

Madam Chairman: Thank you, Ms. Schnoor.

Mr. Ramadhar: Thank you very much. Having heard that, the dehumanizing, if I may call it that, it is important really to prepare for the future, and as you say, but we need to deal with the present—have there been layoffs in the banking industry of its employees in the recent past?

Ms. Schnoor: Again, when we did our study over the last 10 years, the staffing complement across the industry has increased and a number of our members are actually expanding their operations, not only here in Trinidad, but as you know branching out to other islands within the region. So I think the great thing about the commercial banking sector in Trinidad is that it is strong, it is growing, and it has continued to employ a significant percentage of people, and what we have seen over the last decade is that that has increased.

Mr. Ramadhar: Sorry, so I did not quite get that clear, Chair. So there have been no layoffs?

Ms Schnoor: Again, we can only speak to the aggregate data that we have which shows over the last decade, the number of employees in the industry has increased from I think a little over 6,500 to now 7,400.

Madam Chairman: So it means to say that some of your members may have laid off and some may not? That is what it boils down to? The Vice-Chairman has a question to clarify a matter that he had raised earlier.

Mr. Coppin: You said on page 15 the maintenance fees, that particular graph, to me it looks as if between 2007 and 2017 the maintenance fees have generally doubled. Is that a fair assessment of this graphic?

Ms. Schnoor: No. What it shows is that the bank, maybe one bank, that is the high. So they are between that bar, between 15 and one dollar represents all eight banks and each bank may fall at different points.

Mr. Coppin: Maybe I should ask a more direct question. What has been the rate of increase in banking fees in the last 10 years of your members?

Ms. Schnoor: Again, as we showed on the page, the increases are largely related to volume, new services that we have provided, new ATMs, new access credit cards. So when you look at it in aggregate, yes, fees have increased but so have—and when I say fees, meaning the revenue or the receipt of fees.

Mr. Coppin: No, I am just asking a simple question. If I were to put these fees into a basket, what is the weighted average of increase in the last 10 years? Do you have that?

10.45 a.m.

Ms. Schnoor: I do not have that, and that is why I said in my opening statement, some fees have not increased over the last 10 years.

Mr. Coppin: That is why I am asking, a weighted average. I am sure you could disaggregate it.

Ms. Schnoor: We do not have that information.

Mr. Coppin: Well, let me ask you a question. You say that fees are determined by increase in operating costs, market conditions and competition, improved efficiencies, customer feedback. Now, that is very important because the customers, at least the public, seem to represent at least, in the last 10 years, 50 per cent of all; that is the common man. Yes? But it appears to me, as a member of the public, that when I go into the bank, in the last 10 years, despite my feedback—you know, and I do give a lot of feedback—there has really been no improvement or decrease in prices. In fact, they seem always to go up.

And you speak here about the reasons why that may be and you speak to increased ATM machines and capital outlay and increase in employment but you speak nothing about improved efficiencies from this capital outlay. Is it that you spend all this money and then you get no efficiency and therefore, you cannot pass it back on to the customers? Perhaps you could explain that to us because—

Ms. Schnoor: But we have passed it on back to the customer. Ten years ago, you could not get on your phone and do a transaction and that is now free. You can transfer money, you can pay your bills, you can transfer money to another bank free. All of those things did not exist before. That is what our capital investment has gone into because that is what our customers are telling us they want. So we have provided new options, new services to our customers that did not exist a decade ago. So I am surprised you have not seen and benefited.

Mr. Coppin: No, but absent of a weighted average, we cannot tell for sure.

Ms. Schnoor: I would happily welcome you into any one of our branches and I will personally show you how to access those benefits.

Madam Chairman: Okay. Actually, we were supposed to have ended at 10.45 because some of our members have a very important meeting at 11 o'clock today. And I am so disappointed because I think we are now getting to the point where you are providing us with tremendous assistance by articulating explanations in a way that the average person can understand about what you do and what they can find when they enter into a bank.

But, before we go, I suspect that people listening will want to hear forex used in one question at least in this session. So will you indulge me and just give me a quick answer to this? What is the formula and criteria used to distribute forex to customers and who dictates how much a customer gets?

Mr. Baptiste: It always had to be the trick question to come at the very end. [Laughter] There is strictly speaking no formula that is used to determine how the forex that is made available to the banking system is distributed. But in terms of who determines it, to a large extent, it is decentralized with the various account managers and the branch managers. I mean, at the global level, we would receive the foreign exchange that is allocated either from the Central Bank or that is purchased from our clients and then we would try to see to what extent we could, in fact, keep everybody somewhat satisfied. You know, the reality that we end up with no one being satisfied because no one gets really the amount that they actually needed but we try to spread it out as much as possible.

There is some consideration that is given on occasion to the size of the long outstanding payables, which is the amounts that are owed, let us say, to foreign suppliers. There is some consideration that is given to the purpose behind the transaction but there is no formula that is actually employed.

Madam Chairman: So there is no prioritization, let us say, for health and education? No?

Mr. Baptiste: Not beyond the consideration that I made reference to.

Madam Chairman: Okay. I think you have given us a lot of information which we will have to digest, analyze and so on and I suspect we may have to prevail upon the association to return on another date when it is mutually convenient. I hope you will not object to that because I think what you have given us today has been a tremendous amount of quality information that the citizens of Trinidad and Tobago can use and benefit from.

So, normally, at this point, we have closing remarks, but again, because of the time constraint and another parliamentary meeting, I have to thank the President of the association and all the very high-powered members and the executive members who came out to assist us with providing information to the citizens of Trinidad and Tobago. I want to thank the media and the persons in the public gallery for attending and the viewing and listening audience. Thank you all very much.

[BATT Officials exit meeting]

10.53 a.m.: Meeting adjourned.

VERBATIM NOTES OF THE FIFTEENTH MEETING OF THE JOINT SELECT COMMITTEE ON FINANCE AND LEGAL AFFAIRS, HELD (IN PUBLIC) IN THE A.N.R. ROBINSON ROOM (EAST), LEVEL 9, OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD PORT OF SPAIN ON MAY 19, 2017 AT 9.35 A.M.

PRESENT

Mr. Michael Coppin	-	Vice-Chairman
Mr. Prakash Ramadhar	-	Member
Mr. Clarence Rambharat	-	Member
Dr. Lovell Francis	-	Member
Mr. Julien Ogilvie		Secretary
Miss Shanice Ramdhan		Assistant Secretary
Miss Sacha Singh		Research Assistant
Miss Simone Yallery		Legal Officer

ABSENT

Mr. Randall Mitchell	Member [Excused]
Miss Marlene Mc Donald	Member [Excused]
Miss Sophia Chote SC	Chairman [Excused]

OFFICIALS OF REPUBLIC BANK LIMITED

Mr. Nigel Baptiste	President
Ms. Jacqueline Quamina	Executive Director and General Counsel

OFFICIALS OF FIRST CITIZENS BANK (TRINIDAD AND TOBAGO) LIMITED

Ms. Karen Darbasie	Group Chief Executive Officer
Mr. Jason Julien	Deputy Chief Executive Officer – Business Generation
Ms. Lindi Ballah-Tull	Head – Legal, Compliance and Governance

[MR. W. MICHAEL COPPIN *in the Chair*]

Mr. Chairman: Good morning all, welcome to the Fifteenth Meeting of the Joint Select Committee on Finance and Legal Affairs, and today we will reconvene our enquiry. This is the third public hearing on the issue of commercial banking fees in Trinidad and Tobago. The first hearing was held on Friday, February 17th, with Central Bank, and the second hearing was held on Friday, May 05, 2017, with the Bankers Association. At this time I would like to welcome representatives of First Citizens Bank and Republic Bank Limited. At this time I would also like to invite guests to introduce themselves.

[Officials of Republic Bank Limited and First Citizens Bank Limited introduce themselves]

Mr. Chairman: I am Michael Coppin, and I am the Vice-Chairman, and today I will be sitting in the Chair due to Sen. Chote, Senior Counsel's absence. At this time I would like to invite Members to reintroduce themselves.

[Members of the Committee introduce themselves]

Mr. Chairman: At this time, it is my duty to remind all concerned of the six objectives of this enquiry, the first being:

1. To determine the rationale for the fee structure observed by commercial banks in Trinidad and Tobago;
2. To determine the feasibility of state involvement in the regulation of commercial banking fees in Trinidad and Tobago;
3. To determine the possible effects of unregulated fees on consumer welfare;
4. To determine the possible instances of anti-competitive behaviours by commercial banks with respect to fees;
5. To ascertain the amount of profits made by commercial banks per year due to the changes in fees over the last 10 years; and finally
6. To ascertain the trends in banking fees charges in Trinidad and Tobago in the last 10 years.

I would like to ask the officials of RBL and FCB to make any brief opening remarks, and, in particular, starting with Mr. Nigel Baptiste, RBL.

Mr. Baptiste: Thank you, Mr. Chair. It is our pleasure once again to be here, right, to, hopefully, finally clarify any remaining outstanding issues that the Committee may have.

Mr. Chairman: And Mrs. Karen Darbasie.

Ms. Darbasie: Good morning, again. As First Citizens, we are happy to be here today. I think that this exercise is very important to promote the public awareness of the fees and charges, and education of the composition of fees and charges. And just to advise, we recognize our role as the majority state-owned financial institution, and as an entity quoted on the stock exchange for our stakeholders, which are the public of Trinidad and Tobago in both instances. So we are here to answer the questions that we can within the confines of the regulations.

Mr. Chairman: Great. At this time, due to member Ramadhar's impending departure, I would ask him to lead off any examination. I would ask that officials direct, and members as well, their questions and concerns through the Chair. I would also ask members and officials to kindly activate their microphones when recognized by the Chair, and to turn it off when you are finished. So, Mr. Ramadhar.

Mr. Ramadhar: Thank you very much, Chair. Good morning, and welcome again. Let us start with Republic to begin with, and the questions would, of course, apply to both Republic and FCB. Could you give us, for the last three years, what your indicated profits would have been, declared profits for the last three years, first of all. And, also, could you tell us, in the last three years, whether you have increased any bank fee whatsoever, and what they are, and then we will take it from there.

Mr. Baptiste: Is the question relating to Republic Bank in Trinidad or Republic Financial Holdings Limited?

Mr. Ramadhar: Well, let us have both.

Mr. Baptiste: Okay. For Republic Financial Holdings Limited the profitability over the last three years—in 2016, the profitability was just under \$1 billion. In 2015, it was \$1.2 billion, and in 2014, it was around the same \$1.2 billion. So that would have been Republic Financial Holdings Limited. The operations in Trinidad and Tobago, which are also reported publicly, would have had profitability in 2016 of \$624 million, but in 2015 and 2014 the numbers would not have been as readily available, because, as you may recall, towards the end of 2015 we did a restructuring of the group, which is what established Republic Financial Holdings Limited and Republic Bank Limited. So you would really only see the separate number for Republic Bank Limited in 2016, which would have been the \$624 million.

Insofar as whether any fees had been increased over the last three years, I really cannot say specifically. I know that the bank would have introduced a number of new products, all of which would have attracted no fees, which would have been our mobile banking and our Internet banking solutions. But the decision with respect to the movement in fees is really a decentralized decision that is really based on a number of factors, most of which we would have communicated previously to the Committee.

Mr. Ramadhar: Well, let me ask the question, do you appreciate the level of animosity in the general public towards banks generally in relation to the fees that have been, whether applied recently or in the past? Are you aware of a high level of animosity in the population?

Mr. Baptiste: I am not aware of a high level of animosity, I know there is some significant concern among the general public, and, certainly, among our own clients, and the bank does annual surveys to try and identify what might be the pain points that our clients have, and we do respond to those pain points. So a pain point, for example, a few years ago, might have been the accessibility to some of the services and the cost of the accessibility. What the bank would do in response to that was to see how we could actually design and implement new products or new solutions that would minimize those costs to the client.

Mr. Ramadhar: Yes, but let us go back to the issue of fees, you are saying, as you are here today, you are not aware that there is animosity, generally, in the public in relation to bank fees?

Mr. Baptiste: I am not aware that there is a high level of animosity.

Mr. Ramadhar: You are aware of what, a moderate level?

Mr. Baptiste: I would say that there is concern, which is the word I used previously.

Mr. Ramadhar: Let us go to animosity, are you aware of any level of animosity towards the banks?

Mr. Baptiste: I would say, no.

Mr. Ramadhar: Thank you very much. Now, having said that then I find it very strange, because I am a Member of Parliament, and many complain to me, and you have seen it in the media, and you, I am sure, through your public relations department would try to get some level of feedback from the population, and it has not come to your attention that there is—and I use the word now, “anger”, towards the bank in relation to bank fees?

Mr. Baptiste: Yes, as I said, I mean, I would say they are very strong words that are being used by yourself, animosity and anger. We are aware that our clients remain concerned over the level of fees. We do everything that we can possibly do to redirect our clients to show them the options that are available with respect to the payment of fees, and we are satisfied that once we are able to communicate and clarify that the clients do understand. So I will have to say, I am not aware that there is anger and animosity, those are words that I would definitely—

Mr. Ramadhar: Of course, you are entitled to not be aware. On the last occasion we spoke about CSR, Corporate Social Responsibility, do you have any sense, from the feedback that you have received, that persons find it difficult to accept the level of fees which are charged and, at the same time, banks posting, and in particular Republic, where we start here, very high levels of profitability? We have no problem with profitability, but you do appreciate that the fees are discretionary, and that to maintain a high level of profitability, or if you wish to lower your level of profitability you can adjust your fees. Do you?

Mr. Baptiste: Well, I mean, obviously, if you want to maintain a certain level of profitability

there are a number of variables that go into that equation. But you started with reference to the Corporate Social Responsibility, Republic Bank, I think, is very renowned in Trinidad for our Corporate Social Responsibility programmes. We expend over \$20 million annually, and that is really just directly from the centralized location, that does not take into account all of the other activities. With respect to the implications for fees versus profitability, I mean, an analysis of the contribution of the fees to the bank's profitability will show that the fees actually account for a very small portion of the total income earned by the bank. I mean, one of the main drivers of our fee structure is really the cost of providing the services, and you would actually see that as we are able to redirect our clients into alternative channels for alternative products, the relationship is that the fee might actually go down but the operating expenses go down a little bit more. So that from a profitability point of view, your profitability might actually improve.

Mr. Ramadhar: All right, great. Now having said what you told us just now, it is a very small percentage of your profitability—

Mr. Baptiste: Small percentage of the income.

Mr. Ramadhar: Of the income. What is that percentage?

Mr. Baptiste: Okay, so in the case of—let us use Republic Bank because we want to talk about the Trinidad operations—in the case of the Trinidad operations we need to make a distinction among the different types of fees. The fee that we are aware that the clients have most concerns over, really, are the fees that are related to the actual account operations or transactions on the account. In the case of Republic Bank in Trinidad, those fees actually account for 7 per cent of the total income, which would be roughly around—so those fees account for maybe about 10 per cent of the bank's profitability.

Mr. Ramadhar: Ten per cent?

Mr. Baptiste: Ten or 11 per cent.

Mr. Ramadhar: Well, we heard seven, we are hearing 10, 11, which one?

Mr. Baptiste: No, we are calling different numbers, I mean 7 per cent of the income, you know, then when you take out the expenses, et cetera, and you come down to the profitability, if you just applied the fee income to the profitability number, it goes up to about 11 per cent.

Mr. Ramadhar: Well, this is a self-evident question, the answer in it, but it is within your remit then to adjust your fees way down having regard to the small percentage that it would affect your profitability?

Mr. Baptiste: It is.

Mr. Ramadhar: Would you consider that?

Mr. Baptiste: No.

Mr. Ramadhar: Why?

Mr. Baptiste: Because, as I said, I mean, there are a number of variables that go into the determination of a fee, and the most important of which really is truly the operating cost

associated with providing the service. So that what Republic Bank does, you know, is that we look at the cost of providing the service and we seek to see whether there is a balance between what we can recover from the cost of that service and what we can offer in terms of alternative channels. If the banks were to remove the fees associated with all of the services, then what you may very well find yourself happening is where the most expensive services and products that are offered by the bank are, in fact, the same—you earn the same revenue as the least expensive products and services offered by the bank. In which case then, from a client perspective, there is no real distinction between which direction, or which option they should utilize.

So that from the bank's perspective you have a situation where it is a suboptimal decision-making on the part of the client. I mean, if Republic Bank is offering mobile banking, using your Internet, using your smartphone, or Internet banking free, and clients can, in fact, do all of their transactions, none cash, through that channel, and you are offering also the physical transaction, which is coming into the branch, which has a much higher cost to the organization, free, then from a client perspective it makes no difference which one we use, but from the organization's perspective, having invested all of the technology and all of the capital into the mobile and Internet banking solutions, you end up in a situation where, you know, as a country, and as an organization you are not moving forward, because from a client perspective it is the same cost.

Mr. Ramadhar: You do appreciate there are different levels, socio-economic clientele that you would have, educational, cultural, and a host of other factors—

Mr. Baptiste: I do appreciate that, but we also appreciate that the—first of all, the mobile—

Mr. Ramadhar: May I finish the question?

Mr. Baptiste: Okay, sorry.

Mr. Ramadhar: And there are those who will find, for instance, e-banking completely alien, and, therefore, unavailable, and, therefore, are in a position where they have no choice, in their circumstances, but to be victimized in their mind by these fees.

Mr. Baptiste: I do appreciate that, that there really would be a victimization in their mind. From the bank's perspective we know that the smartphone penetration in this country is extremely high. The Internet banking penetration in Trinidad and Tobago is also extremely high. What we have found is that the greatest resistance to the use of electronic channels has tended to go in the demographic perspective, but even that has been evolving over the last, I will say, certainly, a year, 18 months. So more and more clients, once they understand, you know, are quite ready to adopt the newer technologies.

Mr. Ramadhar: Yeah. And that proves the point, that, yes, you have success in relation to that, because it is far more convenient for a person who is well entrenched with technology to move across, but we are speaking now about the average 65-year old woman from Rio Claro, as my friend from Rio Claro will reference, who has never even had a smartphone, as one example, and that is the person at the end of the day who really would be faced, from

what you have told us, unavoidably with these fees.

Mr. Baptiste: I would not want to generalize to all the 65-year olds, okay, because—

Mr. Ramadhar: Well, listen, I know you do not wish to generalize, but I live in the real world, and I know exactly who I am speaking about, and every MP who has any interface with the public will tell you there are many like that. Of course, there is no generalization, there are people in their 90s who are very articulate technologically, but I am dealing with real-world examples. So, are you saying that you are unaware of that large number of persons who will not be able to access these services for free?

Mr. Baptiste: So we also deal with real-world situations. I mean, we interact with our clients every day, so I am aware that there are clients who choose—and really, as I said, we have started off demographically and then it has migrated really to just personal preferences that you would prefer not to use the online channel or the Internet banking channel, which I think is a fair option on the part of the individual. But to say that, you know, from a real-world perspective there are so many people who have no choice but to not use the electronic channels, I think that that is too much of a generalization.

Mr. Ramadhar: Really?

Mr. Chairman: Member Lovell Francis.

Dr. Francis: Thank you, Chair. Good morning, Mr. Baptiste.

Mr. Baptiste: Good morning.

Dr. Francis: You responded to Member Ramadhar's question about the nature of the fees by saying that there is decentralized decision, could you clarify what that means? Because I could interpret that to mean that every manager determines what the fee structure should be for an individual bank, which sounds like a recipe for chaos. So could you clear up that, and then I will ask further questions.

Mr. Baptiste: What I meant by that, and thank you for giving me the opportunity to clarify it, because your interpretation would have been incorrect. What I meant by that is that these fees, or these services are generated by various areas in the organization, and in Republic Bank we have a structure, a structure with a number of general managers who are responsible for various lines of business, and these general managers, to a very large extent, would review and recommend, and it would actually be approved, not necessarily having to emanate all the way up to the executive directors for approval. But there is another situation where individual branch managers or individual staff, you know, are able to actually determine that the fee should be X or Y. It is actually done in a structured way, but it is done because of our structure where we have general managers who are responsible for commercial and retail banking, who are responsible for wealth management, they would review, they would analyse their own operations, and they would have their own recommendations that need not, but could be approved by their own line directors.

Dr. Francis: Now this is the slow long hop that you could hit for six, how important is customer satisfaction to Republic Bank?

Mr. Baptiste: Very important.

Dr. Francis: How would you rate that satisfaction now?

Mr. Baptiste: Well, it is not how I rate it, as I mentioned, we do annual surveys, and there are two sets of annual surveys which are done. So we do annual surveys twice a year, and we evaluate the bank based on the average of the two surveys. And the surveys are done out of a scale of one to six, where six being the highest score. For the last two years Republic Bank's evaluation, and this is not done by Republic Bank but by independent survey professionals, has been 5.1.

Dr. Francis: Out of six?

Mr. Baptiste: Out of six.

Dr. Francis: Okay. I would reserve any follow-up question on that for later on. Does Republic Bank think that it has a duty of care to inform customers before any fee changes?

Mr. Baptiste: Yes, we do.

Dr. Francis: And do you elicit responses before you make any changes? Is that the modus operandi?

Mr. Baptiste: Well, the duty of care is to advise the customers of any fee changes, and so we do advise the customers. In some cases, we have to give three months' notice, in some cases, one-month notice, it varies. We do advise the customers.

Dr. Francis: I will stand down for now. Thank you, Sir.

Mr. Ramadhar: Thank you, member. Now, let us return to the issue of the fees, and you said it is 7, 10, 11 per cent of your income—

Mr. Baptiste: Seven per cent of income.

Mr. Ramadhar: What is the percentage of your profitability?

Mr. Baptiste: So it is 7 per cent of income and it is 11 per cent of the profitability.

Mr. Ramadhar: Eleven per cent of the profitability. Now, I am hearing about these surveys, and I understand from what you indicated it is done independently of Republic, but do you know what form and fashion it takes? Is it on the street, or is it by phone call, email, or what?

Mr. Baptiste: So it is actually done in the banking hall as the clients are leaving the bank. So, as I said, twice a year we would have this independent survey provider, and it varies, do the survey in the banking hall. So as the respective clients are leaving they will be asked a question, and it is recorded electronically, and then aggregated, and we get the overall result. We actually get the result by branch, and then it is aggregated and you get the result by bank.

Mr. Ramadhar: But in terms of these surveys, whoever is doing the survey chooses when it is done, correct?

Mr. Baptiste: When the survey is done?

Mr. Ramadhar: Yes.

Mr. Baptiste: We decide when the survey is done, and we decide that the survey is done at two periods. The survey is done in July, and the survey is done in either January or February. We try to have a six-month period in between the surveys. The organization decides when

the survey is done, but the survey is done randomly from the branch perspective. So the branch does not know when, whoever is the particular person doing their survey would come, and the individuals would go to that particular branch on random days. So if we have to get a hundred individuals per branch, you know, unless the survey is being done in July they might go on a Monday, then they would go back on a Wednesday. They go random days.

Mr. Ramadhar: Right, I get you. Do you have available to this Committee, an example sheet of the questions that are posed in a survey?

Mr. Baptiste: No, I would not have walked with that.

Mr. Ramadhar: Well, could you make it available to us?

Mr. Baptiste: Yeah, we could make that available.

Mr. Ramadhar: I am most grateful. Now, because I do have to leave very shortly, let me get this point clear, that the fee structure is discretionary—

Mr. Baptiste: Yes.

Mr. Ramadhar:—and that you have taken a decision that you are not going to interfere with it to keep your profitability at a certain level, is it?

Mr. Baptiste: The decision, as I said, was not necessarily to keep the profitability at a certain level, the decision really is from a cost recovery perspective. The cost of providing the various services, because we make decisions to introduce products and/or services free of charge whenever a new product or service is being introduced, depending on the nature of the product or service. And, as I said, over the last two years the new products and services that we have introduced, which have been the Internet banking and the mobile banking solutions, have all been introduced free of charge, for the most part.

Mr. Ramadhar: Chair, if you would just permit me this. Well, I do know, structurally, the banks, the older ones in particular, in terms of the facilities for washrooms, and so, tell us a little bit about what Republic has been doing to assist, especially the old, or some of the—

Mr. Baptiste: So your point about the older branches is a quite relevant one. I mean, it is very difficult with some of the legacy infrastructure that we have to retrofit those branches. I mean, anyone who has gone into any of the newer buildings that Republic Bank has constructed would see that the newer buildings are being constructed with the public washroom facilities and with the access for the differently-abled. Insofar as the older buildings are concerned, if there is any renovation work being done, such as when we did Diego Martin recently, we would actually retrofit it. If there is no renovation work being done, you know, any client who needs access to public facilities are usually escorted by the bank staff, right, behind the counter into the private areas to actually access the facilities, and we intend to continue that. So as we retrofit or renovate some of the older buildings, or as we construct new buildings we will then make the public washrooms and ensure that we have the ramps for the access for the differently-abled.

Mr. Ramadhar: Thank you very much, Chair.

Mr. Chairman: I just want to ensure that the questions are shared equally amongst the

banks. So, question to FCB, could you perhaps expand, or, in fact, give your input on the question of member Ramadhar, how important is customer satisfaction to you? And, what are some of the efforts you have made over time to ensure that your customers are satisfied?

Ms. Darbasie: Sure. So customer satisfaction is, of course, very important. All of the banks are in the service industry, they compete on the basis of customer satisfaction. And I think the important point is that we try to offer as wide a range of products with differentiated cost structure depending on the product set to suit the different clients. With respect to the question from the Member, I did go back and review, and the last time that we did a review of our fee structure was in January, 2015. We have not done any substantial changes in fees since for the last two years. In May, 2016, we introduced some fees, but those were fees based on new types of accounts, so we saw, at that point in time, requests from customers for different currency accounts. So we saw a request for Canadian accounts and Euro accounts, et cetera, and we brought fees for those accounts in line with fees that already existed for US-dollar accounts. Outside of that there have been so substantial changes in First Citizens fee structures since January, 2015.

10.35 a.m.

Mr. Chairman: Perhaps you could tell us a bit about it, as well as any complaints you may have had as it relates to your facilities. I know the representative of RBL would have spoken about renovations taking place. Could you inform us, has there been any such renovations to FCB's premises and could you tell us about the locations perhaps?

Ms. Darbasie: I think it is the same position as we have across the banking industry. The infrastructure in place in the branches have been there for a fairly extensive period of time. We have not done any new branches in Trinidad and Tobago I think for the last two years. But we are embarking on a process of renovations, actually five branches across the country, including two in Tobago, one that is in Princes Town that is going to get redone on the basis of a fire that we had last year, and we are looking at a new location that we are negotiating currently for Siparia, as well as an upgrade of the Diego Martin West Court branch, and all of the new infrastructure is taking into account providing the facilities which includes facilities for the handicapped as well as trying to provide retrofitted facilities for bathrooms where it is feasible.

Mr. Chairman: So at present, what percentage of your facilities can provide services or facilities for the elderly, for handicapped individuals, bearing in mind that you charge a substantial fee, I think, for teller services?

Ms. Darbasie: What we do for the elderly and the handicapped is when they come into the branches we actually proactively take them out of the lines and put them to sit and try to deal with them. In fact, if they cannot come into the branches we go out—which is not something that we would prefer to do—into the car park and try to deliver the services to them. With respect to how many of the branches right now have the entry facilities for the handicapped, I do not know off the bat.

Mr. Julien: I think generally the statement is that we try to facilitate all the branches, but it would be to different degrees. So the ones where we could have retrofitted ramps that has been done. In some of the older buildings where it is a little bit more “engineeringly” difficult to do, we find ways to assist the handicapped to get the service to be provided. The elderly definitely are taken care of in all our branches, and we try to give them as much comfort as possible.

Mr. Chairman: And you released, for instance, restroom facilities, because someone is coming to a bank and he is charged \$3 for a teller fee, he wants to use the restroom, what does he do? He is paying for a service, he is actually paying for it but I do not think he is that concerned about just simply withdrawing or depositing his money, there are other services that he may need to access. So could you tell us?

Ms. Darbasie: So let us start with, First Citizens does not charge a teller fee and all deposit transactions at our branches are free of charge. With respect to withdrawals, I think there are different fees that are based on different accounts, but certainly in-branch withdrawals, every account that we have allows one free withdrawal in branch per month.

With respect to facilities, as my deputy CEO would have said, we try to deal with the facilities based on the infrastructure that we have available to us. We retrofit where we can. Certainly some of our branches do have the ramps to allow for handicapped members, and we adopt the same approach, I think it is an approach across the banking sector. Anyone who needs to use washroom facilities, they would be escorted to the washroom facilities that are available to staff so that they can use those, and we make extra efforts with respect to retirees and the elderly, to pull them out of lines and to treat with them separately.

Mr. Chairman: Perhaps my colleague from Republic Bank could weigh in on that question.

Mr. Baptiste: It will be exactly the same situation at Republic Bank. We try to treat certain category of clients with the kind of empathy that we know is necessary. As Karen indicated, the elderly and the differently abled would fall squarely in that category, as well as maybe individuals with young children, babies, mothers with children in arms. So they would always be treated differently.

Mr. Chairman: So is it fair to say that there is access to toilet facilities for the elderly or handicapped persons?

Mr. Baptiste: That is what I mentioned. In the cases where the buildings do not have the public washroom facilities we would actually escort them behind the counter to access the facilities.

Mr. Ramadhar: Thank you very much. I must take your leave very shortly, and for full disclosure I will pose the questions first to Republic, but they equally apply to FCB. The reason I do that is in fact I appeared in an ad for FCB sometime ago, so there should be no indication of any favouritism. But, Chair, thank you very much for that opportunity.

Dr. Francis: Ms. Darbasie, it is only fair that we ask you the same question that we asked Republic Bank, which is: how do you rate your customer satisfaction and what methodology

do you use to determine that?

Ms. Darbasie: We also have an independent provider that does independent surveys for us, and the reports are above satisfactory. We of course aim for excellence. I do not have with me the specifics of the questions, but it is done on a random basis to a variety of customers that span a scale of retail, commercial and corporate customers.

Dr. Francis: Is it a similar in-bank kind of thing or is there something more scientific that is used?

Ms. Darbasie: It is a combination, so it is surveys that go out as well as interviews of customers that walk into the branch. I think we are also embarking on mystery shopper type experiences across the banking products, so that we get literally persons who come in and experience it for themselves and can give specific feedback to us so that we can improve the quality of service that we offer.

Dr. Francis: Do you think that the feedback you are getting is accurately representative of the real feeling of the public?

Ms. Darbasie: We can only assume that the feedback we are getting is accurate because it is across a wide cross section of the public. It is a man-in-the-street, as I said, it crosses the retail, the commercial, the corporate customer base. So, yes, I do think the feedback is representative. It is done on a random basis. It is done as far as we can on a statistical basis so that it pulls a sufficient sample of the customers, and it is done on a regular basis as well.

Dr. Francis: It is ongoing or is it periodic?

Ms. Darbasie: I think it is done on an annual basis.

Dr. Francis: Okay, thank you.

Ms. Darbasie: It is not ongoing or periodic to say that it is staggered. It is on an annual basis.

Dr. Francis: At the end of every financial year?

Mr. Julien: Just to give a little bit more colour. So we have, if you want to look at it, two different layers of how we try to get the climate of the customer. There is the detailed annual survey which does not necessarily happen at the end of the financial year, but during the financial year. And then also we have what we call our pulse of the customer, where there is a mechanism we have in branch to receive feedback from customers, and that feedback comes in different ways, both in terms of the quality of the service they receive at the time and also suggestions for improvement on the service. So that pulse is taken every week and is collated and we try to learn from it as we go along throughout the financial period.

Ms. Darbasie: I should have mentioned that, because the results of the in-branch suggestion box and survey are tabled to the senior management team of the organization on a monthly basis as well.

Dr. Francis: This question goes to both Republic Bank and First Citizens, individually of course, because BATT has made it clear that you all operate as discrete entities and we understand that. Is there a move—I do not want to say discontinue, to move away from teller services? I will give you the context. I am asking that because I have gotten a sense—because

you pass the typical bank now and you see people lining up, these very, very long lines all throughout the day, and you are asking how is it that these lines are so long, and you get the sense that the number of tellers available at any given time is somehow reduced. Is there a philosophy which says that we need to push more people into using online and e-services and have less people using that face to face telling service?

Ms. Darbasie: Let me start with that one. There is not a move to push people into online services. There is a move to introduce different channels that are appropriate to different people. I think we recognized that in our society we have a broad demographic that spans geography as well as age, and we are trying to provide differentiated services for differentiated clients.

There is not a move on behalf of First Citizens to reduce teller services. We have not reduced the number of teller wickets that we have in our branches. I think the issue, member, is it is very difficult for any service organization to put staffing in place for peak periods 100 per cent of the time, and that becomes the difficulty. So I would say that the experience that we have had is that at certain times of the month the lines are longer, and they are longer in certain branches, and we do try to provide more facilities or more teller facilities or more customer service facilities. We actually have a roving customer service representative who goes into the lines and pulls out people and asks, "Is there something we can help you with? Perhaps you can do this transaction through the ATM." The ATM is literally in the branch, rather than line up to do the withdrawal.

So we try to be proactive, but there is not a move on behalf of First Citizens to reduce the number of tellers that we have in branches. We, of course, encourage our customers as far as they can to use the different channels, because to be honest there are some people, I think it was the previous member who indicated, who because of their particular disposition would want to use the branch services, and there are others who are very happy to use the online services. It is our job to really provide the full range, and we think over time things will move into an online electronic mobile device type mode, but we are not in a position where we are pushing people outside the branches.

What we do experience difficulty with, as I think any service organization does, is that it is literally impossible to provide the staff all throughout the month for the peak periods. So we try to supplement it by providing the roving agents and pulling people out the lines, and literally trying to ask them, "Is there something we can help you with? Can you use an alternative?" Especially for the aged and the differently abled.

Dr. Francis: Mr. Baptiste, your take on it.

Mr. Baptiste: The challenge that we continuously pose to ourselves is: How do we improve the convenience and the accessibility of our services to our clients? So if there is a move afoot, it is really a move to see how we can improve that. Online and mobile banking are not ends in themselves, they are means to an end. They are means that are meant to give our clients 24/7 access to the services. Like online and mobile banking are means to an end,

there are other means to an end. So that over the 100-odd years that we have been involved in banking or however many years that any bank has been involved, what we have come to understand is that there are different needs that clients have when it comes to banking services.

In the case of teller services, the challenge really from a client perspective is the access to their cash. But the clients are not accessing cash for the sake of accessing cash, they are really accessing cash as a means to another end. And so all of the banks, Republic Bank included, we have really invested heavily in the technology and the reliability so the clients, rather than accessing the cash, can use alternative channels.

I am sure the members would be aware, or members if they are old enough, would be aware of the days prior to the investment by the banking system in the creation of a LINX network, where clients could actually go to any ABM of any bank and use their piece of plastic to withdraw cash, or they could go to any merchant without having to wonder who the merchant was actually banking with, and use the same piece of plastic. The banks have really sought to see how we could improve the accessibility and the convenience. So we are not moving clients away from the tellers, but we see that there are so many alternative channels and alternative options that will improve convenience.

Karen made reference to the difficulty with staffing for peak. That difficult is really compounded, not just by the time of the month but the time of the day, because most of the peak tends to occur during the same lunch hours that our clients want to be able to access their cash. But those also coincide with the lunch hours that our staff have to avail of, so there is always that extra difficulty. So our move is to say how can we reduce, as I said, the inconvenience, how could we improve the accessibility, and that is what we have been doing.

Dr. Francis: Just to provide the counter narrative, Mr. Baptiste, would you still acknowledge that for thousands of people in this country banking is still a relationship? I do not see it that way, to me it is just a money transaction. But there are many people, and I am not talking just people who are not technologically savvy, some people who are very savvy, but for whom banking is a relationship, and going to the bank and talking to the teller, and knowing the teller's name and going to the same teller is part of their modus operandi.

Mr. Baptiste: Agreed. I would acknowledge that.

Mr. Chairman: Question to FCB, Ms. Darbasie. You would have stated earlier that there is no teller fee in First Citizens Bank. However, I am looking at your website and I see here that there is one free branch withdrawal and thereafter there is an additional withdrawal fee of \$5. Effectively, some would say that is a teller fee. Would you agree?

Ms. Darbasie: Let me clarify to say that we have no fee for deposits on any of our accounts, and one free in branch withdrawal and a fee for subsequent in-branch withdrawals, but withdrawals can also be done at the ATMs which are conveniently located in each and every branch at a substantially reduced cost. So there are alternative channels as we continue to provide different mechanisms for clients to access the branches.

Mr. Chairman: Would you say \$5 is a reasonable fee, whether it be first or second, for anyone to withdraw?

Ms. Darbasie: It is \$5 if you withdraw at the teller, and if you go to the ATM that would probably be literally 25feet away from the teller, it is 85 cents. So again it is differentiated based on the cost of providing the service.

Mr. Baptiste: I would agree with Karen. I think it varies by product. In Republic Bank's case, like First Citizens, we have a number of different products with different structures, that give you different amounts of free transactions and that is one of the reasons why most of the banks have also invested heavily in trying to see how we could guide our clients into their selection of accounts. So as to whether \$5 or \$3 or \$8 is an appropriate fee depends on the particular institution cost structure and the alternatives that they have made available.

Mr. Chairman: So is \$3 a reasonable fee based on your cost structure for the withdrawal of money, someone's own money from your bank?

Mr. Baptiste: I will tell you if it was Republic Bank I would probably say yes, because the cost structure associated with the transactions are quite high, much higher than \$3.

Mr. Chairman: So what is the average time—in an average hour, how many persons withdraw, would you say, or use teller services, such that the teller fee is charged? Could you indicate per teller how many transactions?

Mr. Baptiste: I would not have that information off the top of my head.

Mr. Chairman: That might be pretty costly or pretty profitable I would say.

Dr. Francis: Mr. Baptiste, of course it is your view that that is justified. We could argue with that but it will not affect your perception of it. But how then do you justify that when the given customer gets 1,000th of a per cent of interest on their money? It seems imbalanced.

Mr. Baptiste: So it is a separate issue that we are talking about when we come to the actual interest rate that is paid on deposits. So if you want to talk a little bit about the interest rate that is paid on deposits, we need to understand the context within which that operates. The context within which interest rates are determined for various deposits—first of all, across the banks we compete heavily for deposits, depending on our respective liquidity situations. The overall interest rate structure for the banking system depends on the overall liquidity situation in Trinidad and Tobago.

So right now you are probably correct, the interest rate on some deposit products could be as down to probably, zero, 0.25 per cent. There are other products that might offer you 1 per cent or 1.25, and there are alternative products offered through various other mediums that give you different rates. But if you look back five, six, seven years, you would see a different cost structure for deposits, and if you ask what has happened during that intervening period of time, it really is a question of liquidity. The liquidity in the financial system in Trinidad and Tobago has been such that when you look at what the options available to the banks in terms of use of the funds, it really did not support maintaining deposit rates for the kind of levels that they were five, six, seven years ago. So there is a

different decision-making process when it comes to the interest rate that is paid on deposits.

Dr. Francis: Academically I understand that; intellectually I understand, but as a customer to me it is not two separate issues, it is one issue. It seems remarkably unfair that when I opened an account I was assured of X and then I am getting a very, very small fraction of X, and I check your quarterly, when you announce your profits. So my two cents is not going anywhere. But your two cents seem to be ever expanding, and as a customer it does not seem to be any kind of parity. So they are intellectually two separate issues, but to me as customer there is one issue.

Mr. Baptiste: Which is why our biggest challenge really is an education challenge on our part. We have not done enough, and I think we have recognized that. We are talking at Republic Bank's level here. We have not done enough to inform the clients of why that occurs.

Dr. Francis: I know why it is, but it does not prevent me from still feeling that this is remarkably and tremendously unfair. I still feel that way, even though I understand the circumstances that led to it. So what about the hundreds of thousands of people who might not understand?

Mr. Baptiste: Our objective is try and ensure that our customers understand why that might be the case. Insofar as the individual feelings are concerned, I do agree with you. I mean, various people will have different feelings. I know for my own part I have my own little challenges with certain things that happen, even though I understand why a particular business might be doing what they are doing. So it is very difficult sometimes to deal with the feelings. Our challenge is to try and make sure that we are as clear as possible, and that we ensure as many of our customers understand. The feelings aspect we will have to manage later.

Dr. Francis: I cannot believe I am going to say this, but I will say it: feelings are important, Sir. Yours is a customer-based service.

Mr. Julien: I agree.

Dr. Francis: How your customers feel about your bank and about your practices is tremendously important to your continued success. So while you cannot quantify it, it is still very important, which is why I started by asking about satisfaction, it is tremendously important. It is not something that should be dealt with in any kind of a blasé manner.

Ms. Darbasie: Maybe I can step in here and speak, because I think the feelings feed into the level of customer satisfaction because that is inherent to who we are as people. I think there is a lot that individual banks and the Association has recognized, that we can do more to educate customers. Certainly when you look—again, we have spoken about alternative channels for people to access services, but I think we can do more and we have started.

I do not know if you saw the ads that we have put in the newspaper where each bank is having a customer information day, where customers can come in and enquire of the fees on their accounts, and potentially discuss which accounts may be more suitable for them,

because there are accounts in the institutions where if you maintain a certain level of minimum balance, your rate on your deposit is differentiated, recognizing that balance that you maintain. I think there is a lot more that we need to do to educate people on those fronts, so that people can ensure that they get the best value for their money.

Certainly when clients come into First Citizens we offer a range of services because we have subsidiaries within the group that offer differentiated services. So we do offer alternatives to invest in First Citizens Asset Management, in a money market fund where you have a different level of return, relative to a deposit but there is a different level of savings required. We have as well different account structures where depending on the minimum level of savings you leave in the account—and our minimum level starts as low as \$500—you have differentiated rates of return on the account. So I think we have recognized that a lot of the feeling is based on us providing more information so that customers can make informed decisions.

Mr. Chairman: I just want to turn the conversation back a bit to the issue of fees in particular. It was posited here earlier that the teller generally charges about \$5, and I know that is about \$3 in the case of Republic Bank and I think \$5 per extra withdrawal after the first three in terms of FCB.

It was also stated that for the ABM machines the charge there is about 75 cents, that is if you use your own ABM, or ABM facility to which your card is issued. However, if you use an ABM machine that is from a different bank, the charge is \$4. Could you all explain to the listening public the reason for that large cost or charge differential?

Mr. Baptiste: The reason for the differential—and I will try to explain it going back to the example I gave earlier, when I said that maybe some members would recall when prior to having a network, what we call the LINX network, which facilitated banks to use any other bank's ABM or any other bank's clients point of sale machine, it was always a one on one relationship between you and your bank. So you could have used your debit card, let us say, in your bank's machine and life moved on that way.

When the LINX network was implemented and this infrastructure was put in behind it, there then became three players to every transactions. There became the bank who would have issued the particular card. There is the network through which the exchange is facilitated, and then there is the other bank which would be the other bank who owned the ABM or the other bank who owned the point of sale client.

So if you look at the fee associated with use of another bank's ABM, there are portions to that fee. There is one that deals with your bank, there is one that deals with the other bank and there is one that deals with what we call the "switch", which is the LINX network in between. So that is the reason why you would find that differential.

Mr. Chairman: In my own research—because I have done a bit or research on this particular point—I lived in the United Kingdom for some time, and in the United Kingdom 98 per cent of all ATM machines give you free cash withdrawals. That is not so in Trinidad and Tobago.

In fact, in 1994, if I am not mistaken, the LINX or the service began offering in Trinidad and Tobago. Incidentally, the English equivalent is something called “link”, so it is LINX and link. However in Trinidad and Tobago we do not have free cash withdrawals. In fact there is little or no apparent interconnectivity based on the fees which you are charging, whereas in England there is almost free cash withdrawals.

You said earlier in a previous hearing that there is no collusion, or almost competition, but there is a large degree of competition between banks. There is a joint venture organization by the name of InfoLink Services Limited which is effectively, as I understand, an institution that is made up of banks. I think the four major banks are the major shareholders, and there are some licensees who are the most recent banks to this jurisdiction. However, there does not seem to be any involvement or shareholding or participation of, for instance, credit unions. In the United Kingdom there are building societies.

So I want to find out about this institution called “InfoLink Services Limited”. It is not regulated. In the United Kingdom such things could not happen. In fact, it is regulated by, I think, the Banking Act, section 184, 2009, but in this country there is no regulation. Could you explain to us about the mechanisms, and why this institution which appears to be operating in the financial services industry is not regulated, and if that you believe has some impact in the fees that ABM machines have been able to charge in this country since 1994?

11.05 a.m.

Mr. Baptiste: That is, unfortunately, a very difficult question to respond to because the entity to which you refer is a private entity. Okay? So it is information that is not publicly available and—

Mr. Chairman: But it is made up of the banks. Yes?

Mr. Baptiste: So the four banks, right, who actually in 1994 who probably may be the only banks that existed, I am not sure, but the four banks were the ones who actually established this institution, and the initial investment with these four banks and that is why the ownership, okay, of the four banks that you are referring to. But it is a private company and so I am really not at liberty to disclose this private information.

With respect to the regulatory environment for InfoLink, I do really believe that is probably a better question for the regulator. What I am aware of because I was around when InfoLink was being established, is that it was a result of very, very collaborative effort which did include the regulator at the time. In fact, the regulator was very keen that such an institution be established because it was seen as a mechanism that would actually move Trinidad and Tobago’s payment system forward.

Mr. Chairman: But is it a fact that this institution, its major shareholders are the four major banks in Trinidad and Tobago?

Mr. Baptiste: That is a fact.

Mr. Chairman: And is it a fact that credit unions, because it was posited at the last hearing

that somehow credit unions were substitutes for banks in Trinidad and Tobago which they are, I do not believe that they are. Are credit unions members and are they allowed free access into this InfoLink Services Limited?

Mr. Baptiste: It would not be free access; I believe, there might be one or two credit unions that actually through the licensee mechanism that you made reference to that would actually be licensees and so they would be issuers of cards that can then be used through the LINX network, but it would not be all credit unions.

Mr. Chairman: And do you think that this institution should be regulated in the same way that it is regulated in the United Kingdom?

Mr. Baptiste: No. Well if you are asking my opinion on it, my opinion on it would no—that the existing arrangement currently works very efficiently for Trinidad and Tobago.

Mr. Chairman: Even though the cost to the consumer—you see, the concern I have is that this debate, there is a large debate, as someone in the banking sector you would be familiar that there have been several reforms and several proposed reforms; in fact, in January this year there was a big furore between banks in the LINX system, the LINX system in the United Kingdom where proposals were made for the adjustment in the way these banks operate this system. And in fact, the burden of the cost of the system is actually borne by the banks in the United Kingdom so there is no actual cost to the consumer.

The problem with having such high charges in ABM machines is that there is no differentiation for whether or not the ABM machine is located in a low-income territory, for instance, the Beetham or whether or not it is in a high-income area, for instance, in Westmoorings. So the banks, you say that they are concerned with the poor man in the street, the man of the low-income bracket, but really and truly ABM machines there is no differentiation that takes into account persons' circumstances. So is that really benefiting consumers? Is that not a problem for consumer welfare in Trinidad and Tobago?

Mr. Baptiste: Well, I think it would be a problem for consumer welfare if we ignore the fact that notwithstanding the existence of the LINX network, okay, and the ability of any individual bank's customer to therefore use another bank's ABM, if we ignore the fact that each bank has nevertheless been expanding their own ABM network. So that while Republic Bank could say okay fine, well you know I have 80 ABMs and my clients could go and use the ABM of any other bank and pay \$4, you know, and so be it, that has not been the situation for Republic Bank.

Republic Bank every year expands the number of physical ABM presences that we have and part of our reason for doing that is so that, in fact, our clients—and I will go back to the point about accessibility and convenience—our clients, in fact, I mean we have over 120-something ABMs. Okay? Part of the reason for doing that is so that our clients actually do not have to use another bank's ABM unless there is some absolute emergency that cannot be covered for one reason or the other. I think every bank has been expanding their ABM network.

Mr. Chairman: And would you be willing to provide to this Committee how much interbank interconnected services that are accessed by members of your bank?

Mr. Baptiste: I mean, as I said, I think when we had the private hearing, okay, I really would be willing to provide any information that is already in the public domain because Republic Bank is still a listed entity. I think we do have to have confidentiality considerations, but if it is something that is already in the public domain, I will have no objection whatsoever to providing it.

Mr. Chairman: Okay. Member Rambharat and then member Francis.

Mr. Rambharat: Thank you very much. I will just focus on three categories, the first is credit card. Now, on the last occasion we spoke to the Bankers Association. I just want to make sure that you are familiar with the submission of the Bankers Association. And on the last occasion there was some discussion on credit cards and the point was made that the credit cards are unsecured, an unsecured form of lending. Now, I want to ask you about the delinquency levels with respect to credit cards, whether the charges for the use of credit cards fully cover the delinquency? And third, are these banking fees, outside of the credit card charges, are these banking fees in any way being used to offset rising delinquency on credit card payments?

Ms. Darbasie: All right. So maybe let me start. The credit card charges have not been increased in the bank, they are there and the earnings are based on volumes of transactions. And I think one thing that did not come across when we met as the Bankers Association, credit cards are unsecured debt on the banks' balance sheets. It is unsecured debt for the consumer, but credit cards also provide a fairly long interest-free period when you access the credit card.

And I think Nigel actually did a very good job of explaining this at a chamber meeting that we attended this week. If you have a credit card and let us assume, for example, the statement is run on the 15th of the month and the payment date, let us say, the 2nd of the next month. So let us assume we use May and the payment, the card statement is run on the 15th of May and your payment is due on the 2nd of June, then credit card transactions that you do from the 16th of May will not get caught on your statement until the 15th of June and will not then be due for payment until the 2nd of July. So that period from the 16th May to the 2nd of July is actually free credit that the banks are using to provide to credit card customers.

So I think that is something as well that is not very well known in the market. Is credit card delinquency increasing? Of course, we are seeing increases in people extending payment terms, I think that is something that is across the society. Have we increased credit card charges? No. We have not.

Mr. Rambharat: Could I? The specific question is on the third part is whether the fees, these—this enquiry is about commercial banking fees, whether the fees go into a pool and part of that is being used, the credit cards have introduced a different level of risk, they are unsecured. I do not think I need a survey to say that a significant proportion of your credit

card customers go beyond the interest-free period and enter into a period where the debt continuously rolls over. I could be corrected, but that is my understanding of the way this society operates with credit cards. Is it that the rising delinquency has brought an increased risk to the banking sector in relation to its ability to recover?—since this unsecured debt, and that rising risk is being offset by the pool that is created by increased banking fees across the board?

Mr. Baptiste: Okay. So there is no correlation whatsoever between the fees on credit cards and rising delinquency. I mean, there are essentially two fees associated with credit cards. One is—

Mr. Rambharat: Let me just say, which right away I can tell you, generates my concern. If there is no correlation between the fees on credit cards and rising delinquency, it means that the cost of credit cards does not take into account the risk. Because if I am offering a credit card service and I see rising delinquency, then I would offset that risk on the fees side. But if you are saying that there is no correlation, it means that there is something else providing the opportunity to offset the risk. And I am asking whether it is the pool of fees generated on all services?

Mr. Baptiste: Okay. So, if I get a chance to complete, I will try to clarify. So there is no correlation between the fees that are paid, earned, charged on credit cards, right, and the rising delinquency. And I was going on to say that there are two fees associated with credit cards. There is the annual membership fee and without fear of contradiction, I do not think that has changed in, at least, from the Republic Bank perspective, it would not be a fee that was changed in the last three years. It has been there for 10 years maybe.

And then there are the fees that are associated with use of the card which are merchant commission fees, and these are fees that are shared really and truly, and I do not want it to be too complicated, but these are fees that are shared between the bank who might have issued the card, the bank who might be the banker for the merchant, and in the case of the credit cards, the Visa and/or MasterCard networks which are the equivalent for credit cards to the LINX network. So that is what determines the fees structure. And in the case of the fees for credit cards—so the membership fees have not changed, but the merchant commission fees have actually lowered over the last, certainly in the last five years the merchant commission fees have lowered.

To go to your question about the rising delinquency, I think the correlation, if there is any, is between the delinquency, the risk associated with the fact that they are unsecured which is what resulted in the delinquency, and the interest rate on the credit cards.

And the fourth variable in that correlation is what Karen just explained in terms of the interest-free period with the cards. So when you talk about what takes into consideration the fact that there is this rising delinquency on the credit cards, which I would say quite frankly, in the case not necessarily of all banks, is we have not quite seen the extent of the rise that you might anticipate with the economic circumstance, but what is meant to take

that into consideration is the actual interest rates on the credit cards. So the interest rate takes into account the delinquency, the risk associated with the fact that it is unsecured, the interest-free period.

Mr. Rambharat: The second area I want to look at is, I am going to the submissions by the Bankers Association. I found the suggestions to be very interesting and should be taken into account in our report. But I want you to talk—there is one I am familiar with which is the need to proclaim the remaining sections of the Electronic Transactions Act; I want you to talk about that.

But the one that I am not too familiar with is this issue of agency banking legislation, and it has been put forward as a means of dealing with the rural communities. I just want you to, on behalf of your respective banks, your views on what the proclamation of the remaining sections of the Electronic Transitions Act would do to the customer experience—and I know here you are talking about online in particular, but I do not know the impact it would have on persons who do not bank online. And then the second one is on the issue of the agency banking legislation.

Mr. Baptiste: The proclamation of the remaining sections of the Electronic Transactions Act, okay, really is not so much to do with the online banking although it is meant to facilitate one aspect. Okay? It is really more to do with the processing of cheques. You know, cheques and the processing of cheques has been a major source of concern for our clients particularly the duration of time it takes to clear a cheque—basically I hope that is not too confusing.

So, the idea really and truly is with the suggestion and it is included in the Act, right, would facilitate, okay, the electronic clearing of these cheques. So that we would find ourselves in a situation where the banks are now able to electronically exchange the items, clients will be able—and this is where the online banking or the mobile banking might come in, clients will be able to take images of their cheque and remotely send these to their banks who will then be able to process these images electronically. As it is right now we have to process all of that manually. So everyday somebody from Karen's office, somebody from my office will go down to the Central Bank and meet up with the other six banks and exchange the items physically. So that is the main driver behind wanting to have those remaining sections enacted or passed. With respect to the—

Mr. Rambharat: Before you move on to agency legislation, just to complete that point. What was the resistance? Or what was, in your mind, what was the reason it was not fully proclaimed?

Mr. Baptiste: I do not know.

Ms. Darbasie: I think anybody in the banks are aware as to the reason why only part of the Act was proclaimed. But just to emphasize the point on the clearing, allowing a customer when they present a cheque or deposit a cheque in their account, this is really going to facilitate them seeing their money and being able to use their money much more quickly, because literally depending on the time of the day you deposit the cheque, it does not actually

go through the clearing process until the following day and that is how the time actually builds up into the two to four days that is in the system right now. So it will give people better access and more ready access to their own funds, and that is what the Bankers Association has been pushing for.

In addition, of course to allowing us to present new products which, I think, a lot of clients are saying, "I see this thing on television where you can take a picture of your cheque and you get it deposited". We cannot do that because in our environment images are not considered a legal offer for us to consider for clearing.

Mr. Chairman: All right. Could I turn the question slightly back? [*Crosstalk*]

Mr. Baptiste: Okay. The idea behind the agency banking legislation was actually to make it easier and more cost effective for banks to establish operations in some of the remote locations because, at least in jurisdictions where we are familiar there is agency banking legislation, all of the infrastructure and all of the regulatory requirements which drive cost associated with the opening of a branch of a bank are absent. So that it is possible for argument's sake, and actually if we go back many years there was a kind of agency banking in Trinidad many years ago when, you know, someone—and it happened, quite frankly, in Tobago where you could have actually had a large retailer or a merchant where he was acting as an agent of a commercial bank.

And so therefore, this person under the auspices of the commercial bank, you know, would have all the different infrastructure in place, but we would not, at the commercial banks would have to establish an actual branch, put in a physical vault, do all the various things that actually come with a full bank because what you did was you appointed an agent in a community. Of course, we will have the different guidelines as to who could be an agent and what have you, but the idea was that, to actually reduce the cost of providing some kind of physical presence in some of the remote locations.

Mr. Rambharat: Yeah. I was asking that on behalf of—

Dr. Francis: I was going to ask the same question.

Mr. Rambharat:—Moruga and Guayaguayare and Toco.

Dr. Francis: There is not a bank or an ATM in my entire constituency. It is one of the second or third largest in the country. There is no banking presence at all, not even an ATM. So I was happy that you asked the question.

Mr. Chairman: I just want to return the discussion back to the actual question of level of fees per services. I have here from First Citizens Bank's website the schedule of services and fees. For instance, closing an account within three months attracts a cost of \$30; a statement of account other than a regular cycle costs \$25; an uncollected cheque book, a one-time flat fee if not collected after two months in order to destroy, a small charge is cost—the person is charged \$47, for a large it is \$95, and that is for sundry charges; on current accounts uncollected cheque book to be destroyed costs \$50 and \$100 for large cheque books; stop payments cost \$50 per item; and another one that struck me is that an ATM card

maintenance fee of \$10 is charged.

These charges seem quite out of the ordinary; in fact, they do not seem—I am not aware the bank’s cost structure, but it appears a bit remarkable that, you know, to destroy a cheque book would cost so much and that there would be such charges for closing an account within in three months of opening; surely the marginal cost on that is almost zero, a teller probably could do it. Could you perhaps explain to us some of these apparently super-normal charges that banks, that FCB is charging to its customers?

Ms. Darbasie: Well, I think you have to split it with different categories because there were many different things that you covered there. Let us start with closing an account within three months. The issue is not the closing of the account, it is the fact that the due diligence and the work to open the account, as you would know, is fairly extensive. And really what we are trying to prevent is people opening an account and not using it and then closing it prematurely. The bank invests a lot of time and effort in due diligence for opening accounts, and once the account is opened, we have an annual requirement as part of know your customer to maintain up-to-date documentation and to store those documents. So the charge is meant to be a recovery cost of the opening of the account charge as opposed to a cost to close the account.

With respect to the destruction of cheques, if you order cheques and we hold them in the bank we have a physical storage cost for—you could imagine what it is to store 500 cheque books in a limited space in a branch. There is a cost to all of these services, hold mail, et cetera, have a storage cost associated with it in a branch facility, and it is tracking it and keeping account to whose facilities are there. So it is meant to be, as all of the charges are, recovery costs for services that we have provided.

Mr. Chairman: And the statement of account, you said it is charged \$25.

Ms. Darbasie: Statement of accounts are available online free of charge that you can print and download yourself. I mean, First Citizens made a conscious decision as part of our promotion of trying to be environmentally friendly to make all statements available online. We still make them available if you do need a physical statement printed and the charge for that is \$25. But certainly every customer has access to go online, access their statement and print it free of charge.

Mr. Chairman: If “tantie” who is 50 years old who does not go online, has never been online, she has to incur this cost of \$25 every time she wants to check if her pension statement, if her pension has gone to her account?

Ms. Darbasie: And it is interesting that you bring the retirees into account. We actually do update accounts, the physical statement books for all of our retirees once they come to the counter, as part of the service that we offer. So than when you come to the counter to do a transaction, for retirees, we update their books at the counter which negates the need for a physical statement because all of your transactions are updated and that is free of charge.

Mr. Chairman: But surely the cost of printing something that is already available

electronically is not \$25. Yes? It cannot be.

Ms. Darbasie: Physically, there is a cost of maintaining it, there is paper cost, there is mailing-out cost, there are all sorts of costs that are associated. We are trying to provide options for people to access their own information themselves. And as I said, we have made a specific effort with retirees and we update every retiree's passbook as they come to do a transaction at the counter.

Mr. Chairman: Okay. Well, tell me about the ATM maintenance fee of \$10. Tell me about that.

Ms. Darbasie: That one, I am actually not familiar with, so I would have to go back and check—an ATM maintenance fee?

Mr. Chairman: Yes. It says ATM card maintenance fee of \$10. Okay.

Ms. Darbasie: Tell me which account you are looking at?

Mr. Chairman: Yes. It just says ATM services. I got it online at fees and charges in First Citizens Bank, that tab. In any event I will—

Ms. Darbasie: Our ATM fee is 85 cents for withdrawal. I am not aware there is an ATM maintenance charge that is applied to a customer, but I will check it and see.

Mr. Chairman: Great. And what about the deposit of an empty envelope that costs \$30? Why is that \$30 there?

Ms. Darbasie: Sorry.

Mr. Chairman: If you deposit an empty envelope at an ATM, why does that cost you \$30 now? Why is there a fee of \$30 charged?

Ms. Darbasie: Why would you deposit an empty envelope and have our customer service representatives collecting the envelopes, opening it, trying to reconcile if the slip was not in the envelope and got loose and have to reconcile and do an audit back to it. There is a cost. If we get an empty envelope, we have to literally go through to ensure that the slip did not come out of the envelope, reconcile the entire batch, envelope to envelope and that there is a cost associated to that. Why would someone want to deposit an empty envelope? The risk of fraud, because that could be an avenue in which someone is perpetuating a fraud which is why we would take the empty envelope and go back and do a full audit of the batch of deposits within the ATM. Fraud within the system is quite endemic and there is a cost to legitimize that, in fact, it was an empty envelope and did not open and the slip came out and got misplaced somewhere.

Mr. Chairman: All right. What new industries should commercial banks target to offer loans in financing?

Ms. Darbasie: What new industries?

Mr. Chairman: This is a question from the Secretariat in particular, they want to know what new industries should commercial banks target to offer loans and financing, if any?

Ms. Darbasie: I think the commercial banks and certainly speaking for First Citizens Bank, target every industry segment in the country. We do not differentiate our client base. We

deal with every client from the smallest retail customer/worker straight through to the largest corporate clients. As new industries become, go into business within the country we will certainly target those industries for offering the full range of banking services. We are currently and we always as each institution look at our product set and look at new products for existing clients. But with respect to a question as to what new industries we are targeting?—as industries come on board we will target any and all of them.

Mr. Chairman: There is on the last occasion the Central Bank Governor would have expressed the view that there is a perception that the financial sector is over-banked. Do you share that sentiment? And if so, why?

Mr. Baptiste: So, I would not share that sentiment. Do you want to know why I would not? No. I mean, if you look at the range of options available in Trinidad and Tobago, I know that on the last occasion they, some members of the questioning team felt there was not enough competition in the financial service and tried to maybe draw a comparison between the fact that there were four large banks and the degree of competition. But the more large banks there are, right, the greater the competition in any jurisdiction.

If we look at the broad financial system, the financial system in Trinidad is comprised, as we said, of the eight banks, but there are a number of other players in the financial system in Trinidad. If you say there should be less banks, the question is: Are you further concentrating the same issue that maybe this Committee is concerned about, whether or not these banks are the ones that are dictating everything, you know? So if the view is that eight does not represent enough competition, or that the fact that there are four large banks does not represent enough competition, then shrinking the number of banks further would not exactly enhance the situation. We are strongly of the view that there is excellent competition in our financial system.

I mean, Karen, myself all the other banks, you know, we compete every day for every dollar of business. We compete with the credit unions. The credit unions might not be a member—all of them may not be members of the LINX payment system, but the credit unions are very aggressive when it comes to actual loans in the form of, I guess, share disbursements or whatever it is called, but a loan by any other name is still a loan. Right? We compete very aggressively with the Unit Trust. Every single one of us, you might not call the Unit Trust when people deposit their units or increase the number of units, you might not call it a deposit, but a deposit by any other name is still a deposit.

So I think there is healthy competition. I do not feel there is a need for anything to be reduced. I do feel however, that there is a need to improved regulation of some of the other players in the industry. Okay? I do know that they have moved enough to try to improve the regulation of the credit unions and what have you, but I do feel that regulation which provides security to all of the clients of all of the institutions is what we might need more of.

Mr. Chairman: All right. Before I move on member Rambharat, you say you compete in every sphere, just for my own clarification again, does that include in the ABM services?—

given that there is a joint venture in this country operating without regulation. In England, there is actually a regulator for these services. There is no regulator. Do you not think that that is almost an affront to competition in this country?

11.35 a.m.

Ms. Darbasie: But, I think when you look specifically at the ATM charges you see a wide range of charges for use even of an own bank ATM across the members who are in InfoLink. I think just to emphasize Nigel's point, the regulator views data from a macro level, we view data on our individual banking level, and they certainly have much more data than I would have on any of my competitors. But, I am also of the view—I am not of the view that the system is over-banked. I think competition is healthy. There are portions of our society in Trinidad and Tobago who are not as fully banked in banking services as they should be, and the more competition we have will ensure banking services get to every member of the public of Trinidad and Tobago who wants to access banking services. But I think with respect to the question on the ATM services, I think even within the four members of InfoLink or the four equity holders of InfoLink, because, please remember that these were the four members who put up the initial capital for the infrastructure. There is a difference in the ATM charge for own bank ATM even amongst those members. So, clearly the competition is there and it is differentiated with fees as well as with service offerings.

Mr. Chairman: But every bank charges \$4 to another bank? So, clearly there must be some, either collusion or there must be some decision, or there may be, I do not know, is there a joint venture agreement between the parties that regulate the conduct? These are questions that the public would want to know, if there is \$4 across the board that really is not any variation or differential. In fact, that suggests that there might be some sort of price fixing, you know?

Ms. Darbasie: There are service delivery levels that InfoLink has to deliver to each member bank, and there are protocols to govern the exchange of data. But, there is no discussion around the charges that First Citizens would charge for its ATM. Republic would determine what charge they apply for a First Citizens customer using their ATM, and then there is an InfoLink charge that is in between for use of the infrastructure. That is how the cost structure is built up.

Mr. Chairman: Okay. Member Rambharat.

Mr. Rambharat: I just want to go to the third area very quickly and just to make some observations. This is on the issue of customer service. I listened to you on the times when you have peak services, I wondered whether you were doing enough—you made the point about education, I wondered whether you were doing enough to bring this to the attention of the customers, the times of the day and the times of the month where you have peak demand for services, encouraging them, maybe—unless it is urgent—to bank during the off-peak period? I should have premised that by saying, this property tax issue, and the need to sign up, and all of that, demonstrated that in our society there is still largely on account of

culture, people who want to have that experience, difficult as it may be, to interface with a human being and collect a piece of paper and go home with it. Again, I have always made the point that there will always be a segment of the community that want to walk into the bank, but do you believe you are doing sufficient to educate customers on your peak times and encourage them to bank outside of those hours?

I also want to make a point on the survey. I pointed to the Bankers' Association the fact that the surveys which were presented to us, the outcomes did not reflect the question specifically on customers' view of the level of banking fees, and I wondered whether your respective surveys have ever addressed that specific question? And, I want to close off by ,when we had the Governor of the Central Bank before us, you mentioned today the other players who are not regulated, and I asked the Governor about the proliferation of—like the appliance stores, for example, that in my mind that offer banking services without being regulated to the extent to which some of them actually their core business is in the area of finance, what are your views on the current environment in which we all operate in relation to hire purchase products?

Mr. Baptiste: Let me try and address all three points. With respect to whether we are doing enough to advise our customers about the various peak time and the option to them. At a Republic Bank level we always feel that there is more that could be done. I think many of our customers are aware of what some of the peak times are, so they know that you do not really go at the beginning of the month because that is when you tend to have all of the pensioners. So, people intimately over time have realized that.

In the case of Republic Bank, they are also aware that this first 10 days of the month are not necessarily a good time because that is when a lot of people are coming in to pay their credit card bill. I guess where the challenge comes in is really during the lunch hours on the regular days. So, people have already self-selected and tend to try to avoid going to the bank during those days. The challenge with the lunch times—as I said there is a conflict with the lunch times because it is your convenient lunch time but it is also mine and the staff members lunch time, and so we have to balance that, and the banks balance it in different ways. In Republic Bank's case we balance it by really bringing in peak time individuals to try to cover some of that period of time, but Republic could never do enough. So, the answer is, no, I do not think we have done enough, and we will continue to try to do more to that specific question.

With respect to the surveys, I will say, yes. I do not think there should be an issue with us making the surveys available, so I will make the survey questions available to the Committee, because we ask the public those questions and the survey is in the hands of these independent individuals, so there is nothing secret there, but that is what actually brings the score down. The fact that if I tell you that on average we are being 5.1, 5.0 rate for the last three years. If you look at the score with respect to the cost of the services provided you would probably find that that fella comes in at around three point something or in the low

fours. If you do not know that people have concerns, I would not know if it is anger and animosity, but I do know that people would have concerns, and we just need to do more to show our clients we value proposition and also to redirect them to other channels, to other products that might better suit their needs. So that is what we are trying on that score, and you will see that for yourself when you get a copy of the survey.

With respect to the other players and the level of regulation, I think we need to look at it from two perspectives. Most of the regulations, in the first instance, for the financial system, are really geared towards protection. And the people who need the protection are the people who place confidence in the financial institutions and, as a consequence, place their funds with the institution. They might be unhappy about the way that they are being paid, but they are confident that their money is secure. And all of the regulations of the banking sector are built around ensuring that that confidence is not misplaced, which is why you would have the capital, the adequacy requirements, why you would have different requirements for liquidity, a number of different requirements.

But all of the regulation is geared towards that. So, when I talked about more regulation, I think that we need to put more regulation where that confidence resides. You do not necessarily need to protect a borrower, because the borrower is making a decision, and the borrower has not actually placed his money with the institution. If anybody needs protection is really the person who lent the money, because I could always decide as a borrower that I am not paying back. From the borrower's perspective what you want to know is make sure the interest rates are reasonable and that the interest rates are disclosed, so that people understand what the cost is.

So, that is one aspect of it. So, if I try to, maybe, narrow down my answer, I would say from the appliance stores perspective, once we have full disclosure of what the cost of the hire purchase is, I do not know that they would need the same level of governance and regulation that a bank has, because nobody would actually place their money with the appliance store. What the person is doing is borrowing from the appliance store, and you want to make sure that there is transparency in that. Just as we have had transparency in the cost of borrowing from the financial system.

Again, members might recall that there were the days when the banks would have advertised, we would have like an all in cost, and you would see 1 per cent. But the truth is that 1 per cent was a kind of accumulative something, so the real cost was actually 7 per cent, or whatever per cent, and over time the regulators kind of caught up and said, no, no, you cannot put that kind of advertising, you have to show what the total cost is, or the real cost, whatever the word is. I think we need the same thing for the hire purchase, et cetera, and for people like the credit unions, et cetera who are actually taking money from individuals, because that is where the confidence comes in. I have accepted a deposit and what they expect is they would get it back whenever they need it back, they would need the greater, I think, regulations from Central Bank or whoever.

Mr. Chairman: Okay, final question from Dr. Francis.

Dr. Francis: One observation and then a very “gimme” question. Let us say if I am a customer and I am not satisfied—this is the observation—and I am considering one thing, to change banks. Now, the Chairman used a powerful word, he said “collusion”, and everything we have heard through all these hearings have pointed to the fact that there is no collusion. You are all discrete entities, you all operate separately, you are competitive. But, as a customer who is not happy with X bank, and I am considering moving to Y bank, it looks to me like I am going to face the same thing, or it is the same thing. So, whereas it is easy for us to argue on paper that you all are discrete and there is no collusion, to the customer it does not look like that. It looks like we are trapped in the same sector and everybody is doing the same thing, and there is no redress, or no improvement anywhere. But, that is just an observation. The question, very simple, why not Saturday morning banking?

Ms. Darbasie: And it is not such a simple answer, because Saturday morning banking and off-hour banking requires negotiations with our staff and with our unions, and that is the most straightforward answer I can give you. And I think, what we are all legitimately trying to do is to provide the services that you want to get online so that you do not need to go into a bank. But, Saturday morning banking and any change of the normal hourly service that our staff are contracted to provide, I think, I speak for First Citizens, and given that Republic has the same union that we do, is a matter of negotiations with the union. Not just Saturday mornings, but even change of hours to allow shift systems to give us some more efficiency in certain areas, we have to engage in discussions with our unions.

Dr. Francis: You know it happens around the world, like Thursday you have half day off, and then Saturday morning there is back to—

Mr. Rambharat: It does not happen around the world. *[Laughter]*

Dr. Francis: I thought they had unions too out of Trinidad. I did not know it was a discrete Trinidadian thing.

Ms. Darbasie: We are certainly—and let me be very clear—a big proponent of enjoying, and we have a very good relationship, and we discuss things with our union, and we have discussions going on with the union right now from a First Citizens perspective, in introducing shift systems, in different areas of the bank. But, literally it is a discussion that you have to engage in with both the employees as well as the unions.

Mr. Baptiste: From our perspective, my concern with it really would be that I am not too sure it is necessary. And, I am not going to call any names, but I am sure the Committee is aware that one of our competitors does have Saturday banking. So, Republic Bank itself we have experimented with Saturday banking. Okay, we have done Saturday banking as an experiment; we have done Saturday banking as an initiative during certain periods because we felt it would actually enable our clients—so it would improve our goal of convenience and accessibility, and on every occasion that we have done it we have been disappointed with the results.

In the end, all Saturday banking was really Saturday access to the teller, and all of the other services people really did not necessarily want that. And as Karen kind of intimated, you know with all the alternatives that were available, and the fact that we have invested so heavily in the ABM network, we have invested so heavily in the point-of-sale network, that you see, to really open on a Saturday for people to go by the teller, is that really carrying anything forward? So, from our perspective we have always said, you know, the value proposition to the client was not there because of the alternatives, and we just never felt there was any need to really pursue it very diligently.

Ms. Darbasie: I would add one other point to it, and this is probably unique to First Citizens, but we have open branches on Saturday to facilitate account opening for large interest groups, in particular, the URP workers, so that we can focus on that customer base and not have them adding to the long lines of other customers. And we have opened on Saturdays, as I said, for large interest groups at branches around the country to facilitate certain services but, certainly, a Nigel says, we discuss, and of course we have to look at our employees as well, and make sure that we provide alternate channels that are available for use of the customers. We have done experiments as well, extending over lunch periods in keeping the bank open during lunch periods, certainly at Christmas time when you see customers wanting to come in a “lil bit” earlier, and there has been mixed response from our side.

Mr. Chairman: Before we close I just want to thank each and every one of you for coming out today and participating in our hearings. It was quite elucidating and edifying, and I think it would assist us greatly in furtherance of our enquiry, and compiling our report. Before you leave I would like to invite the Managing Director of RBL and the CEO of FCB to make brief closing remarks.

Mr. Baptiste: May I just say thanks for giving me the opportunity maybe to provide some further clarification and to hope that it carries us along the way, and to maybe just say that, you know, Mr. Chairman, I know that you called out a number of fees for First Citizens and questioned the cost, and if you had done something similar, looking at the Republic Bank, you probably ask the same questions, but I think if we want to be balanced we need to also look at all the services that attract no charges. And, they all have a cost, and I would just go back to my opening comments, we are driven really and truly by trying to satisfy the customer.

Many of us if we are unable to satisfy our customers we would not necessarily be able to survive for as long as we have survived. We have the various mechanisms in place to try to get a feel of what it is. Yes, nobody is ever going to be 100 per cent happy. I could tell you that fact that how you have all of the major banks lined up right next to one another in most of the high street areas is an example of how people do not necessarily feel as though they are trapped, because every day our branch managers would report to their respective line managers this client is closing their account and moving to this particular bank or they have

won the business from a particular bank that has come across to them. What has made it a little difficult really, has been sometimes the account opening requirements, that have made it a bit of a challenge.

But that really is where it is right across the board, so maybe if there was a way that we could have made that a “little bit” easier, but we know why that is there. But, I just want to give the Committee and the public who is listening to me, the assurance that the bank’s objective, really and truly, is to provide the quality type of service that they expect. I do not translate that to mean that everything that the client wants that the client would get. But I do translate it to mean that, on balance, the client will, if they have to evaluate the value proposition from Republic Bank will give us at least a five out of six.

Ms. Darbasie: And I would echo from First Citizens, thanks to the Committee for inviting us in. I think the opportunity to hear the questions will be—the questions themselves are an opportunity for us to learn what the constituent members that you represent are asking, and we will take the feedback back. And, I think one of the most important things that have come out to us is the need for us to communicate better with our customers so that they understand the services that we offer, and they can select the account, the service, whatever it is that is very appropriate for them, and there are different services for different demography type customers within the country, and we have to be very sensitive to that, and I think as banks we need to do more of an education exercise from that perspective.

I think that one of the clear points that have come out, is the banks are here to provide value for the customers, and value for the customers are not just the fees and charges, but also the protection that the customers enjoy from banking with institutions such as the ones that are represented here, and the wider banking association. And we made this comment at the time that the Bankers Association came, that in the global financial crisis that took place, the Trinidad financial sector experienced very little repercussion, and that really redounded to the benefit of our depositors and our clients as a whole, and that spoke to the strength of the institutions that are represented in the banking industry in Trinidad and Tobago, and that is not something that should be discounted. Because, we are here to protect our clients, our depositors, and to provide a value added service for all of our customers.

So, thank you for the opportunity to be part of the hearing, for allowing us to provide information, and we will take feedback into account and certainly try to incorporate it into how we evolve going forward.

Mr. Chairman: And, as a Committee, we would like to say thank you as well to the media and persons in the public gallery for attending, and viewing, and listening to us. This meeting is now adjourned. Thank you.

11.57 a.m.: *Meeting adjourned.*

