Summary of Proceedings
Public Hearing
Held on **Friday May 17, 2024 from 10:25 a.m. to 12:31 p.m.**

Subject matter: An examination of the existing anti-fraud and customer protection systems in the financial services sector of Trinidad and Tobago.

Venue: Linda Baboolal Meeting Room, Parliamentary Complex, Cabildo Building, St. Vincent Street, Port of Spain.

Objectives of the Inquiry:

The objectives of the inquiry are as follows:

1. To determine the nature and prevalence of fraudulent practices, cybersecurity threats and other operational risks within the financial services sector;
2. To gain greater insight into the impact of such practices, threats and risks on the well-being of clients/customers:
    a. Financial well-being
    b. Financial security
    c. Psychological well-being;
3. To determine the mechanisms that are being utilised by commercial banks and other financial services providers to counteract financial fraud, cybersecurity threats and other related risks; and
4. To determine the contribution that State actors can make in counteracting fraudulent practices, cybersecurity threats and other related issues within the financial services sector.

Committee Members

The following Committee Members were present:

1. Mr. Marvin Gonzales
2. Mr. Keith Scotland, MP
3. Ms. Jayanti Lutchmedial

4. Mr. Laurence Hislop
5. Mr. Hassel Bacchus
6. Mr. Saddam Hosein
7. Mr. Symon de Nobriga, MP

Witnesses who appeared

Bankers Association of Trinidad and Tobago (BATT):

1.	Ms. Gayle Pazos	President of BATT, Managing Director, Senior Vice President and Head, Caribbean South and East at Scotia Bank (Trinidad and Tobago)
2.	Mr. Richard Downie	Board Member and Managing Director, RBC Royal Bank
3.	Mr. Nigel Baptiste	Board Member of BATT and Managing Director, Republic Bank

Cooperative Credit Union League of Trinidad and Tobago (CCULTT):

1.	Mr. Joseph Remy	President
2.	Mr. Auldric Neptune	Vice President
1.	Ms. Michael Hernandez	Treasurer
2.	Ms. Dianne Joseph	Chief Operating Officer

Key Issues Discussed

The following are the main issues arising from the discussions**:**

Enforcement powers for the BATT

i. Being a self-interested, collaborative body, the Banker's Association of Trinidad and Tobago (BATT) could apply but not enforce policy directives, for example with respect to cybersecurity, the Central Bank of Trinidad and Tobago (CBTT) and not the BATT monitored and assessed members' adherence;
ii. BATT was of the view that it was difficult to justify a self-regulated financial market and that the organisation would not, in fact, benefit from an increase in their coercive powers;
iii. Any strengthening of enforcement powers would thus be better placed with the CBTT.

The evolution of financial fraud

i. From a high in 2022, debit card fraud declined significantly due to the implementation of the Europay, Mastercard and Visa (EMV) 'chip and pin' technology;
ii. Credit card fraud, namely card not present fraud, had risen within the same 2020-2023 period due to the increase in online buying;
iii. Patterns in the conduct of financial fraud had also emerged, older forms included phishing (wherein the customer exposed themselves to risk) and social engineering (wherein the fraud was instigated by an external party). This was in contrast to newer forms of financial fraud, such as card not present, which did not require a physical card but only the card number, expiry date, card verification value (CVV) and cheque value to create a duplicate;

iv. Romance scams wherein a romantic relationship was used as a guise to scam individuals out of money, also speared to be a popular form of social engineering. Although banks did attempt to warn customers upon acquiring knowledge of any untoward circumstances, customers could not recoup funds already remitted to scammers.

The Chargeback process

i. The charge back process was managed by the international banking networks: Visa and Mastercard. The duration of the dispute resolution process could take anywhere between two weeks and three months, with the verification of information being the primary cause of any delays;
ii. Although a suit of recovery in Trinidad and Tobago was four years, a query for credit card fraud became ineligible after three months, and this was a stipulation not of the local but of the international banks. As such, customers were advised to regularly review their statements and keep their card balances up to date to avoid any inconveniences;
iii. The interest that accrued on fraudulent transactions would be reimbursed by the bank for credit cards. For debit cards, however, the customer remained out of pocket of those funds until it was reimbursed;
iv. Some operational errors mirroring fraud like transactions may occur as glitches but these incidents were not considered fraudulent. An example of an operational error was the application of an incorrect currency code, such as what affected PriceSmart and other merchants in 2023;
v. Consumers' whose cards were compromised would have the option to have those cards replaced.

Public education and awareness

i. Although Trinidad and Tobago had experienced instances of financial fraud, being one of the larger economies in the Caribbean Community (CARICOM) region, the country had better infrastructure in place to treat with these types of concerns;
ii. Likewise, the fraud ratio in the Caribbean region was comparatively low when considering other regions of the world, since the Caribbean had implemented a number of mechanisms to prevent fraud from occurring;
iii. The BATT was also instrumental in warning customers of new risks and advised them to question any transaction if it was not self-initiated.

Prosecution

i. Notwithstanding the collaborative relationship between BATT's membership and the TTPS, one of the challenges with prosecution was the delay in getting persons to come forward to give evidence or witness statements;
ii. Another stumbling block to the furtherance of prosecution rates was the age of information requested, with some requests dating back several years prior;

Legislation

i. Although there was an existing suite of legislation to address the issue of financial fraud, inclusive of the Data Protection Act, Chap. 22:04, the Electronic Transactions Act, Chap. 22:05 and the Copyright Act, Chap. 82:80, the BATT felt that there was a need to strengthen the legislation to treat with electronic signatures in particular;
ii. The Cooperative Credit Union League of Trinidad and Tobago (CCULTT) also advocated not only for enhanced legislative measures, but for the League to be represented in the development of these measures;
iii. The BATT's main concern with respect to regulations on the converse, was the need to implement centralised repositories for the verification of information.

The Cooperative Credit Union League of Trinidad and Tobago

i. The League had responsibility for 129 Credit Unions, 700,000 members and TTD 19 billion in assets but lacked regulatory powers and so could not compel member credit unions to report instances of fraud to them. However, these were powers that the CCULTT were aspiring towards;
ii. Credit Unions must report to either the Commissioner for Cooperative Development for fraud related activities or the Financial Intelligence Unit (FIUTT) for issues related to anti-money laundering and counter financing of terrorism. The CCULTT was also instrumental in building the capacity of individual member credit unions to carry out customer due diligence requirements in alignment with the Financial Obligation Regulations, 2010, since not all persons would be subject to the same level of risk;
iii. In terms of cross-sector collaboration, although the BATT and the CCULTT met prior on areas of mutual interest, there was agreement that further collaboration was still needed.

Reform of the Office of the Commissioner for Cooperative Development

i. A review of the legislation which governed the CCULTT revealed that there were over 6000 outstanding disputes lodged with the Office of the Commissioner for Cooperative Development;
ii. Even with a strengthening of resources at the Office of the Commissioner for Cooperative Development, there was a lack of efficiency in how disputes were handled. As such, the CCULTT was advocating for a change in the categorisation of the types of disputes that should be subjected to the consideration of the Commissioner;
iii. To improve the dispute resolution process, the CCULTT suggested removing some of the burden away from the post of Commissioner. Two suggested avenues for achieving same included the creation of separate panels to treat with the different categories of disputes and the delegation of some legislative authority to the CCULTT itself.

Regulatory oversight of the Central Bank of Trinidad and Tobago

i. A 2005 policy proposal document to have the CBTT assume oversight of the CCULTT had since been revisited and a proposal advocating for the implementation of an independent co-operative authority to regulate credit unions was being developed;
ii. A significant part of the rationale for the creation of an independent authority was to take into consideration the unique member led profile of Credit Unions' clientele, which the League felt would not be fully appreciated by the CBTT. That process was currently at the

Committee stage and the membership had already agreed to instituting compulsory deposit insurance;

iii. One key element in this policy proposal would be a complementary role for the CCULTT, relative to that of the Office of the Commissioner for Cooperative Development, to assist in the overall development of the Credit Union sector;

iv. However, it was also noted that despite the community based origins of credit unions, many were operating as large non-bank financial organisations and as such, may require a certain degree of independent regulatory control, a principle to which the CCULTT was not opposed.

Cybersecurity in the Credit Union sector

i. The CCULTT having paid attention to the increase in cybersecurity incursions affecting corporate entities, had engaged consultants to assess the level of risk of various member institutions with a view to bridging any gaps;

ii. There had also been discussions on the provision of shared cybersecurity services to assist in lowering the cost factor for smaller credit unions without the financial wherewithal to independently implement more robust measures;

iii. The necessity of an external regulatory regime to ensure a programme of compliance with respect to various operational risks, cybersecurity being one of them, also became apparent specifically where credit unions were concerned.

KEY RECOMMENDATIONS EMANATING FROM THE DISCUSSIONS

1. It was proposed that there be closer cooperation between the BATT and the CCULTT, as well as other bodies in the financial services sector.

This public hearing can be viewed on demand via our YouTube Channel.

https://www.youtube.com/watch?v=desPrNA8Z0Q

Contact the Committee's Secretary

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Committees Unit

May 29, 2024.