

**VERBATIM NOTES OF THE ELEVENTH MEETING OF THE JOINT  
SELECT COMMITTEE ON FINANCE AND LEGAL AFFAIRS 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 10.28 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 11<sup>th</sup> 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, 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 loans 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. 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 move their accounts; they could do anything.

The forth 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 situations, 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, 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 and structures, fee structures and facilities afforded to vulnerable groups? And all banks responded. Some of us told them 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 was 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 we do not—when we are considering granting a licence, we think about what would this institution bring. We have eight banks and some may consider a lot internationally there is a feeling that we are acutely 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 is, 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 the 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 bank at quarterly meetings. As I said, we had four meetings last year on January 14<sup>th</sup>, April 27<sup>th</sup>, July 22<sup>nd</sup>, October 22<sup>nd</sup> and then we had one this year, February 2<sup>nd</sup>. 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 10<sup>th</sup> 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 on 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 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, and 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 businesses 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, the 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 100<sup>th</sup> 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 30<sup>th</sup> 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 Government Governor's

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 NFL 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—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, we have 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 got 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. Ramadhar.

**Mr. Ramadhar:** 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 relations 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—you 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 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

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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.*