

FINANCIAL STRUCTURE **OF THE CARIBBEAN**

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WIDE VARIETY OF FINANCIAL INSTITUTIONS

Commercial Banks (81)

Insurance Companies (278)

Credit Unions (313)

Building Societies

Investment Companies

Development Banks

Micro Finance Institutions

Offshore Banks (143)

ESTIMATED ASSET STRUCTURE

<u>INSTITUTION</u>	<u>US \$MN</u>
Commercial Banks	55,445
Credit Unions	4,366
Insurance Companies	11,765
Securities Firms	5,097
Offshore Banks	682,993
<u>TOTAL</u>	<u>724,337</u>

SOURCE: O GANA et al (2013)

INSTITUTIONAL PRESENCE NOT UNIFORM ACROSS THE REGION

EXAMPLES:

BAHAMAS: 248 Offshore Banks & Trusts, 19 Domestic Banks, 753 Mutual Funds, 147 Insurance Companies, 7 Credit Unions

BARBADOS: 6 Commercial Banks, 35 Credit Unions, 21 Insurance Companies

ECCU: 37 Commercial Banks

COMMERCIAL BANKS AND INSURANCE COMPANIES PREDOMINATE IN THE DOMESTIC FINANCIAL SECTOR

BARBADOS: CBs 62%, ICs 18%, CUs 10%, TCs & FCs
10% total financial assets.

JAMAICA: CBs 32%, ICs 24%, CUs %, Securities
Companies 23%, Building Societies 9%

BAHAMAS: ICs 79%, CBs and Trusts 12%, CUs 7%.

T & T: CBs 46%, LICs 14%, Pension Plans
13%

INDUSTRY CONCENTRATION IS CHARACTERISTIC

BARBADOS: 3 CBs have 75% bank assets 1 LIC owns 58% of insurance, 2 largest non-LICs own 22%. 4 CUs have more than 85% of assets.

CONGLOMERATE COMMERCIAL BANKS AND INSURANCE COMPANIES ARE REGIONAL IN SCOPE

<u>ENTITY</u>	<u>COUNTRIES</u>	<u>% BANK ASSETS</u>
RBC	20	22
BNS	21	20
CIBCFCB	18	19
REPUBLIC	6	14
FIRST CITIZENS BANK	22	8
SAGICOR FINANCIAL	22	
GUARDIAN HOLDINGS	4	

SOURCE: POLIUS (2012)

OTHER FEATURES OF THE FINANCIAL CONGLOMERATES

1. Commercial Banking Conglomerate Activities Include Commercial Banking, Mutual Funds Locally, Regionally And Internationally, Private Wealth Management
2. Insurance Conglomerate Activities Include Life And Nonlife Insurance, Banking, Investment Funds, Ownership Of Non-financial Enterprises (E.G. Hotels, Energy Sector Companies, Agriculture, Manufacturing)

OTHER FEATURES OF THE FINANCIAL CONGLOMERATES

3. Growth In Foreign Currency Exposure: TT Example (\$MN)

<u>ITEM</u>	<u>2008</u>	<u>2010</u>	<u>March 2013</u>
Total Exposure	5,960	5,764	11,966
- USA	631	1,050	6,412
- CARICOM	4,131	3,903	4,152

Per Cent Of Foreign Currency Assets	24	22.7	38.1
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SOME ISSUES ABOUT FINANCIAL CONGLOMERATES

1. **DRIVERS FOR CONGLOMERATION:** Economies Of Scale And Economies Of Scope.
2. **RISKS:** Institutional, Systematic
3. **CAPITAL MANAGEMENT**