

Governor Addresses Annual Meeting of Financial Services Industry

Thank you for inviting me to speak with you today. It's very good to see a group of such familiar faces and a session so well attended.

This conference, hosted by TCI's Financial Services Commission, is timely on two levels. Back in the UK Brexit occurred 21 days ago meanwhile here, in TCI we now have the results of the Caribbean Financial Action Task Force's (CFATF) mutual evaluation process.

On CFATF this audience, I know, is already familiar with the report's findings so I do not intend to address this in any detail; others have already done so. What I will do is reinforce the need for us to now redouble our efforts in terms of implementing its recommendations and explain the four reasons why I think that is important.

But before that it this gathering allows me the opportunity to say a word or two about the immediate future now Brexit has occurred, an event that this audience may be more focused on than most in the Islands.

Brexit is done. We are now in the transition period. These I think are the key points:

- first we want a relationship with the EU which is based on friendly cooperation between sovereign equals, and centred on free trade. We will have a relationship with our European friends inspired by our shared history and values
- at the end of this year – 2020 – the process of transition in that relationship will be completed and the UK will have recovered our economic and political independence. That moment is the most important thing that will happen in the UK in 2020. It will enable the UK to control our own laws and our own trade
- that is why the UK will not be extending the transition period. It simply defers the moment at which we are in charge of our own destiny
- the question for the rest of this year is whether we can agree with the EU a deeper trading relationship on the lines of the free trade agreement the EU has with Canada, or whether we have a trading relationship, based on the 2019 deal, without a Free Trade Agreement on the lines of Australia's
- let's be clear. The UK is not asking for a special, bespoke, or unique

deal. We are looking for a deal like those the EU has previously struck with other friendly countries like Canada. We agree and accept that this comes with consequences for market access for both sides

- but it is worth saying the UK is a significant importer of food and other goods, and avoiding tariffs should be beneficial to both sides, given our shared commitment to high regulatory standards. In their trade deal with Canada, the EU removed 98.7% of tariff lines. For Korea they removed 99.5% of tariff lines and with Japan, the EU removed 99% of tariff lines
- either way we will be leaving the single market and customs union. Businesses will need to prepare for life outside the EU both at the end of 2020

Looking more precisely at the area of Financial Services, something this audience is focused on:

- in terms of negotiating a Free Trade Agreement, the UK is seeking to provide a predictable, transparent, and business-friendly environment for firms to undertake cross-border financial services business
- we are proposing to the EU that this could be done by agreeing comprehensive obligations on market access and cooperation
- in addition, we are willing to look at regulatory and supervisory cooperation arrangements that reflect the level of access between our markets and will seek to establish processes for dialogue on 'equivalence'
- there was a commitment by the UK and the EU in the Political Declaration to conclude equivalence assessments by June 2020. These are technical assessments that each side will carry out separately
- these 'equivalence decisions' are an important tool to remove unnecessary barriers to continued cross-border business in mutually beneficial areas
- these arrangements will give both sides confidence that the negotiations are being conducted in good faith. Equivalence does not mean either side is a 'rule taker'. We've already agreed with the EU in the Political Declaration that new regulation will be an autonomous matter for both the UK and the EU

- it means therefore what it says – that our rules are “equivalent” for trading purposes. Equivalence is a unilateral act, so any decisions by the EU cannot bind the UK
- if your question following from that is... “Does that mean that we will diverge from EU rules?” The answer is that we are committed to regulatory autonomy and will not agree to rule-taking by the UK in financial services
- freedom to change the rules however doesn’t mean a bonfire of regulation. The UK is committed to the highest standards of regulation and appropriate levels of supervisory oversight
- I’ll say that again because it’s important I think for this audience to absorb...”Freedom to change the rules doesn’t mean a bonfire of regulation. The UK is committed to the highest standards of regulation and appropriate levels of supervisory oversight”
- in any case in many areas the UK already go beyond what EU rules require. Where we do make changes, they will be for good reasons

And now to the CFATF report.

I do understand that the financial services sector has been challenged over the last couple of years to apply standards established by forces outside of your control. TCI is of course not alone in this. I know you – the end user – will be suffering from regulatory fatigue.

The burdens of these challenges have also been felt by the public authorities, designing and implementing laws and policies.

Notwithstanding this, the report highlights the need for greater efforts by all of us, in this room, to mitigate the risks of money laundering and terrorist financing.

Many of you know I’m an optimist so let me start though by acknowledging we have made progress. There is good – I’d go so far as to say excellent – engagement among public sector stakeholders. They appear now as a cohesive team and that sits very comfortably with both my, and the Premier’s ambitions, for serious cross government and cross department working to be the way we do business around here. In many ways they were the trailblazers and I thank them for reaching across divides, an example that others in the National Security Community and Justice sector have followed.

They also did an excellent job for us in Antigua. Their advocacy of what had done, and accomplished, an important mitigation in its own right. The report should reassure us all we are moving in the right direction in terms of the establishment of the required legal and legislative framework.

Optimism now put firmly back in its place – and returning to the realism expected of Governor's – the results are not yet what we want or others expect and the report notes gaps and deficiencies. We need to recommit.

Given the regulatory burden, why does this matter? I think it matters in four areas.

- first – because of our past – we in TCI have a job to do in changing global, at times very superficial views, about TCI
- for those globally that know little about TCI they do have in their reptilian memory the corruption scandals of the late 2000's. It doesn't help that the SIPT trial has not yet concluded. It's raised with me regularly by visitors, including visiting Bankers
- it's ironic that actually the lessons we learned from that period puts us in a very good place. We now have very considerable safe-guards that should reassure. But as we all know, reputation arrives slowly in a hand cart and leaves on an express train and TCI, I think, still has some way to go in terms of burying the ghosts of that past. Unfair, perhaps, but life is rarely fair. Until that reputation is dead and buried we will struggle to get the best money and always be at risk of the 'chancer'
- we have a clear position on anti-corruption; manifested in the work of SIPT and the Integrity Commission. With my arrival, and in the future, we will be doing far more third party due diligence on those who wish to invest in these Islands through major development projects. We don't need to engage with those who have a questionable past or a past that is anything less than transparent and discoverable. I cannot over-emphasise that tolerance of any illicit financing from dubious sources poses a serious challenge to the overall reputation of these islands
- second our success, and any future success, as an international financial centre is linked to our acceptance by the international community as a credible and supportive partner. We cannot succeed in isolation. Accordingly, it is a matter of strategic priority, both for the management of our risk and for international acceptance that we comply with the relevant international standards, such as the FATF Recommendations
- that links to the third point. We need this industry – we need you in this room – to prosper. We are far too dependent on tourism. We all know that. We are living off the sugar high of the present boom in the US economy. I was not here but you all recall what happened in 2008. We are sat on a 21st Century equivalent of Caribbean mono-crop – be it salt or sugar – and we all know what happens to them when a ripple occurs elsewhere

- I'm not an Economist but I know the US economy will go through a cycle. We need as much diversification in this economy as we can achieve – in particular we need diversification that is not the labour intense industry that tourism produces
- these Islands have grown from a population of around 7,000 in 1980 towards a projected population of over 70,000 in 2040. A ten times increase. Much of that is because in choosing tourism, or perhaps more accurately tourism choosing us, we went for a model of needing far more labour than the Islands themselves could provide
- we are now, it seems, on a perpetual treadmill of us needing further tourist development to fuel the economy that requires yet more labour, and so on, and so on. You know – from a national security perspective – and from a social cohesiveness perspective – where that is taking us
- an industry such as yours – or those like yours – that employs small numbers of high value workers is not just important in terms of diversifying our offer from one industry, but helps us at least mitigate the treadmill of population growth we are presently on
- fourthly, and finally, I have to worry that there is money laundering going on in TCI and that money laundering has a direct impact on one of the most significant aspects of our national security, and one I'm spending a great deal of time on personally. The societal impacts of mass illegal immigration
- we need to call this out for what it is: human trafficking – something that should be abhorrent anywhere – but particularly so in the Caribbean. The big change in our posture, on this, is to first intensify our efforts to intercept the sloops – I hope you've seen a marked improvement in the last six months in our interception rate – virtually no illegal immigrants are now escaping our detection at sea and this is before a tripling of the radar coverage that will be deployed this year – but as importantly TCI's new found zeal and energy in going after the underpinning business model; taking down the networks that profit from the trade
- our arrest at sea of 29 Sri Lankans has given us an increasingly deep insight into this immoral business model both globally – working with international partners – and locally. This is the largest investigation we have run post the SIPT trial and it's the beginning of a new way of doing business here
- as part of that, understanding the money, and following the money, an important part of both our investigative and prosecutorial tool kit.

Those in anyway facilitating this movement of funds are party to criminal activity that seriously damages the fabric of the country. Finding and prosecuting them sits very high on my list of priorities

In drawing this now to a conclusion I should first thank our excellent Financial Services Commission for the opportunity to address this equally excellent audience. And I should thank you – the audience – for: your engagement in the past; your attention today but far, far more importantly; for your refreshed engagement on this issue going forward

I said in the press conference that launched the National Security Strategy, last month, that we were including money-laundering and terrorist finance as a national threat that has to be dealt with from the Centre. That tells you the importance we give this. And I also said that “the fastest path to genuine National Security was national unity”. I very much include this informed and intelligent audience in that national call to action. What you do, and how you do it, matters to the nation. Thank you.