

Alwyn Jordan: Shaping the Caribbean's banking landscape

Remarks by Mr Alwyn Jordan, Deputy Governor of the Central Bank of Barbados, at the Caribbean Association of Banks' 50th Anniversary Dinner, Bridgetown, 24 October 2024.

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Tonight, we gather to celebrate a remarkable milestone – 50 years of the Caribbean Association of Banks. This half-century journey is not just the story of an association, but the evolution of a region's financial landscape. It reflects our collective strength, vision and commitment to the development of our economies and societies.

The Caribbean Association of Banks or CAB, has long served as a vital pillar in the region's financial ecosystem. Since its inception, CAB has played an instrumental role in shaping the Caribbean's banking landscape, guiding the development of a resilient and inclusive financial services industry that meets both regional and international standards. Our banking systems in the region are more robust, responsive and vibrant, as a result of the collaboration across the Caribbean's financial institutions which has been fostered by CAB, and this ensures that our banks are well-equipped to handle the evolving challenges of the global economy.

This is exemplified in the fact that following the COVID-19 pandemic-induced job losses and economic strains, the capital adequacy ratios of banks across the region have strengthened on average, reflecting the resilience of our institutions. Similarly, non-performing loan ratios, which peaked in 2020, decreased significantly in 2023, compared to the prior two years. This reduction is a clear indicator of the ongoing stabilization and recovery within our financial sector; demonstrating our ability to effectively navigate through adversity and emerge stronger.

History of CAB

Building on this legacy of collaboration, CAB has evolved over the past 50 years from its humble beginnings to meet the changing dynamics of our financial sectors in the region. Initially formed in 1974 as a direct response to the region's need for greater financial independence and reduced reliance on external providers, CAB's founding goal was to support the ownership and development of a financial services industry with the capacity to satisfy the financial needs of people in the region. In its early years, CAB played a vital role in uniting regional financial institutions and acting as an advocate for indigenous banks. The association aimed to ensure regulatory compliance, promote economic growth, and improve financial services accessibility in the Caribbean. Over the decades, CAB has expanded its scope to address emerging challenges in the global financial landscape, such as anti-money laundering and the Foreign Account Tax Compliance Act.

One key approach has been its strong focus on training and education – equipping member institutions with the knowledge and tools needed to effectively navigate these complex issues. In more recent years, CAB has been instrumental in steering the Caribbean banking sector through the challenges of digital transformation. As

technological innovation reshapes financial services, I'm sure that CAB will continue to provide essential guidance and resources, to help member institutions adopt digital solutions and maintain their competitiveness in a rapidly evolving market.

Today, CAB remains a driving force in the Caribbean's financial ecosystem. With a growing number of member institutions across the region, which total over 80 entities, the association continues to champion the interest of its members by advocating for policy changes that strengthen the banking sector and promote greater integration across regional markets. Through initiatives aimed at improving financial inclusion, enhancing regulatory compliance, and encouraging cross-border collaboration, CAB plays a central role in supporting economic growth, while also ensuring that financial institutions in the region are well-prepared to meet the demands of a modern banking environment.

These annual conferences are therefore more than just gatherings and networking opportunities; they are essential forums for dialogue and action. Here, experts from across the Caribbean banking sector and other disciplines, come together to address pressing issues, exchange knowledge, and craft solutions that will strengthen our regional banking systems. It is in these settings that we lay the groundwork for future success, fortifying our sector's resilience against external shocks and building the path for sustainable growth.

Indeed in 2022, I had the distinct pleasure of making a presentation at CAB's annual conference in St. Lucia, on the topic of South-South Co-operation in the Banking Sector, which examined opportunities for greater collaboration among regulators in the Caribbean, Africa, and Latin America. Then in 2023, I participated in a panel that examined the adoption of Environmental Social and Governance or ESG practises in the Caribbean banking sector. Both of these topics are highly relevant and will have a significant impact on the various financial sectors in our region in the near-term, so I can attest to the vital role that these annual conferences play in charting the future of the banking sector in the Caribbean.

Celebrating the 50th Anniversary of CAB

Today, as we celebrate the 50th anniversary of CAB, we not only acknowledge a milestone; we also reflect on a remarkable journey of growth and transformation. CAB's leadership and commitment has greatly aided the process of creating a financial landscape that is more resilient, inclusive, and dynamic than ever before. This is a testament to the collective efforts of those who have contributed to the association's legacy over the past five decades.

On behalf of the central banks in the region, I wish to commend the work of the Board of Directors currently governing this Association and I extend special congratulations to the Chair, Ms. Leesa Kow, along with the CEO Ms. Wendy Delmar, both of who have worked tirelessly to not only sustain, but also accelerate the momentum of the critical work of CAB during their tenures.

Both the Board and the CEO continue to uphold the strong foundation laid by their predecessors, while paving the way for future executives to carry this legacy forward. By maintaining the core values of CAB, namely: Integrity, Accountability, Good

Corporate Governance, Commitment, Confidentiality, Cooperation and Capacity Building, the current Board ensures that the association remains a cornerstone of regional banking excellence.

The Role of Central Banks in Shaping the Future of Banking

Ladies and gentlemen, we at the Central Bank of Barbados are acutely aware of the fact that the banking sector in the Caribbean has played a pivotal role in the allocation of economic resources, thereby driving development across the region. Despite being characterised by challenges such as limited depth and restricted economies of scale, we have experienced rapid structural changes that have enhanced the efficiency of our financial systems.

It is clear that for the financial sector to continue to strengthen and remain sound, regulators must work hand-in-hand with institutions such as CAB and our licensees. Indeed, through our collaborative efforts, we have shaped policies, ensured stability, and fostered cooperation among regional banks.

Going forward, we anticipate that there will be opportunities for further collaborations in a number of emerging areas. Three of which I will touch on briefly:

The first relates to the emergence of the African continent as a source of financing for projects in the Caribbean and as a possible area of expansion for our indigenous banks.

The second opportunity concerns the expanding role of electronic payments and digitisation in our financial landscape.

And the third is the collaboration between central banks and commercial banks in developing a financial environment that is inclusive and conducive to meeting the needs of our modern society.

In terms of the first point, **the Caribbean's growing relationship with Africa further amplifies the potential for cross-border collaboration in the area of banking.** The expanding reach of African-based entities into the Caribbean region, exemplified by the establishment of the Afrexim bank's initial presence in Barbados, marks a new chapter in the journey of our financial integration. This milestone is not only symbolic, but has the potential to reap tangible benefits for the entire region. Afrexim bank's initial provision of a US\$1.5 billion credit facility to support CARICOM economies is a clear testament to its dedication. This credit line is targeted towards boosting trade, supporting small and medium-sized enterprises (SMEs), and enhancing critical economic infrastructure, all of which are vital to the sustained growth of the Caribbean.

This is perhaps the start of a movement that will see Caribbean banks setting-up operations on the continent, following in the footsteps of one of our regional banks that already operates a subsidiary in a West African state. On the flip side, we can also envision a scenario whereby African-based banks that are well run and meet our prudential standards establish a presence in the region. Our small size, of course, limits the number of potential entrants into our market. Nevertheless, we recognise that these entities could add a level of dynamism to the financial landscape.

This scenario provides a unique opportunity for CAB to work closely with regional regulators to effectively integrate these entities into our financial landscape once they are allowed to operate, and we therefore look forward to working with you in the future to achieve these results, in order to usher in a new era of mutual prosperity for both the Caribbean and Africa.

Ladies and gentlemen, we are acutely aware of the fact that in today's volatile global environment, resilience is more important than ever. We know that **our ability to withstand shocks and adapt to new realities is crucial for safeguarding the future of our regional financial systems**, and this is why we are embracing technology and digitalisation. Fintech, mobile banking, and fast or instant payment systems aren't just innovations for us, they are transformative tools that can enhance the reach and efficiency of our financial services. To put it in perspective, in Barbados, the number of electronic fund transfers surged from slightly less than 1.5 million in 2019 to just over 4.0 million in 2023. During the same period, the number of cheques written declined from about 3.0 million to just over 2.0 million.

Moreover, central banks across the region, including here in Barbados, are embarking on projects aimed at further modernising their payment systems, in order to provide fast, accurate, efficient and low-cost services to the public. A very good example of this fact was seen in August of this year. Following a successful collaborative project between the Central Bank and The Barbados Bankers Association, we joined some of our regional counterparts in enabling individuals and businesses to cash cheques faster through the use of digital clearing after decades of utilising manual processes. Let me therefore take this opportunity to commend the TBBA and all of its members for working collectively with the Central Bank to successfully execute this vital project.

However, as we advance, we must remain vigilant, to ensure that our cybersecurity and data protection systems remain in line with international standards, as these are critical pillars for maintaining the trust and stability in our financial infrastructure. Central banks, in partnership with CAB, play a crucial role in safeguarding the integrity of the financial system. Together, **we must continue to implement robust measures that not only protect our institutions from cyber threats, but also ensure the privacy of our citizens' financial data**. By proactively addressing these risks, we uphold the trust that forms the foundations of our respective banking systems and reinforce the stability necessary for continued growth and resilience.

As digital financial services, such as faster payment systems and E-wallets become more widespread, we also collectively have a responsibility to prioritise financial literacy. Through the ongoing efforts of central banks and associations such as CAB, we must equip our citizens and businesses with the tools and knowledge they need to navigate the digital future responsibly. By doing so, we empower citizens with the ability to make informed financial decisions and allow them to thrive in an increasingly electronic and connected world. The increase in financial literacy throughout the region, will therefore contribute to more inclusive and sustainable economies.

Ladies and gentlemen, at the heart of everything we do as a financial community is our customer, the general public, who expect that all banking services will generally be available to all segments of the population. In this regard, the Central Bank in July

issued its [Market Conduct Guideline](#) to the industry. This document makes clear that financial services are to be easily accessible to all customers regardless of age, disability, or economic status. Banks and finance companies must therefore ensure, for example, that their branches and other physical locations are wheelchair accessible and easy to navigate for people who are visually impaired. Their digital interfaces must also accommodate people with disabilities, and their staff must undergo periodic training to equip them to interact effectively with and assist vulnerable customers.

At the Central Bank, we understand that some financial institutions will need time to retrofit their properties and make the necessary updates to their online systems. As such, time is allowed for these licensed entities to complete this process. One aspect of the guideline that was in place even before it was published was the requirement that all commercial banks offer at least one "[no-fee account](#)" to all of their clients. The guideline also notes that "*especially tailored low-fee accounts should be available for vulnerable groups, including pensioners, minors, and students, ensuring these accounts are equipped with features that cater to their specific needs.*" We are aware that other central banks in the region have adopted a variety of approaches to address the challenging issues of financial inclusion, fees, and accessibility of services by vulnerable groups and I encourage all of you to consider these aspects of customer care when preparing your future business plans.

Ladies and gentlemen, we know that one of the greatest challenges facing our region today is the issue of climate change. Our region is disproportionately impacted by acute climatic events such as hurricanes and floods, which have been increasing in frequency and intensity due to rising temperatures. These events can have severe economic consequences. For instance, the recent devastation caused by Hurricane Beryl is still fresh in our minds. It brought widespread damage, particularly to Grenada, Saint Vincent and the Grenadines and Jamaica, while in Barbados, our fisheries sector was severely impacted due to many vessels being damaged or completely destroyed. Furthermore, the impact extends far beyond environmental degradation, creating income loss, property damage, and this can lead to an increase in non-performing loans, reduced profitability, and even the destruction of critical IT and physical infrastructure in the banking sector.

We therefore commend CAB for placing this issue on the table during their annual meetings. **By prioritising sustainability and promoting ESG goals, we can ensure that our banks play a vital role in addressing the challenge of climate change, particularly through investments in green technology and renewable energy projects.** Financial institutions across the region, under the guidance of CAB, therefore have an opportunity to strengthen and expand mechanisms that incentivise and empower businesses to adopt practices, that are environmentally sustainable and support climate resilience. By providing tailored financing solutions, green funds, and risk mitigation tools, the banking sector can indeed drive the transition to a low carbon economy.

We also recognise that the future of our banking industry depends on our people. Through the efforts of CAB, our bankers receive regular training and have the ability to pursue international designations. This is crucial, as investing in the next generation of

banking professionals and fostering leadership that can navigate our rapidly changing world, will be key to our continued success; especially as it relates to our ability to compete with other jurisdictions and comply with international standards.

Concluding Remarks

In closing, it is encouraging to note that as we look to the future with optimism, we are confident that through the tireless efforts of CAB, the Caribbean banking sector is well-positioned to tackle the challenges ahead while embracing new opportunities. This conference therefore provides the forum whereby CAB and its members can reaffirm their commitment to collaboration, innovation, and leadership, as our banking landscape continues to evolve.

Let us therefore move forward together with unity and a shared vision for a resilient, inclusive, and secure Caribbean banking sector, one that will serve as a foundation for prosperity in our region for decades to come.

I thank you.