SIR ARTHUR LEWIS INSTITUTE OF SOCIAL & ECONOMIC STUDIES

Invites you

to a **Research Seminar Presentation**

by **John Martin, PhD Economic Development Policy**

on **Thursday 12th March, 2015 at 10.00am**
in the **SALISES Conference Centre, UWI**

Abstract

Financial Regulation and Financial Crises in Trinidad and Tobago

The global financial crisis in 2008 had a rippling effect throughout the world including Trinidad and Tobago. In addition, the global crisis would have exposed shortcomings in at least three areas in financial regulation. The first shortcoming exposed by the global crisis is that of the risks associated with the private interest approach to financial regulation and supervision where financial institutions are allowed to offer a wide array of financial products and services outside of their core business activities. This in turn resulted in interconnectedness and systemic risks of financial institutions which were contributing factors to the global crisis of 2008. Since the global crisis, interconnectedness, systemic risks and the determination of systemically important financial institutions have since become popular topics. In fact, the Basel Committee has developed a framework for measuring systemic risk and all countries within the Basel territory are required to measure their systemic risk and determine their systemically important financial institutions.

The second shortcoming exposed by the global crisis is that the traditional early warning theories and their indicators did not predict the global crisis of 2008. The third shortcoming exposed by the global financial crisis is that of focusing on a currency crisis rather than a banking crisis because it was a banking crisis, not a currency crisis, which caused the two most disastrous financial crises in history, the Great Depression of 1929 and the global crisis of 2008.

The fact that financial institutions collapsed in Trinidad and Tobago during the global crisis, it is imperative that the financial regulators in Trinidad and Tobago, like other jurisdictions, review their current financial regulatory architecture with the view of strengthening it to prevent a financial crisis and reduce the contagious effects of another global crisis. This study will attempt to do so. In this study, the systemic risk in the financial system will be measured as well as a determination of the systemically important financial institutions. In addition the hypothesis of the private interest approach to financial regulation leads to higher systemic risk will be tested and a new set of indicators for predicting an impending financial crisis will be explored.

Keywords: Bank regulation, bank supervision theories, interconnectedness, systemic risk, early warning indicators.