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POLITICAL ECONOMY OF FINANCIAL COLLAPSE
THE SAGA OF INTERNATIONAL TRUST LIMITED
TRINIDAD AND TOBAGO 1982/1984

By

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Among the things which continue to make Trinidad and Tobago politically interesting to an attentive public is the fact that after twenty-seven years of rule by one political party, those whom we shall describe as the old financial elite¹ continue to demonstrate their power in opposition to policies pursued by the post-colonial political elite.

As we have demonstrated elsewhere,² one of the mechanisms used by this elite to advance its power potential has been the interlocking directorate. The mechanism, we pointed out, allowed this group to monopolise information and structure the rules by which different "games" are played in this country.

The recent Saga in Trinidad and Tobago leading to the collapse of one of the country's oldest finance houses was not, however, just another "game". It was a critical game. We contend in this paper that it was a game being fought for control of the financial system in the country. Its outcome, therefore, was critical, because it would tell an attentive public not only what the new rules governing the financial system would be, but just as importantly, who was in charge.

¹ See Acton Camejo, Racial Discrimination in Employment in the Private Sector in Trinidad and Tobago: A Study of the Business Elite and the Social Structure - in *Social & Economic Studies*, Vol. 20, No. 3, 1971.

² See Carl D. Parris, *Power and Privilege in a Small Island Economy* - forthcoming.

This article, therefore, seeks to recreate "the game" as it recently unfolded and uses only material which has been published in the local newspapers.

Perhaps, the first bit of information which might have provided the attentive public with a clue to future happenings in Carifinance Holdings Limited and its subsidiary, International Trust Limited, appeared in a newspaper article of July 15, 1982 entitled "Now ITL Chairman Resigns". Quoting a statement issued by the then Chairman and another Director who were both resigning from the Board of International Trust Limited, the Company was said to be "in a sound financial position". The statement, however, went on to say

"While we have a high regard for the financial expertise of the Managing Director he has made it clear that on important matters he is not prepared to acknowledge the authority of the Board of Directors of ITL but only of its parent company, Carifinance Holdings Limited, of which he is Chairman. In the circumstances we are unable to continue to accept any responsibility for the proper administration of the Company's affairs."³

There are three things about this statement which are important. First of all, Carifinance Holdings Limited was the parent company of the finance

³The Express, Thursday, July 15, 1982.

house, International Trust Limited. Secondly, the distinction between Carifinance Holdings Limited and I.T.L. Limited was blurred, if only because at the time of the impending crisis the Chairman of Carifinance Holdings Limited and Managing Director of International Trust Limited were one and the same.⁴ In fact, from the above quoted statement, one might well ask what was the difference between the two companies. Thirdly, the Directors, while distancing themselves, appeared at the same time to be pointing their fingers at the "administration" of International Trus Limited.

The second important piece of information which came to an attentive public was the fact that International Trust was buying heavily into the old establishment conglomerate called T. Geddes Grant. When asked why he thought ITL's investment in T. Geddes Grant was causing a stir, Carifinance's Chairman replied:

"It is possibly inconceivable to many people in this country that a young company like Carifinance and its connections could conceive to buy such a substantial stake in an old establishment group of companies like Geddes Grant?"⁵

⁴ By February of 1983 a new General Manager/Director of International Trust Limited had been appointed. See Subday Guardian, February 6, 1983, p. 25.

⁵ Express, Sunday, July 18, 1982, p. 18.

Why was Geddes Grant's stock attractive? Because, said the Chairman -

"One of the things people in Trinidad have to bear in mind is that there is a very great likelihood that there is going to be a drop in the oil price and if that happens, then Geddes Grant itself as a Company would be some sort of buffer"⁶

How did the old financial elite perceive this move by Carifinance? If the resignations of the two ITL Board members, whom we would characterize as members of this elite could be used as a guide, it is clear that this elite was not particularly enamoured. Furthermore, the question could be asked whether they perceived the principals at Carifinance Limited and International Trust to be aiming at taking over the Union Club?

In this respect, therefore, International Trust's appointment of a Director to the Geddes Grant Board, consequent upon its attainment of a 20% interest is instructive for an individual was chosen, who was no stranger to the world of interlocks. He was himself a member of the Board of both Carifinance Holdings Limited, the parent company of I.T.L. and General Stock Brokers Limited.⁷

⁶ Ibid., p. 19.

⁷ Trinidad Guardian, March 15, 1983.

On March 20, 1983⁸ the attentive public was introduced to yet another actor who would be central to this drama. In an article entitled "The High Finance Man Williams Wanted", it was revealed that the local Insurance Company, Maritime Life, had from September 1982 begin accelerating purchases of Carifinance shares. Maritime Life (Caribbean) Limited, it appears, was

"moved by the attractive nature of Carifinance Stock" and was itself "hedging against inflation".⁹

Maritime Life's investment was obviously significant, for among four new nominees to the Board of Carifinance Holdings Limited announced by its Chairman was one from that company. By March of 1983 then, some of the principals in the saga and their motivations were exposed. But who really understood what was taking place? Or put another way, who was in a position to assess the implications of these moves?

We would contend that there were two actors so far unrevealed, who were in a good position to know. Firstly, the auditing firm of Pannel Fitzpatrick and the Trinidad and Tobago Central Bank.

Pannel Fitzpatrick, because it was the auditor not only for Carifinance Holdings Limited and International Trust, but also for Maritime Life (Caribbean) Limited and T. Geddes Grant Limited.

⁸ Sunday Guardian, March 20, 1983.

⁹ Sunday Guardian, March 20, 1983.

The Central Bank, because under the Financial Institutions (Non-Banking) Act 1979, International Trust Limited as a finance house was required to submit annual audited accounts, and as a result, would have been in breach of the law in the same way that its parent company, Carifinance Holdings Limited, had been to the Stock Exchange.¹⁰ In addition, under this Act International Trust Limited was required to hold and maintain a reserve account with the Central Bank equivalent to 3% of the total deposit liabilities of the institution.

State date of passing and promulgation of this Act.

Secondly, attentive members of the Boards of Companies interlocking with Carifinance and International Trust would also know. Three bits of information, however, alerted the Trinidad and Tobago public.

Firstly, the Trinidad Guardian of Saturday, August 27, 1983 informed its reading public that it, "in the wake of its investigations received a letter dated August 26th written by Pannel Fitzpatrick to the Carifinance Chairman". This letter referred to one written on the 8th July, 1983 in which according to the story, Pannel Fitzpatrick had advised Carifinance to "stop taking deposits" and

¹⁰ See, Listing Requirements for the Securities Markets in Trinidad and Tobago. Issued by the Central Bank Capital Market Development Project (Draft 29/10/82). Also see Interview with the Manager of the Trinidad and Tobago Stock Market, Trinidad Guardian, 27th August, 1983.

furthermore "to ask the Stock Exchange to suspend trading in Carifinance shares".¹¹

This said issue of the Trinidad Guardian quoted a source at Trinidad House as saying, "depositors in Carifinance could be in an exposed position".¹²

Secondly, if the Express for Saturday 27th August is examined, one would find a response attributed to the Governor of the Trinidad and Tobago Central Bank.

According to the Express, "the Central Bank Governor took the unprecedented step of issuing a public statement voicing confidence in International Trust Limited". In this article, the Bank's Governor is quoted as saying that International Trust Limited was

"operating satisfactorily from our point of view. We have no cause to be dissatisfied."

and secondly, that

"our concern is about International Trust which is the company licensed to operate as a financial house".¹³

¹¹Trinidad Guardian, Saturday August 27, 1983, p. 1. "Red and Green Light for Carifinance". Also see article on page 3 of this paper which details the fortunes of Carifinance share prices between January- August, 1984.

¹²Carifinance under close scrutiny. Trinidad Guardian, Saturday, August 27th 1983, p. 3.

¹³Express, Saturday, August 27, 1983, p. 1.

Two things need to be noted here. Firstly, only the Express carried this statement. Secondly, it was a statement expressing confidence in the technical management of ITL and at the same time countering the clearly expected avalanche of public concern over this firm. A question can now legitimately be asked. Since only the Express carried this "unprecedented statement", to whom and about what specifically was the Central Bank Governor responding? This is important, because you must remember, the statement was described as "unprecedented". Clearly, therefore, the answer to the question cannot be "The Express".

Furthermore, when one reads the Sunday Express of August 28, 1983 the Central Bank Governor was further quoted as saying "the Bank will definitely intervene to bail out the company if a crash appears evident". Though

"It would depend on the government securities they hold and other paper. But the Central Bank has powers to make advances to the company, even above and beyond the five percent reserves held with us."¹⁴

The importance, therefore, of the question just posed will become clearer if the following hypothesis is accepted. That it was the declared intention of the Central Bank to intervene on the side of International Trust that set the stage for what we have described as the struggle for power over the financial system of Trinidad and Tobago between

¹⁴Sunday Express, August 28, 1983. Page 1, International Trust fights"

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the old financial elite and the political elite represented by the technocrats in the Central Bank.

Thirdly, the new Chairman of International Trust Limited, in a speech broadcast on both Radio and TV simultaneously, sought to allay depositors' fears that their money was

"in jeopardy or has been or will be used to pay any fine or legal costs of anyone"

and assured them that

"should any person or persons request a withdrawal International Trust Limited can meet that request promptly".¹⁵

Secondly, according to the Trinidad Guardian of September 10, 1983

"a roomful of depositors answered this announcement."

But what really brought the affairs of Carifinance Holdings Limited and its subsidiary, International Trust Limited, under the glare of the public? Our view concurs with that articulated by the Stockbroking firm, Money Managers Limited. In their column, "the Money-Mart" of September 4, 1983, they asserted -

¹⁵ Trinidad Guardian, August 29, 1983. "Not to Worry, ITL tells its depositors".

"When it was first announced that Carifinance Holdings Limited had reported a loss of a little less than \$2 million for the year ended December 31, 1982 it created shock waves in the Financial community.

It then became clear that International Trust Limited, the major subsidiary of the Carifinance group, had itself reported a loss of a little over \$1 million.

When it was reported in the same week that the Chairman and Managing Director of the group had incurred fines totalling some TT \$7.2 million for foreign exchange violations, it appeared to be too much for many of International Trust's fixed depositors to bear, and a run began at International Trust."¹⁶

All eyes, therefore, turned towards the Central Bank and International Trust Limited.¹⁷ Could International Trust Limited meet all its depositors' requests promptly? And just as importantly, if it couldn't, would the Central Bank keep its promise? The Central Bank, however, according to the September 2nd Trinidad Guardian, declined to comment.

Interestingly enough, however, our latter question was not the one posed by those connected with an speaking through the Trinidad Guardian and its sister newspaper, the Sunday Guardian. What was, in fact, asked was, could the Central Bank keep its promise?

¹⁶ Sunday Guardian, September 4, 1983. "The Situation at International Trust", p. 10. It should be noted that after a successful court appeal, the fines mentioned were reduced considerably.

¹⁷ See, for example, Letter to the Editor, Trinidad Guardian, September 3, 1983 as well as a series of articles in one of the country's weekly newspapers, The Bomb, beginning September 2, 1983.

"This promise seems to us to be well outside the law governing the operation of the Central Bank itself".¹⁸

Furthermore, after quoting Clauses 36(g) and 37(i) of the Central Bank Act, the Trinidad and Tobago Central Bank was challenged to offer the

"nation a full explanation, not disjointed remarks to individual media person".¹⁹

Just as importantly, this editorial provides us with two further bits of critical information. Firstly, it tells us the position which the old financial elite wanted the Central Bank to adopt and secondly, why this position was wanted.

The old financial elite's preferred position for the Central Bank is clearly seen in its embrace of the sentiments expressed in a letter to the Editor carried in its September 3rd edition. After characterising International Trust Limited as a fringe institution, the letter writer went on,

"The promise of support by the Central Bank ... while being praiseworthy from the point of view of saving innocent and inexperienced depositors from losing their deposits, does not teach them

¹⁸ Sunday Guardian editorial, September 4, 1983.

¹⁹ Ibid.

a lesson, and that lesson is, that the seeking of high interest rates offered by such "high-flyer" institutions carries with it a commensurately high risk."²⁰

In short, let the institution go under. After all, stated the editorial,

"Commercial Bankers have objectively held that depositors in non-banking institutions are fully exposed.

... the bailing out of any company is not a function of the Central Bank, but the Bank, we suppose, can advise the Government to take some action that may cause large depositors to breathe more easily."²¹

What is equally interesting about this position is that as in most situations of conflict, it contains within it, areas of agreement between the contending actors. In this case the area of agreement is for some form of State intervention to protect "large depositors", among whom as it would later be revealed would be the established churches and insurance companies.

But why such strong feelings? The explanation, we think, is two-fold. Firstly, because the old financial elite perceived the non-bank financial institution as a "fringe institution" encroaching upon what they perceived as their territory and secondly, because these institutions were being used to purchase equity in what was described as "front-line firms".

²⁰Letter to the Editor, Trinidad Guardian, September 3, 1983.

²¹Sunday Guardian Editorial, September 4, 1983.

How would the Central Bank respond? As early as August 28, 1983 it was clear that the Central Bank did not share the view of the old financial elite concerning the future of International Trust Limited. This was made clear in the Central Bank Governor's statement to the Sunday Express of that date. In that statement, the Bank's Governor is reported to have pointed out that finance houses and Commercial Banks were different types of financial institutions.

"The Banks, he said, have been in business for years. The finance houses are relatively new and they ought to be allowed an opportunity to grow."²²

It is important to recall, however, that between that statement and the old financial elite's challenge to the institution to respond if it could, according to the letter of the law, not only had a run taken place on International Trust Limited, but its parent Company's shares had begun to fall dramatically on the Stock Exchange and more than that, there were no buyers on the market.²³

It is in this context, therefore, that one has to pay close attention to the press release of the Central Bank, dated September 5th. It should immediately be pointed out that this statement differs remarkably from the

²²Sunday Express, August 28, 1983, p. 1. International Trust fights

²³Express, Wednesday, September 7, 1983, p. 3. Also Express, Saturday, September 10, 1983, p. 1.

Two things need to be noted about this statement. Firstly, the run on International Trust Limited estimated in the Express of September 7, 1983 as "more than TT \$30 million" placed this company in a precarious financial situation.

Secondly, unlike the more dramatic interpretations of this intervention by the Central Bank as carried in the Trinidad Guardian of September 6, 1983 which stated that "the Central Bank made it clear that it is unlawful for ITL to allow deposits to be withdrawn before the one year stipulated agreement of investment",²⁶ and the Express of September 7th which stated that the Central Bank

"stipulated that finance houses stick to the letter of the law and not repay deposits before one year".²⁷

a more accurate description of the Central Bank's intervention would have been to simply highlight Paragraph 3 of the above-mentioned statement which said, among other things

"The Central Bank, therefore, has pointed out this interpretation to International Trust and the Company has agreed"²⁸

²⁶Trinidad Guardian, September 6, 1983 "ITL Depositors Must Await Maturity".

²⁷Express, Wednesday, September 7, 1983, p. 3. "International Trust Limited would have gone under".

²⁸See Press Release, Central Bank of Trinidad and Tobago, op. cit.

What we are suggesting here, therefore, is that rather than cast the burden of this action on to the shoulders of the Central Bank, those stories appearing in the Press could have emphasized the fact that it was the Directors of the drowning company who gladly caught the rope thrown by the Central Bank.

As events would turn out later, this intervention by the Central Bank which was significantly different from the one expected as a result of the August 26th intervention could, in our view, be legitimately criticised.

Remember, as we pointed out earlier, the Central Bank was one of the inner circle of men and institutions who knew what was taking place. Because of its power and position in the financial system of the country it had two clear responsibilities. The safeguarding of depositors and the smooth and efficient management of the system. It appeared to be dispensing these responsibilities after the horses had bolted.

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Not surprisingly, therefore, the old financial elite responded in two ways. First of all, it turned the screws on International Trust Limited. As both dailies reported in their editions of September 10th, depositors' cheques were bouncing all over the place.²⁹

²⁹Trinidad Guardian, Saturday, September 10, 1983. Pg. 1.

Secondly, according to a report in the Express of the above-mentioned date, International Trust had entered into discussions with this group in an attempt to secure a line of credit of TT \$15.5 million.³⁰ The group's response was predictable once the first response was made.

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Thirdly, and most importantly, through an editorial in the Sunday Guardian of September 11, headlined "Whose Central Bank is It", it challenged not only the role of the Bank -

"In the worsening International Trust Limited crisis, the role of the Central Bank has become curiouser and curiouser The Bank issued a statement of confidence in ITL. The Bank's Governor also declared that ITL has observed the legal requirements as a financial non-banking institution.

The Bank has now declared that depositors cannot withdraw their money from ITL unless it has matured."³¹

but, also questioned the efficiency of the Bank in its role as Financial Manager of the system.

"..... how true", it stated "was the Bank in asserting that ITL had observed the legal requirements."³²

³⁰ Express, Saturday, September 10, 1983, p. 1.

³¹ Sunday Guardian, Editorial, September 11, 1983, p. 6.

³² Ibid.

The Editorial further asserted that the Bank must tell the public beyond Clause 15(1) (a).

"How the Company met the requirements of other clauses. Clause 34 (1) for example, required the Company to publish its profit and loss account, balance sheet and auditor's report within three months after the end of its financial year."

"What has done about this?"

"On the limited evidence available it seems the Bank has not concerned itself much or at all with the protection of the public which this Clause seeks to provide. Indeed, another finance house published only on Thursday last its accounts for the financial year ended November 1982. This is more than six months later than the stipulation of the law."

"The issue now is how well the Bank has been discharging its duties under the Financial Institutions (Non-Banking) Act. It is time for a detailed accounting, more than the formal reports which the Bank is required to give."³³

International Trust's predicament then triggered two other responses which would both be important to the Central Bank.

Firstly, representatives from the other Finance Companies in existence, all rushed to assure the public that their companies were safe and sound and were, in fact, benefitting from ITL's current situation. One spokeswoman, however, pointed out:

"Things are normal. We are getting business and

³³ Ibid.

have not had any withdrawals. . Not yet, she added."³⁴

and secondly, on the Stock Exchange, the shares of International Trust's parent company, Carifinance Holdings Limited, continued to plunge from a market value of \$5.05 as at August 3 to \$2.95 on September 12; with no takers arriving on the market.³⁵

It is in this context, therefore, that one has to view the challenge, as reported in the Trinidad Guardian of September 12, of "some top members of the legal profession" to the Central Bank's interpretation of the law, published in its release of September 5. These individuals contended that:

"according to the Bills of Exchange Act, any legitimate holder of a cheque may sue the drawer of the cheque for its value if it is not honoured"³⁶

and furthermore

"unless a cheque has been issued in some defective way, it should be honoured and an order from the Governor of the Central Bank cannot, without question, remove that right."³⁷

³⁴ Trinidad Guardian, Saturday, September 10, 1984. "Business gets better elsewhere".

³⁵ Trinidad Guardian, "Tremor at ITL Widens". Monday, September 12, 1983, p. 1.

³⁶ Ibid.

³⁷ Ibid.

It can now be argued, we think, that the old financial elite's rebuttal of the two responses of the Central Bank constituted a challenge to the very legitimacy of that institution's power and the way it appeared to be used.

This view, we think, is best substantiated by a close reading of an article entitled "The legal issues created by the ITL affair".

"Does the Central Bank have the power to make advances to ITL?" asked the Trinidad Guardian. "Such advances can only be made on the security of certain specified forms of property such as Treasury Bills or Government Securities etc."³⁸

Secondly, does the present legislation give adequate protection to depositors?

"The two main aspects of depositor protection are (1) the requirement that finance companies hold a reserve account with the Central Bank totalling three percent of their total deposit liabilities;

(2) The requirement that finance companies create a reserve fund into which 10 percent of net profit after tax should be transferred each year until the amount standing to the credit of that fund is equal to the paid up share of the company.

However, since there is no stipulation in the law as to what the minimum paid-up share capital of a finance company should be it is unlikely that the aforesaid reserve fund would be adequate to cover total deposit liabilities at the present time and it is uncertain at what point in time in the future the reserve fund would be adequate. In addition, Section 22 of the Act provides the deposit liabilities of finance companies shall not exceed 20 times the sum of its paid-

³⁸ Trinidad Guardian, Friday, September 16, 1983.

up share capital and reserve fund. But there again, there is no stated sum which the paid share capital of a finance company should attain.

Consequently there does seem to be some need for the Act to state what the minimum paid-up share capital of a company should be if total deposit liabilities are not to exceed reserves by a substantial ratio."³⁹

Furthermore, it was emphasized

"..... the Central Bank does have extensive powers to investigate the affairs of finance companies in order to ensure that their affairs are not carried on in a manner detrimental to the interest of depositors."⁴⁰

Whether it is as a result of this challenge to the legitimacy of its position in the financial system or perhaps more pointedly to the correctness of its intervention is not clear, but the Central Bank abandoned its original position and ordered the suspension of business by International Trust Limited on the 15th September for a period of two weeks and instructed the Inspector of Banks to take charge of all the company's books, records and assets. This decision, the Bank emphasised, was "in the interest of the depositors of the company".⁴¹

No. Maturing deposits could not be honoured.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Express, Friday, September 16, 1983.

There are two bits of information in the Central Bank's Press Release of September 15th that are important to grasp.

First of all, when the Central Bank directed that

"the Inspector of Banks take charge of all the books, records and assets of ITL",⁴²

it has by this action conceded to the criticisms levelled by the old financial elite, and secondly, even though the Central Bank stressed that this intervention was

"in the interest of the depositors of the Company"⁴³

it is clear that larger considerations, such as the implications of the fate of ITL, were uppermost in the minds of the Bank Directorate.

That this was the case, is evident from a close reading of a statement made by a Senior Central Bank official. After referring to the present financial problems faced by International Trust Limited, he pointed out that "The Central Bank must ensure financial stability and the protection of depositors' funds within the constraints of the law and good judgement."⁴⁴

⁴² Press Release, 15th September, 1983, Central Bank of Trinidad & Tobago.

⁴³ Ibid.

⁴⁴ Express, Friday, September 16, 1983. Page 16.

Furthermore, he pointed out

"In situations where the viability of a financial institution is threatened and the safety of depositors' funds may be at risk, the Bank has the responsibility to coordinate the efforts of all concerned to ensure that public confidence is maintained."⁴⁵

This latter statement is important because it does two things. First of all, it locates the responsibility for the solution to the problem in the hands of the Central Bank and secondly, it allows us to better focus on the Central Bank's

"decision to suspend the business of the company for a period of two weeks."⁴⁶

About this, one can perhaps conclude two things. Firstly, that the Bank had a solution to the problem and secondly, it would take two weeks to be implemented. But was this company recoverable and if so, how?

⁴⁵ Express, Friday, September 16, 1983, p. 16.

⁴⁶ Press Release, Central Bank of Trinidad and Tobago, September 15th 1983.

COULD INTERNATIONAL TRUST LIMITED BE RESCUED?

It is clear that there were four options open to those taking part in this saga.

- Option One : Let the company fold and let those who risked their deposits accept the full burden of that risk.
- Option Two : Encourage the local banks and other local finance houses to make a direct investment in International Trust Limited and Carifinance Holdings Limited.
- Option Three : Get a foreign financial institution to make a direct financial investment in the two institutions.
- Option Four : Obtain foreign funds, through a local institution.

Let us now examine these options in the light of certain developments which took place during and after the initial two week suspension of business. First of all, from the perspective of the Central Bank, Option One was out of the question. It was out of the question not only because its implementation would have done irreparable harm to depositors, but more importantly, it would have handed over control of the financial system to the old financial elite. The Central Bank, therefore, had to find a solution which not only ensured its continued

control of the financial system, but maintained public confidence in its capacity to oversee the system.

From the perspective of Maritime Life, this option was also unacceptable. This was so not only because of its considerable investment in the Parent Company, but because its principals should be seen as part of the new financial and political elite of the country.⁴⁷

This option would not have been acceptable to the auditors, Pannel Fitzpatrick either, because closure of the company would call into question its reputation as an audit firm.

Option Two, rebuild the company with financial support from the old financial elite, though acceptable and possibly the option most preferred by the Central Bank, was obviously unacceptable to the old financial elite, whose goal was to eliminate these "fringe" institutions. If, however, it is assumed that this option could have been acceptable to the old financial elite, the question that would have to be answered is, on what terms?⁴⁸

Option Three and Four, which both involved direct financial support from a foreign financial institution were, of course, the only

⁴⁷ A close analysis of social and political connections of the Directors of Maritime Life (Caribbean) Limited would substantiate this.

⁴⁸ Some elements of an answer seem to be contained in the statement of ITL's new Chairman. Trinidad Guardian, September 16.

available options.

Let us, therefore, examine these options carefully because as subsequent events demonstrated, there were problems associated with them. First of all the realisation of either of these options involved not only the consent of the Central Bank, but would involve as well the setting in motion of the bureaucratic machinery of state.

Secondly, from the point of view of the main actors, a foreign assisted solution was also not going to be easy. It would appear, therefore, that it is in this context that one has to understand first of all the statement of Maritime Life Insurance Company Chairman, whose company we earlier pointed out had a thirty percent stake in Carifinance Holdings Limited when he informed the nation immediately upon the suspension of operations of International Trust Limited, that

"When I was asked to assume the Chairmanship of ITL for the purpose of assisting the company² in finding a long term solution to its problems, I did so on certain conditions, some of which have not yet been met."⁴⁹

and secondly, the fight for control over ITL which ensued, a fight which would continue well past the two week suspension order by the Central Bank and cause this institution to extend the order for another two weeks. Though it is not clear from subsequent events to what institution

⁴⁹ Trinidad Guardian, Friday, September 16, 1983.

or interests Maritime Life as minority shareholder was responding, what becomes clear is that from its perspective one part of the solution to the financial problems of ITL was to gain the ascendancy in this saga. This, it proceeded to try to do by doing two things. First of all, it announced the appointment of its members to the Board of Directors of ITL and assumed the Chairmanship at the same time. As events turned out subsequently, one can only assume that there was an understanding between the parties that a commensurate number of old directors of ITL would have resigned when Maritime Life (Caribbean) Limited made its appointments.⁵⁰

Secondly, through the new Chairman, who was Chairman of Maritime Life (Caribbean) Limited as well, Maritime Life sought to become the dominant partner in the parent firm, Carifinance Holdings Limited, by requesting shareholders to transfer twenty-one percent of their shares in exchange for Maritime Life's promise to organise the financing necessary to restore liquidity to International Trust Limited. Should Maritime fail to organise the necessary financing, all shares transferred would then be returned.⁵¹

This move by Maritime Life Limited must be seen as well in the context of the fact that on September 20, 1983 the Trinidad and Tobago

⁵⁰ Both the calibre and experience of those appointed by Maritime Life suggests this.

⁵¹ Trinidad Guardian, September 23, 1983, also The Bomb, Friday, September 30, 1983.

Stock Exchange had suspended trading in the shares of Carifinance Holdings Limited,⁵² whose shares had fallen from a price of TT \$4.50 at the start of the run on International Trust Limited to TT \$1.95.⁵³

Interestingly, the move by Maritime Life Caribbean Limited was countered by the Chairman of Carifinance Limited who assured Stockholders that, "he would be able to obtain the necessary financial backing to revive the company on one condition; that all Maritime men on the Boards of International Trust Limited and Carifinance quit".⁵⁴

What seems clear from the above is that one condition imposed by the foreign source of funds is that there be only two shareholders. Either Maritime or those backing the Carifinance Chairman had to go. The question was, which one?

This development brought forth new moves and counter moves by the two parties. First of all, the new Chairman of International Trust Limited was reported as saying that Carifinance owed TT \$25 million to International Trust Limited and that certain Directors of Carifinance also owed International Trust TT \$15 million.⁵⁵

⁵² Express, Wednesday, September 21, 1983, p. 1.

⁵³ *Ibid.*, p. 1.

⁵⁴ Trinidad Guardian, Tuesday, September 27, 1983, p. 1. See also, Express, Wednesday, September 28, 1983.

⁵⁵ Trinidad Guardian, Tuesday, September 27, 1983.

Secondly, in a statement issued on September 26, it was pointed out that Maritime Life (Caribbean) Limited

"had been asked to organise a rescue operation in respect of International Trust and had indicated that it is prepared to do so."⁵⁶

Furthermore, it was pointed out that Maritime Life (Caribbean) Limited had

"specified certain conditions to be met which it regards as absolutely essential to restoring confidence in International Trust."⁵⁷

However,

"If the present majority shareholders of Carifinance are able to achieve this objective and provide International Trust with the funds required there will be no need for Maritime to embark on these rescue operations."⁵⁸

Thirdly, International Trust Limited, whose Chairman as we earlier indicated, was at the same time Chairman of Maritime Life, filed a writ against Carifinance Holdings Limited for the recovery of TT \$25 million.⁵⁹ This last move by Maritime Life (Caribbean) Limited was

⁵⁶ Express, Tuesday, September 27, 1983, p. 3.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Trinidad Guardian, Thursday, September 30, 1983. Also, Express, September 30, 1983.

countered by those still in control of Carifinance, who contested the validity of Maritime's presence on the Board of International Trust and, therefore, the authority of the Chairman to act on behalf of the Company.

In a letter dated September 19th and published in the Trinidad Guardian of September 29, 1983, the Chairman of Carifinance Limited wrote as follows:

"It has been brought to our attention that the resolution passed by the Board of Directors of International Trust Limited on Monday 26th August, 1983 purporting to appoint three additional members of the Board ... was in fact impossible of implementation in view of the provisions of Article 72 of the Articles of Association of the Company. Article 72 stated: unless and until the Company in General Meeting shall otherwise determine, the Directors shall not be less than three nor more than nine.

The purported appointment of these three persons is therefore invalid."⁶⁰

In addition, in an exclusive interview carried in the Express of September 30, 1983 the Chairman of Carifinance informed the public that he had financial backing to the tune of "some TT \$200 million" from a Middle East Bank whose name he said,

"I prefer not to disclose".⁶¹

⁶⁰ Trinidad Guardian, Thursday, September 29, 1983, p. 1.

⁶¹ Express, Friday, September 30, 1983, p. 1.

Furthermore, he pointed out, he had no intention of being a

"Martyr because I chose to fight the establishment".⁶²

What becomes clear from the above, therefore, is that by articulating a figure of TT \$200 million, the Chairman of Carifinance was either bluffing or was clarifying for the public how much money was actually needed by International Trust Limited, to meet its commitments as well as to buy the necessary time to restore public confidence.

But could there really be a future for International Trust Limited? This question was raised again in the public's mind when it was reported that "The Central Bank has reportedly queried a TT \$6.5 million mortgage of International Trust Limited's Headquarters".⁶² This information came by way of a letter from the Chairman of International Trust Limited to the Company's Secretary stating that

"Neither I nor any member of the Board of International Trust Limited to whom I have spoken had been aware of the transaction."⁶³

Was it, therefore, this discovery or the announcement by the Carifinance Chairman that he had access to TT \$200 million or the challenge to the legitimacy of their position on International Trust Limited's Board,⁶⁴ that caused all personnel of Maritime Life who were Directors of Carifinance Holdings Limited, and International Trust Limited, to

⁶²Trinidad Guardian, Friday, September 30, 1983, p. 1.

⁶³Ibid.

⁶⁴For further developments see Express and Trinidad Guardian, Saturday, October 1, 1983.

resign with immediate effect from the two Boards?⁶⁵

Our contention is that it was the announcement of the Carifinance Holdings Limited Chairman's access to TT \$200 million. Close reading of the letter addressed to the Deputy Governor of the Central Bank bears this out,

"You are aware of the efforts which we have been making to arrange a rescue operation for International Trust Limited. However, at a time when the mechanics of the rescue operations are being finalised it has been announced that other persons have allegedly received \$200 million to provide ITL with the funds to immediately repay its depositors provided that Maritime Directors resign from the ITL Board.

Since Maritime's paramount concern has always been to safeguard the money of the depositors. Maritime would not wish to do anything to prevent the depositors from receiving their money out of the \$200 million allegedly available from Arab Bankers."⁶⁶

This move by Maritime Directors was critical because at the same time that it allowed them to exit from an increasingly difficult economic and legal situation, it allowed them as well to place the onus of not only refloating the Company but more importantly from the public's view point, of repaying the depositors, squarely on the shoulders of the

⁶⁵Trinidad Guardian, October 3, 1983.

⁶⁶Ibid.

majority shareholders in Carifinance Holdings Limited.

But if the option which depended heavily on foreign support was going to be the immediate solution to I.T.L.'s problems, which option was it going to be?

Recall, we contended, that Option Three involved getting a foreign financial institution to make a direct financial investment, and Option Four involved obtaining funds through a local institution. The wrangling as we have described it in our view, caused Option Four to be discarded. Option Three, therefore, was the only available option. The question, therefore, was on what terms would Option Three be operational?

It is here, in our view, that the Central Bank as representative of the new political and financial elite re-enters the picture. This is so because in our view Option Three was dependent on the approval of the political elite. As an option, it involved the entry into the domestic financial system of a foreign participant, a system which had become increasingly localized since the 1970's. More importantly, as the option chosen, it would mean that in this fight for control over the domestic financial system, the old financial elite would have lost. For, as the Express Editorial of October 4th reminded readers, it was pressure by key spokesmen of the local business community that caused the Trinidad and Tobago Government to swiftly debate and pass the Aliens Landholding Act.

But this option, it would appear, drowned. It was suffocated not only by the spate of writs filed by numerous depositors, some of which won uncontested judgements in the Trinidad and Tobago Courts,⁶⁷ but also because it was dependent upon the life raft of the Central Bank, whose judgement as to the solvency of the Company would come after the Inspector of Banks had submitted his report.⁶⁸

This report put paid to Option Four and the Central Bank applied to the Courts for the Company to be put into receivership. With the Inspector of Banks duly appointed receiver, he was given by the Court the authority to

"gather in and to take possession of, protect and preserve all the property of International Trust Limited and to take any proceedings he thinks expedient for that purpose and to collect all debts owing to the Company.

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There are two further questions which can now be asked. Firstly, was there a further option for the recovery of International Trust Limited and secondly, and perhaps most importantly, are there any institutions both public and private established to protect the public from a recurrence?

⁶⁷ See Trinidad Guardian, Wednesday, October 5, 1983: It should be pointed out that several more writs were filed after this date.

⁶⁸ It is useful to note that newspaper reports indicated that on the eve of the Central Bank's decision, requests by certain parties were being made to have still a further extension of time so as to exercise Option Three.

⁶⁹ Trinidad Guardian, Thursday, March 1, 1984. It is useful to bear in mind that this judgement was immediately appealed.

It would appear as though for some interested parties there was a final option. This option involved the use of a State financial institution which would "absorb the assets and liabilities of International Trust Limited".⁷⁰ To this writer, such an option was a non-starter if only because in our view the State's preferred option was Option Three.

In conclusion, let us now seek to answer the one question which really occupied public attention. Should the Saga of International Trust Limited have occurred, given the existence of several State regulatory agencies, among which can be found that of the Inspector of Banks, whose office has wide powers of investigation designed to ensure that Companies such as International Trust Limited function within the provisions of the law governing their operations.

With respect to the office of the Inspector of Banks, there are two observations that can be made. Firstly, his role is, in our view, nothing more than the role which a competent Board of Directors should play. Secondly, if the Financial Institutions Non-Banking Act is read carefully, one would discover that not only is the Inspector of Banks not an officer of the Central Bank, but more importantly, the ultimate responsibility for the regulation of these institutions is vested in the political directorate.

⁷⁰See Challenge, October 5, 1983, p. 5.

If this last observation is understood, then the point to be made is that the exercise of regulatory functions as a technical process should be located in the wider social and political milieu.

In essence, the office of the Inspector of Banks could in the case above have been more vigilant. But strengthening the technical arm need not be the solution.
