

# Official Report

*PROCEEDINGS AND DEBATES OF THE NATIONAL ASSEMBLY OF THE FIRST SESSION (2015-2018) OF THE ELEVENTH PARLIAMENT OF GUYANA UNDER THE CONSTITUTION OF THE CO-OPERATIVE REPUBLIC OF GUYANA HELD IN THE PARLIAMENT CHAMBER, PUBLIC BUILDINGS, BRICKDAM, GEORGETOWN*

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91<sup>ST</sup> Sitting

Friday, 13<sup>TH</sup> July, 2018

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*The Assembly convened at 2.14 p.m.*

*Prayers*

*[Mr. Speaker in the Chair]*

## **ANNOUNCEMENTS BY THE SPEAKER**

### **Death of Head of Committees Division**

**Mr. Speaker:** Honourable Members, it is with deep regret that I inform you that Ms. Debra Hermina Cadogan, Head of the Committees Division of the Parliament Office, died on Tuesday, 9<sup>th</sup> July, 2018, at the Georgetown Public Hospital Corporation (GPHC) after a very brief illness. At the time of her death, Ms. Cadogan was living at Section 'C' Lot 1 Dr. Miller Street, Triumph East Coast Demerara. She was 56 years old, having been born on the 21<sup>st</sup> November, 1962. She has served us from the 6<sup>th</sup> October, 1999, a total of 19 years.

The Parliament Office has determined that a suitable memorial for her passing will be a wake which will be held in the North Western Part of the Parliament Compound, on Tuesday, 17<sup>th</sup> July, 2018 from 7.00 p.m.

The funeral service will take place on Wednesday, 18<sup>th</sup> July, 2018, at the Christian Tabernacle Church, 301 Church Street, South Cummingsburg, Georgetown. There will be viewing of the body at the Merriman's Funeral Home from 12.30 p.m. to 1.30 p.m., on that day. There will be a church service also from 2.00 p.m. to 4.00 p.m. and a further viewing from 4.05 p.m. to 5.00 p.m.

She will be interred in her home village of Beterverwagting, East Coast Demerara.

## **STATEMENTS BY MINISTER, INCLUDING POLICY STATEMENTS**

### **Clarity on the facts presented by the Media regarding the “seemingly high number of neonatal deaths at the Georgetown Public Hospital Corporation”**

**Mr. Speaker:** Hon. Members, the Hon. Minister Volda Lawrence has indicated that she wishes to make a statement. You have the floor Minister.

**Minister of Public Health [Ms. Lawrence]:** Mr. Speaker, I wish to thank you for this opportunity to address this honourable House and to provide clarity on the facts presented by the media regarding the “seemingly high number of neonatal deaths at the Georgetown Public Hospital Corporation. Sir, in my response yesterday, I stated that the number of neonatal deaths recorded for the period 1<sup>st</sup> June, 2017 – 30<sup>th</sup> June, 2018 was 119. I wish to emphasise that these figures are not representative of the period 1<sup>st</sup> January, 2018 – 30<sup>th</sup> June, 2018. Further, if we are to look at the total number of deaths at the Neonatal Intensive Care Unit (NICU) for the period 2014-2017, we will observe that there has been a significant decrease in the number of neonatal deaths from 295 in 2014 to 101 in 2017. Sir, I wish to highlight this and point out to this honourable House that this represents a very substantial decrease in the number of our NICU deaths.

I wish to assure this honourable House that every life in the Neonatal Intensive Care Unit – NICU - is precious to all and the Ministry of Public Health, the Pan American Health Organisation (PAHO) and other agencies are working in concert to further reverse the trend of neonatal mortality in Guyana.

Sir, let me emphasise that the Georgetown Public Hospital Corporation has the only and I stress the only Level 3 NICU in Guyana and this means that the Georgetown Public Hospital Corporation is the only public hospital that is capable of providing a neonate with invasive breathing support. The GPHC receives the most vulnerable and high risked neonates from all the public and private medical institutions countrywide. I repeat the GPHC receives the most vulnerable and high risk neonates from all the public and private medical institutions countrywide. This therefore means, Sir, that the majority of these sick babies are not there from

the inception at the GPHC, but are admitted to access the Level 3 NICU. The GPHC provides care to all babies and do not turn away any sick baby that arrives. As a consequent, the GPHC is anticipated to have a higher death rate than other hospitals because of this intake of vulnerable babies.

I wish to remind this honourable House that, at present, GPHC only has the capacity to support 18 babies simultaneously in our NICU. The Ministry of Public Health is working conscientiously in collaboration with the Inter-American Development Bank (IDB) to enhance and expand the facilities in the NICU cognisant of our mandate enshrined in the Sustainable Development Goals.

Therefore, I wish to reiterate that the Ministry of Public Health and the Georgetown Public Hospital Corporation value the life of every patient, especially our babies in the NICU. We will continue to do our uttermost to ensure that this facility functions at its optimum to reduce the level of neonatal mortality in this country.

I thank you. *[Applause]*

## **PUBLIC BUSINESS**

### **GOVERNMENT BUSINESS**

#### **BILLS – Second Readings**

##### **NATIONAL PAYMENTS SYSTEM BILL 2018 – Bill No.4/2018**

“A BILL intituled AN ACT to provide for the establishment, regulation and oversight of a National Payments System and for matters connected therewith”. *[Minister of Finance]*

**Mr. Speaker:** Hon. Members, we will now proceed with the Second Reading of the National Payments System Bill 2018 – Bill No.4/2018, published on the 24<sup>th</sup> April, 2018.

**Minister of Finance [Mr. Jordan]:** I rise to move that the National Payments System Bill 2018 - Bill No. 4/2018, published on the 24<sup>th</sup> April, 2018, be now read a second time. By way of a definition, a national payment system does not only entail payments made between banks, but encompasses the total payment process. This includes all the systems, mechanisms, institutions, agreements, procedures, rules and laws that come into play from the moment an end user using a

payment instrument issues an instruction to pay another person or a business through to the final interbank settlement of the transaction in the books of the Central bank.

Therefore, the national payment system enables transacting parties to exchange value to conduct business efficiently. Yesterday, we referred to the International Money Fund (IMF)/World Bank's Financial Market Infrastructure Report that embedded, for example, changes to the Financial Institutions Act, Insurance Act and to the Bank of Guyana Act, and, hopefully, the Deposit Insurance Act. For example, that report indicated that Guyana's national payment system is still nascent - that means it is still coming into existence. As we would say in local parlance, "it is still green".

Payments services mechanisms lag behind the needs of the economy. National payments system gaps include deficiencies in the underlying legal and regulatory framework, interbank payments mechanisms and retail services. Most payment transactions required the physical exchange of paper based payment instruments and some manual processing.

The interbank operability of payment services is very limited and subject to clearing and settlement delays. The cost of remittance services is high by international standards and is rising. However, there are some innovative retail payment services, including bill payment and e-money services, which have seen promising growth and demand. There is still no infrastructure to support electronic transactions, including critical wholesale payments and securities settlements. Interbank currency trades, money market transactions, collateral placement in Government securities and Government security trading, are all executed bilaterally. There are no market infrastructures to electronically record transactions, manage risks, provide market transparency or enable the Bank of Guyana to monitor developments on a timely basis.

Further, Government's payments to employees and pensioners require a combination of in-person delivery of physical cheques or vouchers and the electronic delivery of the needed payment information. Hence, the report recommended that the Bank of Guyana design a national payment system development strategy, build capacity for real-time monitoring and analysis of National Payment System activities and establish mechanisms for containing risks.

*2.29 p.m.*

The National Payments System Development Strategy should identify the core payment system infrastructure needs and develop a sound legal and regulatory framework and the catalytic pillars for advancing the usage of electronic payments.

The National Payments System should also be supported by sound organisational arrangements with the lead role for the Bank of Guyana in designing and implementing the National Payments System Strategy and improving National Payments System oversight and real-time monitoring analysis of National Payments System activity.

It is against that background that the National Payment System Bill is before the House today. The existence of a sound and predictable legal environment for payments is considered to be the basis of a sound and efficient National Payment System.

According to Principle 1 of the *Principles and Financial Market Infrastructure*, which is a Bank of International Settlements and International Organizations of Securities Commission Report, a financial market infrastructure:

“should have a well-founded, clear, transparent and enforceable legal basis for each material aspect of its activities.”

Guyana’s National Payment System vision, as articulated in the National Payment System Strategy 2018, is to:

“Build a robust, safe, sound, efficient and inclusive National Payment System that meets the current and future needs of the economy, supports financial activity and financial sector development, advances the use of electronic payments, contributes to financial risk mitigation, achieves compatibility with international systems and adheres to the relevant international standards, deadlines and codes.”

The National Clearing House, operated by the Bank of Guyana along with those forms of electronic transactions conducted among participants, are governed by rules agreed to by the participants and not by express statutory provisions. Hence, part of the reason the Bill is here is to enshrine what is being done now, first of all, into legislation and to take the opportunity of incorporating best practices into that legislation.

How did we reach where we are today? Efforts to reform the Guyana National Payment System commenced approximately four years ago. The Bank of Guyana, with technical assistance from the World Bank, through its Payment System Development Group, embarked upon a diagnostic exercise to reform the National Payment System and to propose a National Payment System Development Strategy to guide the Bank's efforts. During the scoping mission, the World Bank team met with staff from the various departments of the Bank of Guyana, two commercial banks, the Guyana Securities Council, the Guyana Post Office Corporation (GPOC), two remittance companies, Mobile Money Guyana, the Accountant General's Office and the National Insurance Scheme (NIS).

These meetings provided a high-level overview of the status of the National Payment System, the plans underway, the perspectives of the various stakeholders with respect to the National Payment System and the context within which reforms will need to be carried out.

In the discussion with the stakeholders and the Bank, the issue of justifying investments in a modern electronic payment system for a country like Guyana, with modest payment volumes, was raised. To address this, the World Bank proposed and undertook, in collaboration with a local firm, a detailed study of the cost of cash and other payment mechanisms prevalent in Guyana, to provide a strong basis for building a business case for reforms.

The study, which was conducted over a period of a year, concluded that a case was made for the modernisation of the payment system as moving to electronic payments and this could save the country \$6.5 billion annually. This comparative cost-study served as the basis to align stakeholders behind the goal of the National Payment System reforms, enabling dialogue and driving impact in creating innovative and country-specific solutions, and formed the basis for the support by the World Bank for the National Payment System Modernisation Programme.

This Programme began in 2016. Arising from this technical assistance, a draft National Payment System Act, along with supporting Regulations addressing electronic funds transfers, was prepared. In the 2016 Financial Sector Assessment Programme Report, mentioned earlier, there was recognition of some of the efforts already made towards modernising the System, including success of the first payment infrastructure called the National Cheque-Clearing House. This facilitated electronic banking transactions as far back as 2014.

Secondly, offering of some innovative retail payment services, including bill payments and e-money services, which had seen promising rates of growth in demand and which provided some strategic guidance on how the modernisation should be approached.

It was, however, pointed out that the available payment services and mechanisms lagged far behind the needs of the economy. Thus, the Financial Sector Assessment Programme (FSAP) Report noted that gaps in the National Payment System spanned the underlying legal and regulatory framework, inter-bank mechanism and retail services.

Some of the issues highlighted included: most payment transactions still require the physical exchange of paper-based payment instruments and at least some manual processing and inter-bank interoperability of payment services was limited and subjected to delays in clearing and settlement.

As you would know, Mr. Speaker, there have been dire consequences of our cash-based economy, including heightened criminal activities as it relates to large deposits and withdrawals from several commercial banks.

It was emphasised that, although the Bank of Guyana's existing statutory provisions granted oversight authority over payment system and covers certain types of payment services, such as international remittance services, and certain types of payment service providers, such as banks and money transfer operators, the current legal framework was not adequate, consistent and predictable and failed to address key provisions, including: (1) A definition of a payment system thereby delineating the scope of the Bank's jurisdiction; (2) clarity on the specific functions underlining oversight; (3) authority of the Bank to licence and supervise payment service providers not covered by the Financial Institutions Act 1995 and the Money Transfer Agencies Licencing Act 2009; (4) recognition of electronic signatures and documents; (5) electronic transactions/processing, including electronic processing of cheques and use of electronic and truncated cheques which limits the ability of the Bank to regulate and oversee the payments industry and impedes the adoption of cashless payments; (7) legal authority for the Bank to licence, regulate and oversee the provision of e-money and the participation of non-banks in the payment industry; and (8). finality of settlement.

During the work done prior to the 2016 FSAP, the National Payment System Act was revised under a new World Bank Technical Assistance Project which saw the Bank taking a holistic approach to the modernisation of National Payment System. For the immediate future - 2017-2021 - the Bank, in collaboration with the World Bank, will prepare a detailed National Payment System Strategy and Plan of Action. This Strategy defines the priority goals and actions of relevance for the immediate future as well as those to be achieved over the medium to long-term. The enactment of a robust National Payment System Act is one of the first actions identified to be taken.

The enactment of the National Payment System Act would result in the reduction of inefficiencies and potential risks in the payment infrastructure mainly by: (a) promoting soundness, safety, efficiency and competitiveness of the National Payment System of the country as a whole and of any of its components; (b) combating liquidity credit, counter-party, legal, systemic and any other risks affecting the reliability of the National Payment System, and indirectly, the whole financial infrastructure of the country; (c) ensuring interoperability and integration of systems; (d) guaranteeing access to systems; (e) savouring inclusiveness; (f) protecting users of payment services; (g) granting the Bank of Guyana clear authority for regulation and oversight; (h) payment systems, including all activities relating to processing, clearing and settlement; (i) clearing and settlement of securities; and (g) provision of payment services, including the issuing and management of payment instruments.

This Act also addresses the issue of financial inclusion by providing for payment services to be offered through agents and outsourcing of payment activities through third parties, subject to the Bank of Guyana's oversight. This would allow for the services to be offered throughout the length and breadth of Guyana. The provisions of the Act would be supported by implementing Regulations which the Bank has the power to issue.

How does this legislation compare with legislation elsewhere in the Caribbean Region, for example? With the enactment of this legislation, Guyana will join some of its sister jurisdictions in the Region which have embarked upon similar reform exercises and have enacted legislation to address the National Payment System in their respective countries.

For example, in Trinidad in 2006, the Central Bank issued a Payment System Policy document. This was followed by significant changes to strengthen the legislative framework in 2008 with the enactment of the Financial Institutions Act 2008 and consequential amendments to the Central Bank Act by, among other things, enabling payment finality and making explicit the Bank's responsibility for payment system oversight and regulation and the authority to create regulations to execute its responsibilities; the creation of a payment system oversight framework for inter-bank payment system; the establishment of payment finality; recognition of netting agreements; and the protection of collateral arrangements and their enforceability in case of participant insolvency.

In the case of Jamaica, the Bank of Jamaica has the legal responsibility for oversight of the National Payment System. During 2010, the Bank of Jamaica enacted the Payments Clearing and Settlement Act under Phase 1 of the National Payment System Reform Programme. This Act vests the Bank with the oversight function for the payment system and gives the Bank the legislative tools that are required to support proper oversight of the National Payment System.

The Bank's responsibilities include the duty to ensure that participants operate in continuous compliance with the rules and regulations that underpin the various payment systems with the ultimate objective of engendering and maintaining public confidence in the payment system and the payment instruments that are routed through the systems.

*2.44 p.m.*

Finally, in Belize, the Central Bank of Belize, as recently as last year – 2017 - enacted a National Payment System Act during an ongoing reform process to improve and implement a modern payment systems infrastructure. The Central Bank of Belize also received technical assistance from the World Bank to devise a national payment system development plan and the legal and regulatory framework.

Mr. Speaker, from those readings, you could very well see why this Bill is here today in that we are here playing catch up with the rest of our Caribbean Community (CARICOM) colleagues; that our system is still rudimentary and needs substantive modernisation; and that we need to entrench our actions and future actions in statute.

For all those reasons, we have the National Payment System Bill before the National Assembly today and, with the passage of time today, hopefully, it would be passed unopposed.

Thank you very much.

**Mr. Dharamlall:** Good afternoon to everyone. I would like to acknowledge the salient comment of the Hon. Minister of Finance, when he spoke about, “heightened criminal activity” in Guyana.

I do not dispute the need for the implementation of a National Payment System in Guyana. As a matter of fact, the Hon. Minister of Finance, as he did just now and as he did yesterday as well, admitted that these modern financial Bills, including this one today, all had their genesis in the People Progressive Party/Civic (PPP/C) Government. The Hon. Minister is only implementing - and I would like to remind him - what was conceptualised, designed and set in motion by the People Progressive Party/Civic. Albeit though, the Hon. Minister has made modifications, despite how slight or minimal they were, as has other Ministers done with previous Bills and amendments, which have created undue hardship on the freedom and standard of living of our citizens.

The debate on this Bill could not come at a better time and, as the Hon. Minister said, with heightened criminal activity in Guyana. We now live in a country with rising crime, violent robberies, vicious attacks on bank customers and a myriad of other problems that threaten the wellbeing, safety and security of our citizens. All of this is happening while the *happy go lucky* Minister of Public Security and other Ministers are busy enjoying life in the comfort of their offices and newfound wealth, with fringes of personal bodyguards, heavily-tinted land cruisers, drivers’ expensive exotic foods and the like.

The challenges of life today are becoming seemingly insurmountable. A poor housewife, a struggling businessman or an unsuspecting young man or young woman leaving a bank is always terrified that a criminal is stalking them, nefariously, as they conduct their daily lives. People are robbed for meagre sums these days. Pensioners are brutally murdered for a few thousand dollars. That is the environment that is pervading. It is happening because there are no jobs, no opportunities, rise in poverty, uncontrollable drug use and, maybe, cynically, because they see the destruction of law and order in our country by some high officials of the Government. So, it imperative that, while we seek to implement laws which would further modernise our financial

system through enhanced efficiency, the passage of the Bill would also contribute, hopefully, to alleviating the fears of citizens from the seemingly uncontrollable crime that stalks and pervades our country today.

Even while the legal framework of the National Payment System is being contemplated this afternoon, there are issues that must be address today to ensure effectiveness and sustainability of an enhanced National Payment System. The movement of money within an economy is imperative to national development and prosperity. The movement of money is also critical to fostering innovation and financial inclusion, stimulating competitiveness and increasing the safety and security of financial transactions. The innovative financial firms that now operate within the global financial infrastructure also bring implications which need to be taken into account, especially those of that offer newer services that enhance customer relations, for example, retailers, [Ms. Ally: *Inaudible*] What about you shut up? Telecommunications companies...

**Mr. Speaker:** Hon. Member, Mr. Dharamlall, you would withdraw that remark, unequivocally, and you would not let it escape your lips again in this House. Please proceed.

**Mr. Dharamlall:** I do, unequivocally, withdraw the remark. Thank you, Sir. For example, retailers, telecommunication companies, as the Hon. Minister of Telecommunications would know, social media firms and financial technology start-ups are new on the global financial markets and operate at different levels than the [*inaudible*] bank-control infrastructure that we have in Guyana. To put into context, the business ecosystem is now much wider with more open solutions that previously. For example, it is noticeable that in the telecoms industry telecommunication companies previously owned the entire value chain, from device to network. Now, we have mobile virtual network operators operating on the operator's platform and branding their services straight to consumers.

Similarly, banks control the entire value chain in the payment system from plastic cards to settlement payments. Now, there are new entrants that use existing payment rules and who brand their online payments directly to clients, for example, PayPal, Ideal and so forth. These are brands that consumers look for rather than cards and scheme brands.

All of that being said, there are inherent risks in a National Payment System, and the Hon. Minister outlined some of them, risks which, I think, are not in so mountable, but risks which are associated with the payment culture in Guyana.

The Hon. Minister did mention, from the National Payment System Plan, some statistics. I had an opportunity to also peruse the National Payment System Plan. As at October, 2015 figures, there are 243 million payment transaction per year with cash accounting for 99% of them in Guyana; of the 243 million, we have consumers on the other side receiving 21.4 payments per year. We also have consumers conducting 4.4 million cash and cheque deposits per year. We also have consumers conducting 4.2 million cash withdrawals per year. We also have cases in terms of the payment programmes in ministries, especially through the Ministries of Finance, Social Protection, and I hope the Hon. Minister of Social Protection is aware of that, and the National Insurance Scheme (NIS). We have about 260,000 transactions that occur every month, about 11,000 per day or three million per year.

Regarding the risks that the Hon. Minister identified, one of the things which I think the Government, including the Plan, did not address in terms of credit risks, are cases where counterpart or settlement banks may not honour obligations when those obligations are due at the point of their maturity or thereafter.

The Hon. Minister also did not go into detail in terms of how liquidity risks would be treated, especially the challenge where counterpart or participating bank may not settle an obligation when it is due. This could, in some cases, drive fears of insolvency.

On the issue of systemic risk, where there is a failure of one participant to meet obligations when those obligations are due, causing other participants in the entire chain paying system to fail to meet their obligations, which would have far-reaching consequences...that is like third party operators within the system.

On the issue of operational risks, I did not see the National Payment System Plan, the utterances of the Hon. Minister or even within the framework of the Bill, how these may prevent electronic settlements due to operational and technical problems during the settlement or clearing process, as the Bank of Guyana is the only clearing house in our country.

In preparing for this afternoon, I spoke to someone who went the Guyana Revenue Authority (GRA) three days ago because they owed GRA on their Pay As You Earn (PAYE). When they went to the teller downstairs, the teller told them that because the system was down in GRA, they had to go to a bank, withdraw \$11,000 and go back and pay the GRA. When they were finished with that transaction, they had to go upstairs to receive a description of the interest charges, go back downstairs, get those charges, go to the bank again, and go back and pay GRA. Hon. Minister, these are things which you would need to deal with, considerably, as part of the operational risk.

On the issue of the legal risk, Hon. Minister, there is the unexpected interpretation of our laws leaving one or more of those participating in the National Payment System with unforeseen financial exposure and possibly losses. With Guyana being a new aspirant in the implementation of a National Payment System, there is no single recipe for a proper National Payment System. The Hon. Minister did identify the structure in which this National Payment System would operate in terms of who would be involved, in terms of the Bank of Guyana initiating, in terms of the priorities that would have to be invested in, and the types of infrastructure that may need to be considered.

In addition to the legislative framework, I think we also need to focus, Hon. Minister, on the impact of other institutional arrangements as supporting the National Payment System. I know the Government likes to use best practices as their mantra. In ensuring that best practices become the implementable design in our country, there are some issues that affect effectiveness.

One is inadequate knowledge on the scope of some of the basic elements of the National Payment System and which could result in *ad hoc* changes that would contribute to delays in participation in the system as well as the lack of vision or limited vision and trust among those who participate; limited information on the new payment needs and on the capabilities of the existing system in Guyana to meet those new or newer needs; weak support for implementation due to lack of consultation. The Hon. Minister probably would indicate later on to what extent consultation has taken place but not identify with whom consultation has taken place. Then, there is also the natural risk aversion to newer and innovative payment arrangements in our country because, like I said earlier, almost 99% of what we do is cash-based.

2.59 p.m.

In addition, Hon. Minister and Members of the National Assembly, I would also like to share some local consternations with the implementation of a National Payments System and whether any aspect of the NPS, through the chain, will increase cost of doing business in Guyana and increase cost to those who uses the system, and also what safeguards the Government, through the Bank of Guyana, may have considered and intends to put in place to mitigate against rising cost.

As you are aware, Hon. Minister, across your journey over the last three years, you have implemented some vicious taxes on our hopeless, hapless and now very poor Guyanese citizens. What mechanisms do you have to ensure that there are no additional burdens upon our citizens? In terms of the execution of a NPS, especially the electronic aspect of the NPS, with the poor Information and Communication Technology (ICT) infrastructure that we have in our country and the extremely high and uncompetitive broadband and wireless costs, what measures do you intend to detail and ensure that customers, clients and users are not going to face additional burdens of time, delays and lag and those kinds of things, which all have a bearing on final cost?

With poor infrastructure as well, what will be the mitigating measures to ensure that businesses and financial transactions continue without undue delay and bureaucracy?

What measures will be implemented to avoid the myriad of problems associated with financial queries? For example, going to the Guyana Power and Light Inc. (GPL Inc.) and making payments and then sometimes finding out that you have been overbilled. How are we going to be dealing with some of those things?

What measures are in place to ensure security of transactions, knowing that we now live in an atmosphere and an environment of heightened criminal activity? How are we going to be dealing with the security of transactions, especially when we now live in an era of highly organised financial crimes?

Importantly too, what systems are in place to alleviate concerns of rural people, especially those in the Hinterland who are unable to access the information technology (IT) infrastructure to allow them to participate in the NPS?

I know, too, that a lot of our payments will certainly attract Value Added Tax (VAT). Will you consider a waiver of VAT on some of the additional costs with which our consumers will be affected?

Specific to clause 10 (f) and clause 11 (d) of the Bill, Hon. Minister, you spoke about some conditions for application:

“(d) is a fit and proper person and every officer is a fit and proper person;”

I know that there is a fetish in the Government about the use of “fit and proper”. But, unless you make this clear, I think that your provisions are very discriminatory and leave too many grey areas, which only you or someone above you may be able to interpret or determine.

In clause 16 on the suspension and revocation of licence, it states:

“The Bank may suspend or revoke any licence granted under sections 10 or 11 ...”

In subsection (e), it states:

“(e) the licensed payment service provider or operator obtained the licence through the provision of incorrect information to the Bank...”

In this case, it means the BOG.

“...or any other irregular means;”

I am wondering whether this is an anomaly or whether this is a *cut and paste* from some other system, that there is an admission that there are loopholes within the BOG, especially where this is concerned, and possibly in other areas. I would like to ask you what measures you have in place to address loopholes of this nature, rather than punishing unsuspecting applicants to these transactions.

It further states in subsection (g):

“(g) the provision of the payment service or the operation of the system for which the licence was granted endangers the stability of the payment or financial system in Guyana;”

Again, I shudder to think what you mean by this. With the BOG being the sole clearing house and authority over the NPS and over the financial system of Guyana, are you saying that the Bank does not have the capacity to monitor and maintain control over the financial system in Guyana? We would probably need a further investigation of acknowledgement of guilt that there are weaknesses in the BOG and whether the policy directions of the BOG are not driven directly by the BOG but by someone or some agency or movement outside of the confines of the BOG.

In clause 18 (1), on the power to examine and inspect, it states:

“(1) In the performance of its duty over the oversight under this Act, the Bank shall have the right to inspect, with or without any prior written notice ...”

I would like to know if this is a normal function as part of the best practices of a NPS and what approach the Bank will be pursuing to identify how it will move forward to inspect without prior notice. In subsection (2), it states:

“(2) The Bank may by its officers or agents duly authorised in writing –

- (a) enter and search premises of a person that the Bank has reason to believe is providing a payment service or operating a system without a valid licence issued by the Bank;”

Hon. Minister, is there a limitation on who the authorised officers of the Bank will be? I raise this because we know the environment that we are now operating in, where other officers of the State are wreaking havoc on the peaceful movement and persons of the people of this country.

In clause 19, it states that the Bank may conduct an audit or commission an independent auditor to commit an audit of accountants, *inter alia*, of the service provider. I would like to now ask you, Hon. Minister, whether we have locally based competence in this area, especially amongst our independent auditors.

I ask this because three days ago, the Hon. Minister within the Ministry of Finance, your junior, sat here at an anti-corruption forum, chaired by the Minister of Public Security, and, to a large extent, acknowledged that, regarding the forensic audits that have been completed, prosecutions have not been forthcoming. He appeared exasperated that prosecutions have not been

forthcoming. I want to think that it could possibly be as a result of the quality of the forensic audits that have been pursued by the Government and whether, in fact, the forensic audits are just means to an end, rather than an end to itself, in the sense that it is more of a political persecution that is taking place, rather than the use of audits to conduct proper evaluation of our agencies.

It also states in clause 20:

“An operator, participant or payment service provider shall provide any information requested by the Bank and produce all books....”

It further states that it must be provided to an “inspection by any examiner appointed by the Bank”. Now, I am wondering whether the Special Organised Crime Unit (SOCU) or the State Assets Recovery Agency (SARA) or some arms of the Guyana Police Force (GPF) could be an examiner on behalf of the BOG.

It further states in clause 21, subsection (1):

“The Bank shall not directly or indirectly disclose to any person any information or document obtained during the exercise of its functions under this Act, except –”

“(c) where it is disclosed to a person who is legally authorised to receive such information;”

In effect, is the Financial Intelligence Unit (FIU) or SOCU, for example, legally authorised to receive this information?

In the World Bank loan that you now have, the \$35 million loan, one of the benchmarks is the prosecution of 25 cases between June 2019 and June 2020. Should we be alerting our business people in this country and potential investors in the system that there is a possibility that they could be targeted? I know, too, that, as part of the benchmarks, there are supposed to be \$200,000 payment transactions under the NPS by 2020, moving from the lowly \$5000, or less than \$5000, that we have right now.

In clause 21, you speak of a compliance with anti-money laundering, and I am wondering, Hon. Minister, how the NPS would be able to deal with the anti-money laundering challenges. Will every transaction be flagged and shared with the FIU? How will delays, payment lags and time

lags be dealt with, knowing that it will affect business? For example, a customer pays for something, but when their payment is flagged it will take time, maybe days or maybe it has to go through the court for a very long time before business is conducted. So, those are things that, I think this Act or you, so far, have not been able to present to us.

In clause 24, it states:

“(1) The Bank may impose on an operator, participant or payment service provider a charge or a fee that shall defray its direct and indirect costs incurred in providing its oversight and regulatory services”

Regarding the fact that the BOG will charge fees, I would like to ask how this translates to reducing transactions costs, knowing, and as I have indicated before, your vicious taxes that have left us helpless and penniless.

On the issue of consumer protection, in Part VI, clause 29, it speaks of transparency of fees and that the payment service provider can impose fees. I would like to ask you, Hon. Minister: do you envisage the BOG or any other authority, whether it is the National Payments System Council, having any advice on minimum and maximum fees and on the exchange rate conversion, and what fees you are probably envisaging at this point in time? It is because every dollar for every citizen of our country is worth much more now than ever before.

On the issue of consumer complaints, it also states:

“(4) The complaint procedure shall contain information relating to the right of a consumer to refer the complaint to the Bank.”

I would like to ask you, Hon. Minister, what mechanisms the Bank envisage being in place to address this and whether legal redress will be one of the options conceived? How, again, will you treat with delays in terms of the settlement payments and how these can affect perishables, urgent goods, seasonal goods and how the parties affected are going to be compensated as a result of those delays?

Hon. Minister, you also spoke about electronic fund transfers and electronic money. In clause 48, which deals with this, I would like to ask what comfort you can provide to our businesses,

especially that the electronic presentment of cheques is secure and free of criminal intent, knowing that this will be a new feature in Guyana and it will present challenges to our Guyanese people..

*3.14 p.m.*

If I were to point out an example of what I am referring to and take you back a long history, you would probably recall Hon. Minister that prior to 1992, gold sales were held in a United States of America account in the United States of America. It was operated by a former senior diplomat. On the assumption to office of the People's Progressive Party (PPP), when it was investigated, the proceeds of those sales did not come back directly to Guyana. They were not used in Guyana. As a matter of fact, up to now we are aware that some of the proceeds of those gold sales went to high officials of the former Government at that time and even the interest borne out of that account went into the coffers of one of those who held the accounts.

I would like you to address some of these things even whilst we proceed on implementation of a national payment system.

Thank you very much. [*Applause*]

**Minister within the Ministry of Finance [Mr. Sharma]:** I rise to participate in the debates of the National Payment System Bill, Bill No. 4 of 2018. Before I get into my discourse on the Bill, I would just like to give some information to the Hon. Member Mr. Dharamlall in relation to some of his questions that he posed towards the Bill.

Listening to the Hon. Member, apparently he did not read the Bill carefully and so he would have made a number of comments and statements that are not accurate. Some of them are in relation to what protection the Bill offers to customers. Basically, in clause 10 and clause 11, where it speaks about the grant of the licence to provide for payment services, it outlines what the Bank of Guyana would be looking for, towards granting applicants a payment licence. If that was looked at by the Hon. Member, he would have seen clearly that, subsection (a), first of all, the company must be registered under the Companies Act and, subsection (b), the company must have a prescribed paid up capital and capital adequacy requirement. I could go on and on, but the Bank of Guyana is ensuring that such a company which has a paid up capital and capital

adequacy is for a purpose. It is protection for the customers. I do not want to spend a lot of time on that.

A next area that was mentioned, again, was about the consumer protection and the Bill speaks about consumer protection in relation to Part VI, clauses 29 to 31. Here again, the Hon. Member misled us in terms of what may be provided for in the Bill for complainants, people who make complaints., and he wanted to know what the Bill provides. Clause 31(5) of the Bill, states:

“The complaint procedure shall be followed by the consumer before the dispute is referred to be resolved in an alternative dispute resolution procedure or before a court.”

I hope the Hon. Member understands basically what that is about. Again, the Hon. Member, because of his poor reading of the Bill, also misled the House where he referred to the suspension and revocation. Apparently, he said that the Bank of Guyana has the authority to suspend and revoke willy-nilly. The Bank of Guyana would not do that. As the Hon. Member Anil Nandlall indicated yesterday that he believes that the Bank of Guyana is a one-man show. The Governor has to be qualified in all of the fields. This is not a one-man show as the Leader of the Opposition at a press conference. This is what we must take into consideration.

The Bank of Guyana is an institution and it has various departments that are well staffed and trained to deal with these things. Here again, the Bank of Guyana will not willy-nilly go about revoking licences. If it does revoke the licence or attempt to revoke the licence, there is a procedure set out for this where persons who are so aggrieved could also object and given time to put that objection. The Bank of Guyana would not go and say: “We are going to revoke your licence” without saying to the person that “these are the reasons we revoked your licence, and you are opened to make an objection”. If that objection has been made, it would be looked at and dealt with. These are a few of the things that the Hon. Member misled us with, and everything else. I do not have the time to go through it. I do not want the distraction.

I know he talked about the forensic audit, and he said what I said at a Committee, that the Parliament had here to discuss the transparency aspect of the Special Organised Crime Unit (SOCU) and its investigation. What I basically said was, if I was the person who was responsible for the audit, I would have known what the audit contained. That I was annoyed that there was no prosecution. I am saying that I wanted to know why there was no prosecution. Is it that SOCU

is not doing its work? Is it that the law is weak? Is it that the legislation is weak? What is really happening?

I know personally that there are a lot of issues before the court which are hindering the police from doing their job. Our auditors did not have the authority to go into people's accounts. They did not have the authority to summon people to give them statements and they cannot arrest people. The auditors did their examination based on paperwork, evidence that was before them. The police are the ones that have the authority, and if the police are finding difficulty to summon witnesses in court or to ask the bank, any bank, to provide information, this is the reason why it is being stalled.

I understand why the Hon. Member may be disturbed over the issue of the forensic audit and that is because the Hon. Member was one of them who was also charged and put before the courts. I understand why he would be attacking me.

I will get into my presentation.

The horse has bolted, however, the A Partnership for National Unity/Alliance For Change (APNU/AFC) Government is on the quest to modernise and enhance the financial architecture to deal with the present weaknesses, inefficiency, eventualities and increase the ease of doing business. The way we pay is changing. In the most advanced countries, cheques have disappeared and it is not something that is being practised in many countries. In Guyana cheques are dying a slow death, with the public servant salaries being paid directly into their bank account, with the exception of Region 8, and also of the over 8,000 pensioners, only 30 of them receive cheque payments.

Credit and debit cards are now accepted by all but a few businesses in Georgetown. Many types of payment usually done with cash are going electronic. In Denmark, for example, church collection boxes and street performers now accept mobile payments. I know that the Opposition may say something is rotten in the state of Denmark, but in China, fast food can be bought using "smile to pay" which is a facial recognition technology and it takes just one to two seconds to recognise and identify a face. This follows a scan with a second verification through a mobile phone and the user can disable or enable the feature at any time. Then there are also crypto currencies and fintech application.

The APNU/AFC Government recognises that Guyana's payment system falls short of meeting the needs of the economy and financial markets for an efficient, safe and sound means to conduct transactions and transfer funds and as such, needs to be modernised. This was also confirmed as one of the key recommendations in the Financial Sector Assessment Program (FSAP) 2016. An efficient National Payment System (NPS) reduces the cost of exchanging goods, services, and assets and is indispensable to the functioning of the intra-bank, money and capital market. A weak payment system may severely drag the stability and development capacity of the national economy. Its failures can result in inefficient use of financial resources, inequitable risk-sharing among agents, actual losses for participants, and loss of confidence in the financial system and in the way we use of money.

The nation's only intra-bank payment system infrastructure is the National Cheque Clearing House (NCCH) which is owned and operated by the Bank of Guyana. Here, representatives of each commercial bank meet daily at the Bank of Guyana to exchange and settle cheques drawn on each other and deposited by their consumers at their respective institutions.

To put the Bill into context for the Opposition's purpose, the mischief the Bill seeks to resolve is the present inefficiency and weakness as follows: the NCCH itself suffers from inefficiencies related in part to weaknesses in the legal and regulatory framework and its inability of banks to conduct straight through processing on interbank cheque transactions. Guyana's six commercial banks are the main providers of payment services. The commercial banks offer cheque services and card based payment services and limited direct deposit services.

Five of the banks offer ATM services, three offer debit cards with point of sale (POS) capability and two offers prepaid cards. Four of the commercial banks offer account access, via, internet and mobile phones, but the services are limited to intra-bank transfers, payment initiation, and account inquiries. However, there are no statutory or regulatory provisions for credit transfers, either paper-based or electronic, or on electronic debit transfers. No secondary measures exist on cards, either credit or debit, or on e-money instruments, including the electronic processing of cheques and the use of truncated or electronic cheques. Other payment service providers include money transfer agencies, the post office and mobile network operator. There are five licensed money transfer agencies in Guyana and there are two major money transfer agencies offering international and domestic remittance services, as well as bill payment services.

However, apart from the specific provisions on international remittances, the law presently is silent on whether non-banks are allowed to offer other payment services. In the absence of such provisions, the provision of domestic remittances and bill payment services by money transfer agencies fall completely outside legal and regulatory framework and, thus, outside the reach of the Bank of Guyana oversight.

Guyana's other deposit-taking institutions are not allowed to offer payment services. The New Building Society, the Hand-in-Hand Trust Corporation, as the nation's twenty-eighth active credit unions, offer deposits, credit and some insurance products. They are not permitted to offer domestic or international payment services.

*3.29 p.m.*

The Bank of Guyana plays a major role in the Government's securities transactions. Government securities auctions are handled by the Bank of Guyana. The Bank of Guyana uses the same system that manages the auctions, the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), to register the ownership of the newly issued share. However, CS-DRMS cannot register changes in ownership of Government securities or the use as collateral. Hence, delivery versus payment in securities settlement is not enabled. Delivery versus payment is a settlement system that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security.

The only institution supporting the private sector securities market is the Guyana Association of Securities Companies and Intermediaries Inc. (GASCI). This body which is organised as a self-regulating organisation operates the Guyana Stock Exchange. The GASCI runs one trading session per week, using a simple system based on Microsoft Access. Stocks are not dematerialised, nor is there a centralised registry or depository to record the ownership of the corporate stock. The payment period is set by the rules of the GASCI as T+5, meaning transaction date plus settlement date. Basically, T+5 is about maybe putting us into the context of the world. It would probably put us before the Twenty-first Century. This is the reason why this is important that we look at an actual payment system. There is no set settlement period for the issue of new certificates of stock ownership. As a result, the risk-mitigation concept of delivery versus payment is not achieved. Therefore despite there being a handful of electronic and remote

payment services available such as domestic and international remittance services, bill payment services and mobile money, the usefulness of these available services are restrained by accessibility limitations, lack of interoperate ability across service providers, and a lack of robust financial infrastructures that support efficiency and facilitate remote transactions.

It is clear that Guyana's National Payments System lacks both the financial and technical infrastructure necessary to integrate the payment services across providers. Specifically, there is no real time gross settlement (RTGS) system, Automated Clearing House (ACH) or card switch. The Bank of Guyana, in recognition of this, had moved some time back to the electronic imaging and settlement of cheques, but, again, there is no statutory or regulatory framework to support. As such, the bank still meets at the Bank of Guyana to exchange items.

Guyana, at present, does not have the infrastructure necessary to facilitate electronic fund transfers (EFT) between banks, support intra-bank money or foreign exchange markets or enabled delivery versus payment in securities settlement. Further, common risk mitigation practices, such as liquidity management, tools and facilities are not available to participants in the existing system.

The absence of an efficient financial infrastructure impedes the ability of the commercial banks to execute their client's intra-bank payments efficiently, thus, affecting both public and private sector activities. It also slows and complicates the payment of Government salaries, pensions and other benefits, payments to suppliers and limits the ability of the Government to use electronic means to collect payments. As such, nearly 99.9% of payments are conducted with paper-based instruments in the form of cash, cheques and paper vouchers. The Government alone initiates and receives almost \$3.5 million payments annually with 99.9% of those payments conducted in paper format. All of these transactions, for the most part, still involve manual processing. Hence, the extensive use of paper based payments instruments and manual processing is highly inefficient, costly and risk prone and compromises public security.

Due to the inefficient financial infrastructure, the cost of conducting payments in Guyana is higher than need be as manual processing and delays in settlement introduce more risk in the financial system. For example, longer payment settlement times for cheques can heighten the

credit and liquidity risks by raising the risk of payment failures. Reversed liquidity challenges may also arise, as a result of the lack of instantaneous, reliable and secure payment transfers.

According to a 2015 Payments Cost Study, a prerequisite for the upgrade of the NPS and conducted by the World Bank's Payment System Development Group (PSDG) it was found that the annual cost of cash transactions for consumers represented approximately 2.4% of the gross domestic products (GDP) or almost GY\$15 billion or US\$73 million and the annual cost of paper-based payments for Government agencies, approximately 0.13% of GDP or GY\$850 million or US\$4.1 million.

The Government, therefore, undertook the task of developing a modern payment system by firstly drafting with the assistance of the World Bank, the enabling legislation and requisite regulations to bring legal clarity and provide the legal framework for the establishment, use regulation and oversight of the National Payments System. The National Payments System Bill was tabled in the National Assembly in April, 2018.

Also with the collaboration of all the commercial banks, the Bank of Guyana began the first phase of the modernisation of the national payments plan when it undertook the implementation of the ACH in 2016. The ACH is currently in the testing stage and is expected to go 'live' by the end of July, 2018. Subsequently, in June, 2017 the Government of Guyana signed a financing agreement with the International Development Association, a member of the World Bank for a credit in the sum of SDR4.5 million equivalent to US\$6 million for the implementation of a RTGS and Central Securities Depository (CSD).

This is the importance of the national NPS together the implementation of the ACH, RTGS and CSD will form the core for the full modernisation of the NPS and will reduce operational, credit and liquidity risk in the clearing and settlement of both large and low value payments and facilitate security market transactions.

I will now define the acronyms and the words that evade a lot of Members. The Automated Clearing House, the ACH, will increase efficiency by enabling more active use of electronic payments by introducing new instruments such as intra-bank direct, credits, transfers and will increase the speed of clearing and settlement of regular, low value transactions.

The real time gross settlement will clear and settle large value payments in real time reducing the risks in the system as there will be same delivery of funds by the receiver. Using the RTGS will be very cost effective to borrowers as funds are available earlier and less administrative work is required.

I hope the Hon. Member understands now the reason for this Bill and the various use of these operating systems and how it will help.

Both systems are fast, reliable and extremely secure payment systems. They will make doing business more convenient, economical and will allow secure electronic transfers of funds between banks on behalf of their customers much more promptly and efficiently than the time taken for cheques to clear or for physical cash to be moved from one bank to another or from one person to another. There is less exposure to cheque fraud or errors and significantly less processing time by banks, resulting in greater assurance of timely payments and quicker availability of funds.

The Central Securities Depository, the CSD, would enable the recording of the securities ownership and also allow for efficient transfers resulting from further secondary market transactions. By integrating also the Central Security Depository and the real time gross settlement would enable the settlement process to conform to delivery versus payment and also permit usage of eligible securities as collateral for liquidity needs in the real time gross settlement system.

The cost and other benefits of a modern payments system are enormous for the country, business and all segments of the population. For instance, the Government alone, the single largest end-user of payment services could save approximately US\$2 million a year by switching to electronic payments, not counting the gains from reduced leakages, administrative cost. Collectively, consumers would save close to US\$6.1 million every year by shifting just 50% of their bill payments via electronic transfers, not to mention the time saved in the amount of time spent annually for trips to banks to make deposits and withdrawal transactions and to Government agencies such as the Guyana Revenue Authority and National Insurance Scheme to collect or initiate payments.

Likewise international inflows of remittances, which are considered to be approximately equivalent of 11% of GDP to Guyana, will likely translate into correspondingly higher income for remittance recipients.

The high incidence of theft and robbery in Guyana due to intensive cash usage in the economy would also decrease, by transitioning to increased electronic payments usage and as such lead to increased public safety and security in Guyana.

The establishment of a strong payment system also enables a conducive environment for financial inclusion in that robust, safe, efficient and widely reachable financial services through electronic means are effective for reaching the unbanked population and supporting the provision of broader financial services. The financial product of offering would also meet the needs of a broad segment of the population in a little or no cost, augmented with a broad network of access points that also achieves wide geographical coverage and by offering a variety of interoperable bureau access channels.

*3.44 p.m.*

Let me be clear, the National Payments System does not eliminate the use of cash for payments, cash will continue to be used, but it will allow for greater convenience, safety and more efficient and timely delivery of funds from one to another.

This went through a very consultative process. In August, 2016, there was a meeting with all of the bankers. It was discussed, it was accepted and today we have this product before us. I had to read. This is a fresh Bill. It is complicated and there are a lot of new terminologies, so I took the opportunity of giving a detailed research and make a presentation.

Thank you. [Applause]

**Bishop Edghill:** I rise to make my contribution to Bill No. 4 of 2018 and I would like to put on record that I believe that everyone in this House should be proud that we are here today discussing a piece of legislation as this that modernises Guyana's financial architecture and while it is brought by the Minister of Finance, he has already acknowledged that it was a work in progress when he got there. I do not believe that there should be too much contention.

This Bill, if I am to just describe it in one sentence, is a necessity. It is a necessity to encourage safety which is a big issue in Guyana as it relates to the movement of money, persons using a cash preferred method of doing transactions. I took time to research what is happening in the United States of America, because a lot of us in this House seem to want to use the USA as a model. I have discovered that cash, even in a modernised, sophisticated financial architectural such as the United States of America, is still the most used method for transactions. While we welcome this Bill, we should not in any way delude the people of Guyana into thinking that they would not be able to do business anymore using cash because in modern United States of America cash is still widely used.

The second reason why this Bill is a necessity is because it allows for real time reconciliation and completion of transactions. I noticed the Minister of Finance, yesterday, when he presented the Financial Institutions (Amendment) Bill referred to an incident that happened in Guyana before with Globe Trust & Investment Company Limited. I would have been happy if he had equally educated the people of Guyana that if we had a mechanism, such as this in place, how we could have prevented the \$900 million withdrawal from that account that took place in Bartica. I would be happy if he could have educated us on that as well.

This Bill is a necessity, as I said, because it also allows us to do business with ease and convenience. I recall visiting Uganda more than ten years ago. At that time, Uganda was still in a process of giving people an address. There were many people in Uganda who did not have an address. While I was there, they were doing business using the cellular phone and settling payments. They did not have a physical address but they were able to do business using the cellular phones. They had the opportunity to settle and ensure that these transactions were being dealt with and people were not being robbed.

When I read the Bill - I will make my observations in a few more minutes - I thought about how good this is for us, in terms of bringing about the necessary convenience of the way we can do business and how we can pay Bills and settle issues. I would have thought that the Minister of Business would have asked to speak on this Bill, especially for non-traditional market, this Bill provides a great opportunity for Guyana.

The community that makes their hammocks in the Rupununi can now advertise on the international platform, the World Wide Web, can sell and receive payments in this modern architecture. I thought that the Minister of Business would have wanted the people of Guyana to know that. The persons in the Pomeroun, who is selling their coconut water, could sell their product from right there in the Pomeroun. This Bill provides access to markets way beyond the 750,000 persons who live in Guyana all because with our link Southern Common Market (MERCOSUR) and the Caribbean but provides us opportunities to do business across the world and to ensure that we can have payments. It is a good thing for Guyana. That is why I said that we should all be proud that we are here now.

This Bill, having read it and listened to the Minister of Finance, a bit earlier speaking about the National Payment System Strategy 2018 which he extensively quoted from, it might have been a useful exercise if he had laid that document over in the House that everyone would have been able to have an opportunity to read and examine it, because largely his presentation focused on the recommendations and actions coming out of that. While I am speaking about the good and the valuable aspects of this Bill, there is still some worry. I would hope that the Minister of Finance when he closes this debate would address the fact that a sugar workers who now get a pension of \$2,000 or \$3,000 is no longer able to get that pension paid by way of cash, but they are forced to open a bank account. What is troubling is that they are even being told which bank they have to go to, which is really not a good situation. I do not think a customer or a citizen should be told which bank they should do business with, but the fact of the matter is, they are not getting their pensions if they do not have a bank account.

We do not have the spread of banks throughout the length and breadth of our country. That is why the post office was regarded as the preferred medium for the payment of pensions, of which I will come to just now, because of its networking and spread. A sugar worker who used to collect his pension at the payment office at Wales now has to travel to Vreed-en-Hoop to get his pension, so out of the \$2,300 that he is earning, he has to make a deduction just to get there. In the process, he would have passed three post offices of which he could have got his pension paid. I would like to highlight that and for us to be able to have a response from the Minister when he speaks to it.

I know that I would like to deal with specific provisions in the Bill. I would like to start by referring to clause 4(1):

“The Bank may provide facilities for systems, their operators or their participants.”

Then at clause 4(2):

“The Bank may, in order to facilitate its role pursuant to subsection (1) –

- (a) establish, own, operate and participate in the ownership or operation of systems;”

The bank that is being referred to is the Bank of Guyana. The Bank of Guyana is the regulator, the supervisory authority, which is excellent and is needed to manage such a system. I am a bit troubled. The bank then moves from being regulator to being a participant, so the regulator is also an operator according to this Bill. The regulator is also an operator. There are some concerns here. We need regulators and we need a regulator, because if we do not have a regulator it will be excessive tariffs.

*3.59 p.m.*

If we do not have a regulator, there will be inadequate services, issues with quality assurance and low efficiency. We need a regulator to ensure that we have a rules-based environment to protect the integrity of the system through licensing and, as we noticed in the Bill, compliance by way of inspections and the rest of it. But, why would the bank as a regulator want to also be an operator? If the bank that is the regulator – the Bank of Guyana which is the regulator – also operates, then the Bank of Guyana would be regulating itself. That, as it relates to competition, creates some concerns. This is because I can guarantee the Minister and I am sure he is probably being notified of a number of new entrants who want to come into the market, having heard that we are going in this direction. This will be a highly competitive environment; people would be knocking at the door. And, here I am expressing this concern and I would like to hear what the rationale is, having benefited from best practices, the international consultants and so on. I noticed last night that the Minister did not take very kindly to the fact that I said that we accept international health consultants/experts who help, but we must ensure that when we make laws, we are doing what is

best for Guyana. While things may happen in other parts of the world, we are not as sophisticated in terms of policing public officials, as exists in other parts of the world.

I would like to now turn to clause 6 of the Bill:

“6. (1) The Bank may, by order or regulations, establish a National Payments System Council.”

It needed a National Payments System Council.

“(2) The Bank may make regulations or issue guidelines on the composition of the National Payments System Council, its competences, working procedures and all other matters relevant to the operations and functions of the Council.”

Well, if the bank plans to operate, as an operator in the market place, I would have at least expected a schedule attached to this Bill outlining who would comprise this Council. I would like to advocate that, (1) - I do not know what would be the name of the entity, but on this Council should comprise bodies or a body that represents consumers in Guyana. We would want to know about the composition of the Council because this is very necessary. Consumer protection in this whole scheme of things is very important.

I would like to now turn to clause 18 of the Bill. My Colleague, Mr. Dharamlall, did visit both clauses 18 and 19, but I would like to your attention to clause 18(2):

“The Bank may by its officers or agents duly authorised in writing –

- (a) enter and search the premises of a person that the Bank has reason to believe is providing a payment service or operating a system without a valid licence issued by the Bank;
- (b) inspect, take copies of, and make extracts from any books, accounts and records of that person; and
- (c) inspect and retain any apparatus, equipment or machinery or any other item or record found on the premises where the operation contrary to this Act is being conducted.”

My understanding of the Bill is that, one would be licenced under the terms and conditions of the Act when it is passed - when the Bill is passed it becomes an Act. There would be an agreement between the bank and the licensee. The bank as the regulator wants to ensure that every person who is providing this service is licenced. Here we are saying that if the bank believes that somebody is operating a service and they are not licenced, the bank may enter, search and seize. Well, I am *raising a flag*. Why not put a clause in that states: “Having obtained a warrant from a judge or magistrate...” This is because, even with a search warrant, you cannot just come into my house and search all over the house. The warrant is specific to what you are looking for.

This open language that you can take any other item or record - if it is seizure as it relates to machines that are dealing with payments and transactions, it is good. Even with that, there must be a rules-based environment. If an illegality is taking place that is why we have the courts, you do not have to wait for a trial. We can impugn. You can go to a judge or magistrate in chambers, show probable cause and, based on that judicial opinion, authority is given for you to proceed. I think this is too open. Let me tell you why I have a concern about this. I think all of us in this House should be concerned about abuses that would have taken place in the past as it relates to enter and search, detention and, even right now, the concerns of citizens where one can spend 72 hours – thank God that it was only 16 hours the other day - without a charge. We have to watch these things. Minister, I am putting it to you that maybe you may want to consider that, while we need to regulate the environment to ensure that we do not have imposters, loafers and illegal operators, even when we operate to regulate the environment, we do so in a rules-based environment. I am suggesting the obtaining of a warrant from a judge or a magistrate.

I will now go to clause 21 of the Bill – Disclosure of information.

I have some concerns because we want to be able to ensure that the ‘shakedown environment’ does not creep into a very responsible and needed piece of legislation where information obtained is being shared with other agencies. It is because we are now seeing that there are signed agreements between the Financial Intelligence Unit (FIU) and the State Assets Recovery Agency (SARA), and sharing of information agreements being signed between various agencies. It is my understanding that when we make laws, at least at the time of the making of the laws, we should look to see if there are loopholes and seek to strengthen them so that there could be no abuses. The operating of the law is not based upon who is in the seat at the time because who is

in the seat will move with time. I would want to ask that we have some assurances that there are some strong mechanisms as it relates to that.

I will go to clause 29 of the Bill. And yes Minister, maybe with your international experts and consultants that help, you may want to be fined. I do not understand that in a national payment system you have to provide a fee for this convenience and all the rest of this. It is worrying when I read that “a payment service provider and an operator who imposes a fee, charge or tax”. It is governments and states that tax, not individuals or private companies. How did tax reach in here? If it is value added tax (VAT) that we are talking about, the company already has to get a certificate that authorises them for the collection of VAT. This is saying that you have to put up your fee structure, put up your charges that the customer will know and the taxes. What taxes are we talking about? Is there something coming that the people of Guyana does not know about? We have to be very nervous because we have already had significant increases in taxes, fees and cost for licences. So, Minister, I am kindly asking you to explain to the people of Guyana how a service provider can charge tax. I do not mind being the fool for the benefit of all of Guyana and I take that risk right now. So, I await your explanation.

I have gone to clauses 50 and 51, which deal with administrative penalties because of infringements and so on. Just for us to consider, where there is a natural person...

*4.14 p.m.*

**Mr. Speaker:** Hon. Member, you have two minutes remaining.

**Bishop Edghill:** Thank you, Sir. Where there is a natural person, the fine is \$500,000, but where there is a company or body corporate, it is \$2 million. The likelihood of a natural person being licensed is not very much because these things operate in networks. You might get a person who is outsourced and the rest of it. I am asking if there could be an explanation of the rationale between what would be the imposition of a fine on a person, as against a company. Why so heavy on a natural person? I am not advocating for illegalities but for the consideration of fines.

In my final moments that I would be allowed to address us on this Bill, I think that we need to ask the Minister that is accompanying this Bill there should be a public education and awareness campaign launched in this country. This Bill is too important just to suit a particular group of

people, who are already into that. We must be able to encourage more Guyanese to participate and we must be able to have a public education campaign. This should be a deliberate effort.

Finally, I would hope that the regulator, which is the Bank of Guyana and the National Payment Systems Council, would not lock down the market to a few, but will open it wide for the maximum competition to ensure that prices stay down. This is because we know that when there is competition, it drives the price. We are already paying too much for services because some people believe that they have the monopoly. I would hope that we would be able to encourage a competitive environment and hopefully all of us, as a people, would enter into that modern world of doing business with the adoption of this piece of legislation.

Thank you very much Mr. Speaker. *[Applause]*

**Mr. Speaker:** I thank the Hon. Member for his statement. Hon. Members, we have passed the 4.00 p.m. hour. We have one other speaker. The Minister would wrap up then we would take the break and return to deal with the Second Reading of the Bill. Hon. Minister?

**Mr. Jordan (replying):** Thank you Mr. Speaker. I think with the hour past and with stomachs growling, I would try to keep this a bit short. It would be made short because, at the outset, I want to thank the three speakers - the two Members of the Opposition and the Member from the Government. I would like to thank, in particular, the Opposition's speakers for agreeing that the Bill is a necessity, and that they are prepared to support the Bill. Yet again, we are going to have another Bill that is going to pass unopposed - unanimously.

I am always bemused by my good friend the Hon. Mr. Dharamlall. I miss him sometimes during the year because I know he would appear during the Budget Debates. I noted in the pre-convening of this session that, in the little *gaff*, I thought that there was a dark horse in the race to replace the Hon. Leader of the Opposition. I could now see the dark horse. He has been featured prominently in the debates on these Bills, an unheard of sequence of events.

Yes, we agreed that the Bill is necessary. We also agreed that the Bill had its genesis four years ago, which obviously would have meant that it was conceptualised at the time when the now Opposition was in Government. We are not on this side afraid to *give Jack his jacket*. We have been giving it from the time we came in 2015. That is why we sought and have continued to seek

the Opposition's participation in every sphere of life. It is up to them to be mature enough to take up the mantle. At every point where they had started something, I have given them credit in this House and I would continue to do so. I am not sure about, "I merely fine-tuned the Bill." The Bill did not even have a presence at that time. The conception was there, but *the baby was not born as yet*, essentially. *The baby is born* and the Bill is here today after four years of hard slugging and the tenacity, in particular, of the small group of dedicated professionals, at the Bank of Guyana.

Of course, there are risks inherent in any system, Perhaps, if both parties read the Bill, it would have indicated how far we would have gone to ensure that such risks are minimised. As we say, in every system, there are going to be people, in even the best of systems people find ways to cheat. Without particularly calling any names, I recall a recent incident at the Stabroek Market, where I understand that a well-layered and secured safe was breached and it appears to be a mystery up to today. That gives you an indication that, sometimes, even the best laid plans could come apart.

Hon. Mr. Dharamlall did have some concerns as it relates to the issues that could affect the effectiveness of implementing this Bill. Among those he mentioned education. Bishop Edghill also made this issue about education. There will be a robust education programme. Let me indicate upfront and it has been in the newspapers before this Bill came here. This is not the case where the Bill would be passed today and then you would see all these provisions being implemented tomorrow. We speak of a National Payment Strategy Development Plan. We also spoke about it going from 2017 to 2021. In that period of roll-out, we will gradually seep different aspects of the Bill into the society, taking into consideration all the things that you have actually identified; our low broadband, poor internet, *et cetera*. By 2021 and 2022, with the present liberalisation on its way and with competitors coming into the market, *et cetera*, cost should be reduced, access should be improved and the hinterland, which everyone seems to be quite interested in these days, would have access, more than they have today, to services *via* the internet.

I was intrigued with two concerns that were mentioned by the Hon. Bishop Edghill. The rest can be subsumed in some parts of the Bill that I will quickly go through just now. I was intrigued about the cash example that he used from the United States of America (USA). I am not sure,

again, that we said cash would disappear from the society. What surely we would like to see is cash transactions minimised, not only from the criminal standpoint, but from the tax evasion standpoint also.

We have stated very clearly in this House that the more people we could bring into the tax net and the more people who could pay their fair share of taxes, the faster we would be able to reduce tax rates and improve the effectiveness of the tax system. No, cash is not disappearing; but, all would agree that the level of cash transactions in Guyana is excessively high. It has and continues to have a lot of problems, both for the Guyana Revenue Authority (GRA)...The major beneficiaries of these obviously seem to be the criminals and, of course, the tax dodgers who consistently would like to do cash transactions only.

The issue about the sugar workers and the pension - the \$2000 to \$3000 pension – they are no longer getting it in cash, but are forced to open bank accounts. Think about it the other way around. Instead of the pensioners taking \$300 to go and collect \$2300, why not have pensioners give their bank account numbers to the Guyana Sugar Corporation (GuySuCo) and allow money to automatically go into their accounts? Why not have the pensioner use an Automated Teller Machine (ATM) card and go to any branch of the bank immediately and withdraw his money, how much he requires? The key to modernisation is that there is always resistance to change. We use these poor sugar workers, poor somebody, vendors, *et cetera*, to sell a case of sympathy or a case that suggests we should not go down that road, or we do not want to. **[Mr. Trotman:**

Risk their lives.] Right, to risk their lives. I remember when we were introducing ATMs, people said the same thing. They said that the people wanted their money in their hands; they were not going to use the ATM. Automated Teller Machines' coverage have expanded so rapidly that they could be found in Lethem and all over the place. People are using them. A number of countries, including Caribbean Community (CARICOM) and, I know for sure that there is a law in Jamaica - are putting in laws to create a penalty for using cash and to allow one not to use cash beyond a certain amount, *et cetera*. This is because printing a note has a cost and that is going up.

The bank could tell you if it was able to, without divulging secrets that they have to shop around with various printers of money to keep the cost of printing down. The less we could have the velocity of the circulation of cash in a society and use more of the other so called non-traditional

means relative to Guyana, the better the modernised national payment system would become a reality. I am not afraid that the sugar worker would not get around to opening a bank account and have his/her money go in there. I am not afraid that the sugar worker would not know how to use an ATM card. Indeed, many have continued to use such cards. People in the United States learn to drive at 85 years old and I have seen people in their 90s driving in the United States – unheard of in Guyana, perhaps.

There is nothing wrong with the fact that you have to be...I agree with the point on education. Yes, we have to continue to educate in a manner that brings about acceptance and confidence in what we are doing. We should not shy away from accepting that modern practices and modernity have reached Guyana and they bring with them some cost and pain, but at the end of the day, the overall benefits would reach down to both individuals and to the wider society.

Earlier in my presentation, I had alluded to the Principles for a Financial Market Infrastructure. I would like to go through some of them and how they relate to the Bill. In his presentation, the Hon. Mr. Dharamlall had indicated that he did not hear me speak to some of the points he was raising, relative to the Bill. The principles for the financial market infrastructure (FMI) provide guidance for addressing risk and efficiency in financial market infrastructure, of which the payment system is an integral part. There are 24 such principles which are designed to be applied holistically, as there are significant interactions among these principles.

*4.29 p.m.*

Some of these 24 principles and applicable categories for market infrastructure are:

Principle 1 - Legal basis - This principle requires that the financial market infrastructure should have a well-founded, clear, transparent and enforceable legal basis for each material aspect of its activities. Clause 3 of the Bill refers to the mandate of oversight of the payment system which was given to the Bank of Guyana and expands on the same to provide a clear detailed and transparent basis for the exercise of the bank's oversight mandate. Further details of the oversight role of the bank are provided in Part IV of the Bill. Clause 4 details the operational role of the bank in the payment system.

Principle 2 - Governance - A financial market infrastructure should have governance arrangements that are clear and transparent, promote the safety and efficiency of the financial market infrastructure and supports the stability of the broader financial system and other relevant public interest and other relevant public interest considerations. Part III of the Bill addresses this issue. It details the requirements which must be satisfied, including the governance structure, fit and proper criteria, adequate systems of internal controls and risk mitigation. The bank will detail further measures and requirements in regulations on oversight, which are currently in draft and are being reviewed.

Principle 3 - Framework for the comprehensive management of risks - A financial market infrastructure should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational and other risks. The bank, pursuant to clauses 10 and 11, in determining whether to grant a licence to provide payment services or operate the payment system, must be satisfied that the applicant has a sound risk management framework in place. The details of this framework would be provided in the regulations on oversight, as referred to just now.

Principle 4 - Credit risk - A financial market infrastructure should effectively measure, monitor and manage its credit exposures to participants and those arising from its payment clearing and settlement processes and shall maintain sufficient financial resources to fully cover its credit exposure to each participant with a high degree of confidence. The bank by clause 9 of the Bill has the power to prescribe the paid up capital and capital adequacy requirements which must be satisfied and maintained by the payment system provider or operator. Clause 10 also requires a payment service provider to put in place a mechanism to safeguard funds which have been received from consumers and expressly prohibits comingling of these funds with its own funds.

Principle 7 - Liquidity risk - A financial market infrastructure should effectively measure, monitor and manage its liquidity risk. An FMI should maintain sufficient liquidity resources. Clause 10 requires the payment service provider to guarantee liquidity of settlement orders accepted by the system and protection of liquidity. This will require the monitoring and managing of its liquidity risk. Clause 36 also requires participants in the payment system to open and maintain settlement accounts on the books of the bank or on an operator, including the maintenance of balances on such terms and conditions as the bank may specify. In the case

where a payment service provider is not a direct participant, for example, not a commercial bank, is required to appoint a bank as a settlement agent.

Principle 8 - Settlement finality - An FMI should provide clear and certain final settlement at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intra-day or in real time. FMI rules and procedures should clearly define the point at which settlement is final. Clause 38 of the Bill addresses the issue of finality of settlement and requires that the rules to achieve finality should be specified.

Principle 9 - Money settlements - An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money. This requirement is satisfied by clause 36 which requires participants in the payment system to open and maintain settlement accounts on the books of the bank.

Principle 13 - Participant-default rules and procedures - An FMI should have effective and clearly defined rules and procedures to manage a participant's default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations. Part IX of the Bill addresses the rules governing the default and winding up of a system participant or operator.

Principle 18 - Access and Participation requirements - An FMI should have objective risk-based and publicly disclosed criteria for participation which permit fair and open access. Clause 27 of the Bill requires operators of payments systems to prescribe rules on access which are objective, non-discriminatory and proportionate and does not prohibit access more than is necessary to safeguard against risk.

Principle 23 - Disclosure of rules, key procedures and market data - An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees and other material cost they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed. Part V of the Bill details the requirements for written rules of the system to be established, which addresses the requirements of this principle.

Those are some of the principles of Financial Market Infrastructure. As I indicated, there are 24 and we did about half of them. It is just to reemphasise that the Bill is sound, it is properly drafted and it follows best practices. Yes, we like the words best practices because we should at all times be following best practices and it is adapted to the circumstances of Guyana and it is spread over a four-year period of implementation.

I, therefore, commend this Bill and also thank the House for passing it unanimously. *[Applause]*

**Mr. Speaker:** I thank the Hon. Minister for his statement. Hon. Members, we will now take the suspension and we will resume in one hour, which is at 5.40 p.m.

*Sitting suspended at 4.36 p.m.*

*Sitting resumed at 5.58 p.m.*

*Question put and carried.*

*Bill read a second time.*

*Assembly in Committee.*

**Mr. Chairman:** Hon. Members, there are no amendments to this Bill and the Bill is in 13 parts. I want to propose, with your agreement, that we treat the consideration of the Bill by parts, for example, Part I, General Provisions contains two clauses, I propose that clauses 1 and 2 were provided for in Part I of the Bill and stands part of the Bill. That is the way I propose that we treat this? If I hear no objection to that, I will proceed in that manner. Very well, I thank you.

*Clauses 1 to 56, along with the Schedule, agreed to and ordered to stand part of the Bill.*

*6.05 p.m.*

*Assembly resumed.*

*Bill reported without amendments, read the third time and passed.*

## **BANK OF GUYANA (AMENDMENT) BILL 2018 – Bill No. 6 of 2018**

A BILL intituled:

“AN ACT to amend the Bank of Guyana Act.” [*Minister of Finance*]

**Mr. Jordan:** Mr. Speaker, I rise to move that the Bank of Guyana (Amendment) Bill 2018 – Bill No. 6 of 2018, published on 25<sup>th</sup> April, 2018, be now read a second time.

As stated in the Explanatory Memorandum to the Bill, the Bank of Guyana (Amendment) Bill 2018 seeks to amend the Bank of Guyana Act, Chapter 85:02, by explicitly giving the Bank of Guyana the power to provide temporary liquidity assistance to deposit-taking financial institutions. This is an integral measure which is employed in maintaining the stability of the system.

The intent of the amendment is to amend four sections of the Principal Act – sections 40, 41, 42 and 46. Again, as in the previous three Bills, this Bill has been brought to this House, having arisen from the Financial Sector Assessment Programme (FSAP) where it states, in part, under Emergency Liquidity Assistance, that:

“Despite seemingly comfortable liquidity buffers today, it is critical to adopt an Emergency Liquidity Assistance Policy and procedures to ensure prompt and temporary infusions of liquidity to solvent but illiquid banks *via* the Bank of Guyana’s existing facilities. Key actions shall include clearly designating the facility to be used for emergency liquidity assistance, setting eligibility conditions, including *ex-ante* institutional contingency plans, clarifying the terms and conditions for the facilities use, particularly on collateral requirements, introducing systems for enabling prompt acceptance, valuation and management of collateral and providing clear and sound policy guidance to preclude the use of the emergency liquidity assistance for open bank assistance or public bailout capital infusions. The regime should be used exclusively in systemic situations and only under very strict parameters when the Bank of Guyana could also relax mandatory reserved requirements.”

That is an extract from the Financial Sector Assessment Programme.

Section 5 of the Bank of Guyana Act, Act No. 19 of 1998, states:

“Within the context of the economic policy of the Government, the Bank shall be guided in all its actions by the objective of fostering domestic price stability through the

promotion of stable credit and exchange conditions, as well as a sound financial intermediation conducive to the growth of the economy of Guyana.”

Like Central Banks in other jurisdictions, the Bank of Guyana acts, *inter alia*, as a provider of liquidity to the financial system. This “lender of last resort function” has been a fundamental one of Central Banks since the 19<sup>th</sup> Century. The aim is to prevent or mitigate financial instability by providing liquidity support either to particular financial institutions or to financial market participants more broadly.

The term “lender of last resort” traditionally spoke to collateralised lines of lending. However, since the interbank liquidity crisis in the United Kingdom (UK) and the United States of America (USA) in 2007, and the rapidity with which it took the financial sector by surprise, legislative changes were put in place for emergency liquidity funding/assistance to be provided where the stability of the financial sector is under threat.

Although the financial sector in Guyana was not directly affected by the financial crisis which began as a liquidity crisis, the Bank of Guyana has had its experience with a run on a deposit-taking financial institution, as noted yesterday, and the market is always susceptible to fragilities and liquidity shortages because of the nature of the operations of market participants.

Banks have traditionally raised most of their funds from depositors and used these funds to lend to borrowers, creating potential liquidity problems as the funds deposited are normally available on demand or within a relatively short notice period, whereas loans are generally made for fixed periods.

This may occur if there is an unusually high demand by depositors to withdraw savings. If there is a liquidity shortfall and the bank’s balance sheet is in good shape, it would normally turn to the interbank market for assistance. If that is not available, then it turns to the Central Bank.

“Lender of last resort” represents one element in the Bank of Guyana’s financial safety net toolkit, the others being on-going prudential supervision, deposit insurance and an effective resolution regime. Through this tool, the Bank has the discretion to provide a loan or an advance to eligible financial institutions facing serious liquidity problems. This liquidity assistance is expected to be applied or provided on an extraordinary basis.

The ability of the Central Bank to act quickly and to provide adequate liquidity makes it possible to prevent liquidity problems from developing into serious financial crises. Neither deposit insurance nor bank resolution proceedings can achieve this because, by nature, they are lengthy and complicated processes. Though they are both important, they cannot provide immediate assistance to prevent a crisis from worsening.

*6.20 p.m.*

This liquidity insurance to the banking sector is important as banks also play a crucial role in the payment system. There are two very important features of the “lender of last resort” function, which must be noted and which makes it an invaluable tool in the prevention and control of banking crises.

One, is the immediacy of the availability of Central Bank assistance. This contrasts with the time framework of other crisis management instruments.

Two, is the capacity of the Central Bank to provide liquidity, either to the market, in general, or individual banks, as needed.

In terms of the existing provisions, under section 40 of the Bank of Guyana Act, the Bank is empowered to provide liquidity assistance through repurchase or rediscount arrangements using private sector assets as collateral. These assets, namely, bills of exchange, promissory notes and other credit instruments, must be endorsed by a bank or other licensed financial institution which accepts deposits and have a maximum maturity date of 180 days from the date of rediscount or acquisition by the bank. Section 38 provides a further limitation on the eligibility of the collateral, that is, that it must have been issued for one of the following purposes:

- “(a) the importation or exportation of goods and products;
- (b) the trading of goods and products within Guyana;
- (c) the storage of goods and products which are not perishable and which are duly insured or deposited under conditions assuring their preservation in warehouse approved for the purpose of the Customs Act or in other places approved by the Bank;
- (d) industrial or agricultural production...”

Section 41 allows the Bank to provide liquidity to banks and other deposit-taking financial institutions on the following terms: for a maximum period of three months, at rates of interest to be determined by the Bank and they must secure it on the following collateral: (1) the instruments referred to in section 40 and (2) negotiable securities of the Government of Guyana.

Although the Bank of Guyana is permitted to grant liquidity assistance, the following shortcomings exist: (1) the instruments which could be used for collateral for open market operations and advances under section 41 are quite limited; (2) there are no adequate safeguards for the financial condition of the Bank; and (3) the maximum period for the grant of a loan or advance is somewhat limited as there is no power to extend the period.

Under the Financial Sector Assessment Programme 2016, it was recommended that (1) policies and procedures should be in place, as indicated, to ensure that the Bank is in a position to disburse temporary liquidity to solvent but illiquid banks through its existing facilities in a timely manner; and (2) a well-regulated limited and restrictive regime should be exclusively reserved for systemic situations and should operate under strict parameters.

What are the proposed amendments and how do they benefit or strengthen the system? The proposed amendment to the Bank of Guyana Act would provide a proper statutory basis for an emergency liquidity assistance framework and would explicitly allow the Bank of Guyana to provide such a framework.

Section 40 – Rediscounts - and Section 41 – Loans - have been replaced with two new sections on Open Market and Credit Operations and Emergency Liquidity assistance, respectively.

The provision on Open Market and Credit Operations better reflects the monetary operations of a modern Central Bank. The amendment of the provisions would have the following results: (1) temporary financial assistance would be allowed to be granted to illiquid but solvent banks and other deposit-taking financial institutions with adequate collateral for pre-established periods of 91 days with one possible extension; (2) the Bank could also grant temporary financial assistance in systemic situations, once the strict parameters and procedures indicated in the law are complied with; as solvency support should ultimately be the responsibility of the Government, there is the requirement for a guarantee to be granted by the Government in these circumstances; this would compensate for losses arising from the Bank's solvency support in order to protect the

Bank's financial position or condition; (3) the range of eligible collateral is expanded with mortgages being included in very rare circumstances; (4) the Bank has a flexibility to place a cap on the total to be provided as a percentage of the capital and reserves of the borrower; and (5) it provides the flexibility for the details and eligibility requirements for deposit-taking financial institutions and the range of eligible collateral to be addressed in regulations.

How do we shape up once we have passed these amendments? How do we shape up with other jurisdictions? Provisions addressing open market operations is a common feature in Central Banks' statutes and could be found in the Central Bank Acts of most of the Caribbean Community (CARICOM) countries, including Trinidad and Tobago, Jamaica, Barbados and Belize.

Similar to the current situation in Guyana, the regime for emergency liquidity assistance is not clear and detailed in most CARICOM jurisdictions, noticeably with the exception of Jamaica, which, by an amendment to the Bank of Jamaica Act in 2015, included an express emergency liquidity provision. Since the financial crisis of 2007-2009, several jurisdictions around the world have taken steps to establish and/or revise the emergency liquidity policies to provide effective regimes capable of providing a temporary source of liquidity in support of the recovery and return to viability of eligible financial institutions.

The United States of America (USA), for example, responded by expanding the interpretation of Central Bank powers in section 13.3 of the Federal Reserve Act to provide a wider range of facilities to market participants. In the case of the United Kingdom, the United Kingdom Banking Act, enacted in 2009, gave a statutory mandate with regards to financial stability to the Bank of England and saw the establishment of the special liquidity scheme.

The Bank of Canada also took steps to revise its emergency liquidity assistance policy, as recently as 2015, to provide clarity on the role of liquidity assistance as a temporary source of liquidity to support recovery and resolution of financial institutions. Eligible collateral was also expanded to include mortgages, as it was determined that this would increase, significantly, the eligible institution's capacity to borrow under the emergency liquidity assistance.

With the passage of these amendments, the Bank of Guyana would be in exalted company, insofar as it establishes an emergency liquidity assistance facility, which, had it had such 14

years ago, when the crisis of the Globe Trust took place, those depositors, who are still dreaming and hoping for the return of their deposits and those who have only gotten partial refunds...this facility could have helped that bank, which, in turn, could have saved the day for those depositors. It is never too late and these amendments, together with the passage of the three previous Bills and the upcoming Deposit Insurance Bill, would give to the financial system in Guyana the necessary tools and give to the Bank of Guyana the powers and the strengthened oversight prudential and other operations to ensure that banks do not fail; but if they do fail, they have the mechanisms and processes with which to bring about rectifying and corrective actions.

With that, I commend this Bill for unanimous passage. Thank you.

**Mr. Ali:** While many in the House and outside of the House may have found the last two days to be very tedious, I want to assure you, Mr. Speaker, that the issues, Bills and amendments which we are debating, are critical to the financial health and stability of our country. It is for that reason that we ought to have a thorough and full understanding of the impact these amendments would have not only on the regulator, but also on the commercial banks and the wider society as a whole.

The Hon. Minister, for example, raised the question of Government guarantee as a safeguard in avoiding systemic issues and financial crisis. Professor Franklin Allen, addressing this issue, said:

“...the idea that government guarantees should expand and cover... new instruments to prevent crises doesn’t work.”

This is just to say to you that there are many views on the issue. He gave the example of Ireland; when Ireland had the real estate bubble and the sector collapsed, the banks ‘ran’ into tremendous difficulties. Because of the fact that the Government had a blanket guarantee on the bad debt, it pulled the entire economy and collapsed the entire Irish economy and the entire economy had to be bailed out. So, there are a lot of challenges that we have to address when we are looking at this matter.

In Guyana’s case, for example, we do not have a secondary market. We have not addressed the issue of a secondary market when dealing with this amendment.

The Hon. Minister also spoke about avoidance of banking crises, avoidance of systemic failures and situations and protection of the financial architecture. The Hon. Minister also went on to say that this intervention, along with the all the other interventions, could be looked at as a coordinated effort to avoid the situations he described, for example, Globe Trust, 14 years ago.

The problem, though, in that analysis, is that when we look at 14 years ago, there was no coordinated motivation to push all of these Bills quickly forward because the financial architecture was very sound. We would look at the numbers and understand that the financial architecture did not require an aggressive approach to safeguard anything or any institution. The problem we are faced with now is that the financial architecture is on the verge of imploding and, in recognition of that implosion, the Government is rushing, in a coordinated manner, to pass all these kinds of Bill together. That is why we have the coordination now and not 14 years ago, as the Hon. Minister said.

The Bank of Guyana Act, No. 19 of 1998, established the Central Bank as an autonomous institution. The principal objective of the Bank, as set out by the Bank of Guyana Act, No. 19 of 1998, is:

“Within the context of the economic policy of the Government, the Bank shall be guided in all its actions by the objective of fostering domestic price stability through the promotion of stable credit and exchange conditions, as well as sound financial intermediation conducive to the growth of the economy of Guyana.”

*6.35 p.m.*

Based on the Principal Act, the Bank should, therefore, focus on creating the enabling environment for a market to function effectively to achieve price and exchange rate stability, rather than to be an active participant in the market. The proposed amendment to section 40 is, therefore, in conflict with the primary objectives of the Principal Act. By approving the proposed amendment, the Bank will be given a licence to be an active participant, where it will directly compete with dealers in the foreign exchange and precious metal markets. The efforts by our country to liberalise the financial markets where the Government’s intervention in the market is minimal, the consequences of such interference are well known: price distortion and greater price instability.

We all know that the Bank of Guyana issued an instruction to the commercial banks and licensed financial institutions on a spread in relation to buying and selling of foreign currency. Now, if the Bank of Guyana is going to enter the market by itself, who is going to determine whether it will play by the same rules or within the same spread? These are the things that can create price distortion and instability.

Make no mistake, the proposed amendment is intended to provide a band aid solution to a problem that is much deeper and systemic, a problem that the Government is either unwilling or incapable of solving. The problem is underperformance of key export sectors, which has contributed to shortages of foreign currency and depreciation in the exchange rate. This amendment will not solve the issues that we are faced with today. The issues that we are faced with are the problem of underperformance of key sectors in the economy; the problem of shortages of foreign currency and the depreciation in the exchange rate.

Let me take you to an example of the variation of foreign exchange transactions, using 2014 as the base year. When compared to 2016, the total foreign currency transaction of licensed banks, Republic Bank, Guyana Bank for Trade and Industry (GBTI), Citizens Bank Guyana Inc., Demerara Bank and Bank of Nova Scotia, declined by US \$28 million. Foreign currency transactions by the commercial banks declined by US\$28 million. The total foreign currency transactions of non-bank cambios declined by US\$0.7 million. Within the first quarter of 2018, total foreign currency transactions declined by US\$84 million. In the first quarter of 2018 alone, total foreign currency transaction declined by US\$84 million. The imposition of the \$3 limit spread by the Bank of Guyana in 2017 has caused our banks and non-bank cambios US\$27.5 million or \$5.1 billion in foreign currency transaction. These are the issues that we have to address and these are the issues that this amendment would not be able to tackle.

Let us look at what is happening. What is causing this? We just have to look at the performance of the traditional sectors, which would have brought in foreign currency. What is happening in those sectors? There is severe contraction. Sugar has contracted by \$16.6 billion. Rice has contracted by \$3.9 billion. Forestry has contracted by \$16.3 billion. Bauxite has contracted by \$9.5 billion. The total contraction in these sectors is \$46.11 billion. What we have here is incompetency of the A Partnership for National Unity/ Alliance for Change (APNU/AFC) Government. This incompetence has caused our economy a package of approximately \$46.11

billion in economic stimulus. All of the sectors are performing far below the 2014 level - a sign of gross incompetence.

These are the issues that will cause systemic problems. These are the issues that will lead us into a financial crisis. These are the issues that are moving towards a situation where the financial sector is no longer stable. These are the situations that we must address.

Let us look at what is happening with imports and exports. The aggregate loss of foreign currency: in sugar, we lost US\$111 million in foreign currency; in rice, we lost US\$227 million in foreign currency; in forestry, we lost US\$49 million in foreign currency; and in bauxite, we lost US\$120 million in foreign currency. The total decline or loss in foreign exchange for these sectors is US\$509 million.

In 2017, the overall level of gold production dropped by 8.3%, with small and medium scale miners by 13.1%. The reasons are simple - the high fuel prices and the condition of the infrastructure in the interior. This has been highlighted in the International Monetary Fund (IMF) Report and all other reports.

What has the Government done to address these issues? What has the Government done to address the underlining issues that are causing the problems in the economy that we are faced with today? It has done nothing. There has been no intervention. These amendments will not be able to deal with the problems.

The Hon. Vice-President is talking about taxes. One of the consequences of this move to have the Minister of Finance provide a guarantee, taking real estate, is exactly that. It is exactly that.

The balance of payment deficit, which is 964% more, when compared to the corresponding period in 2017, has cost our gross international reserve US\$94 million or 20%. Our reserves are being depleted. The private sector credit fell by 2% or \$4.4 billion; credit to mining fell by - 15.1%; credit to personal or household fell by - 7.6%; credit to manufacturing fell by - 2%; and credit to construction and engineering declined by 11.6% when compared to 2017. On the other hand, credit to Central Government increased by a whopping 27.2%. These are the economic realities that we are faced with today.

The Central Bank has been buying foreign currency from the foreign exchange market. The reason for this is simple: the closure of the Guyana Sugar Corporation (GuySuCo), which has deprived the Central Bank of hard currency to maintain adequate international reserves. In an effort to deal with this problem, the Bank was forced to sell off its gold reserves. Today, there is not enough gold for the Central Bank to convert into foreign currency. Unfortunately, the only solution that the Government can come to us with is some amendment to legitimise the buying of both gold and foreign currency by the enactment of a provision that will expose the financial market to interference by the Central Bank, which in turn, as I said, can create price instability.

However, the proposed amendment will not fix the problems in the export sector, shortages in foreign currency and the rapid depreciation in the foreign exchange rate. Instead, it would only cause more problems. Buying foreign exchange may help the Central Bank to maintain adequate international reserves. However, it will come at the cost of higher prices for foreign currency and persistent shortages that will affect importers and consumers eventually.

The solution is not amending the Act but rescuing the ailing export sectors. The solution is to provide the stimulus that will ensure that the economy and sectors perform, creating wealth and conditions for growth and development.

Look at the Bill. The amendment to section 41 (2) (b) is empowering the Minister of Finance and causing more debt on the people. The amendment to section 41 (2) (b) in the proposed Amendment Bill explicitly states that, before the Bank or other financial institution could receive financial assistance, the Minister of Finance has to issue the Bank a legally binding guarantee, in writing, securing the repayment of the loan. Thus, essentially, the Minister of Finance would automatically be bestowed with the sole authority to determine whether or not a financial institution or bank will receive financial assistance.       **[Hon. Members: Where do you want**

it to reside?]

Hon. Members are asking where it should reside and, on the same hand, they are talking about the independence of the Bank of Guyana. There cannot be a political hand when dealing with these issues. That is the difference when you compare this legislation, in Guyana, with the legislation in other developed jurisdictions. The system is different. The regulatory framework system is different. The financial architecture is different and the make-up of the economy is far different.

Another major issue that is affecting the economy now, and which causes the intervention with these Bills, is the impact of the \$30 billion bond on liquidity, if the Bill is to address the issue of liquidity. As a result of this \$30 billion bond, the total liquid assets will reduce, by 24.2%, to \$94 billion; pre-2009 level. What will happen as a result? The Hon. Minister said that the Bill is going to address issues of liquidity. As a result of this \$30 billion bond, Hon. Vice-President, what will happen? The interest rates will increase and the Government will further crowd out private investment. Interestingly, as I said, this is nothing new. The Government has already been outstripping the private sector in borrowing.

In conclusion, while we agree with the Hon. Minister of Finance that we need to address the legislation and, indeed, modernise the financial architecture of our country, we cannot do so in isolation of the existing conditions. We cannot do so in isolation of what exists on the ground. We cannot do so. If we do so, we are going to do it at the peril of the economy. We have to fix the problems. We have to fix the export sectors. We have to fix the economy. And then we have to work on legislations that would promote the growth and expansion of our economy in the local context.

*6.50 p.m.*

As I said earlier, an important issue also has to do with the Government's guarantee. The Government now is going to guarantee the resources. The Minister of Finance is going to guarantee the borrowing from the commercial bank from the central bank and, for example, he is going to use real estate as a guarantee or as a collateral. We know the problems here with that. Who would determine the value of the real estate? We have had many instances here where the value of the real estate is far different from the market reality. A valuator might value a building for \$100 million but when you go out to the public open market you would get \$50 million or you would get \$30 million. The reality is that we have difficulties as it relates to these issues. We have to address these issues otherwise, giving the Government or the Minister of Finance the ability to give such blanket guarantee can cause similar issues as it caused in Ireland. Professor Allen has an entire thesis on that. If you want information on that, just consult the thesis.

As I said, we are in no way objecting to the modernising or advancement of our financial laws and guidelines, but it must be done in the proper context.

Thank you very much. [*Applause*]

**Bishop Edghill:** I rise to make my small contribution to the debate on Bill No. 6 of 2018. From the onset, which we have said repeatedly, yesterday and today, and my colleague just indicated, modernising of our financial architecture and landscape is needed.

The Minister of Finance in his opening remarks emphasised that this Bill is to facilitate temporary liquidity measures. My colleague who just spoke, Mr. Irfaan Ali, highlighted the fact that the Minister is going to be giving a Government guarantee on loans, and that is in clause 41 (2)(b). I would have appreciated if the Minister of Finance could further expand on this because the question would be, how would this impact on our debt stock? My understanding of debt, is debt contracted, debt disbursed, as well as that which is guaranteed. We are adding now to what was disbursed and what has already been contracted by a new line of what would be guaranteed, so the Minister may wish to or the next speaker would wish to elucidate a bit more on that.

Very importantly, in this discussion, and I am worried, I believe that a central bank should be putting in place measures to prevent a crisis. This Bill largely speaks to measures of remedying the crisis, when we should really be talking about preventing the crisis. The crisis here that we seem to be discussing is liquidity. Maybe there needs to be a broader discussion. For instance, if there is a solvent institution that is having temporary liquidity problems, and is continuing for a protracted period, short term, it is out of money, my colleague indicated, if there was secondary market that bank could borrow from another bank. This Bill is making provision for a more protracted assistance or bail out or guarantee with a possibility of an extension, which may have some merit, but we would have liked to see a pointed approach towards preventing this crisis situation, as against remedying it. It can develop.

While we were thinking through these ideas and these Bills, it came back for us to be reminded of the Guyana Agricultural Industrial Development Bank (GAIBANK). Some of us in this House might not be old enough or some of us are fully *au fait* with GAIBANK. With GAIBANK we got an Inter-American Development Bank (IDB) loan. It was seven borrowers that benefited from 80% of the total loan portfolio. What probably was intended to be a very good initiative, disappeared off of the map and a lot of those companies were not insolvent, but the bank ended

up without money. They were not liquid to continue to help smaller people and to get the assistance to where it should really matter.

These are some of the concerns that we are raising. We agree that we need to have more tools available. The central bank needs to have more tools available, because ultimately, as a central bank, it stands to ensure that the ordinary Guyanese, in the conduct of their financial affairs and engagement with financial institutions, can have the safeguards that are needed. A weak central bank creates an environment for open season and skulduggery, while a strong central bank gives us a good framework to be able to work. We want the central bank to have the tools. We want the central bank to be able to have more tools in its tool kits. We are not against that, but we want to ensure that the safeguards that are needed in the exercise of its functions that we are not putting the very taxpayers at risk.

For example, I am no financial expert as some of the people who have studied, and I guess the speaker who is coming after me would deem himself as one of those experts. I want to assure the nation and assure the ordinary taxpayer, and the Minister must be able to give us that assurance, that we are not going to allow mismanagement, in terms of allowing solvent businesses to keep borrowing. Banks end up with liquidity issues. The Government guarantees loans to those banks and then they have all kinds of problems and ultimately the taxpayers are the ones who have to deal with that because of the Minister is giving a Government guarantee. Whenever the Minister gives a Government guarantee, it is the taxpayers who he is committing to finally solve the problem. The fact that the taxpayer is the man at the bottom to finally solve the problem, we want to be able to have those kinds of assurances.

We continue to engage for the modernisation of the architecture. We continue to express our concerns and we look forward for a central bank that is responsible in its actions.

Another concern - I had it listed but I did not want to, for the sake of repetition, go into it - if we are taking the central bank into the market, as the Bill allows, then we are crowding out in some aspects the private sector. The Minister admits that this Bill is largely driven by the studies that were done. I want to read for the House, from the *Guyana Staff Report*, June, 2016, Article IV consultation, paragraph 32:

“Although still relatively high nonperforming loans have declined and are concentrated among a few large borrowers who have solvent businesses.”

We have nonperforming loans from among a few large borrowers who have solvent businesses, so we are going back to the time of GAIBANK where businesses that were solvent but the bank was in trouble.

They have been conducting follow-up examinations on a more regular basis and are requesting frequent periodic reporting, to assess the institution’s credit risk, management practices and asset quality. They have also been meeting with the board of directors and senior management of institutions to discuss areas of significant concern.”

*7.05 p.m.*

I understand why the Minister is rushing into this. It is because the International Monetary Fund (IMF) and the Article IV consultation are saying that “we are seeing some signals here that do not look too good.” We have solvent businesses, but, we have none performing loans. That is why I said that we need to have a wider discussion of how this is happening and why this is happening. We make this call tonight for the Minister to properly explain to the House why we are in such a situation. Also, why there is the rush to put such a piece of legislation, even though it is a good piece of legislation, but there must be a reason of why we are doing it.

Mr. Speaker, I thank you for the opportunity for making my contribution. [*Applause*]

**Vice-President and Minister of Foreign Affairs [Mr. Greenidge]:** I rise this afternoon to make a few points by way of contribution to this Bill. The comments made by our colleagues on the other side of the House, who have spoken, have not been affected one way or another. In other words, none of the contributions have suggested the Bill, as it is configured, does not properly address the issues that affect the economy or the issues that are before us. I would like to start by reminding you, including our the former Attorney General, that the recommendations underline the two main clauses with which the colleagues seem to have difficulty arise or they could be found in the Financial Sectoral Assessment Programme, the recommendations of that programme. These are not ideas generated in a vacuum. They arise from a set of recommendation from a set of experts.

I would like to draw two sets of distinctions. I know on the other side, colleagues have become accustomed to almost getting very excited at the prospect of a *buse down* on the other side in relation to economic performance and how sectors have been smashed by this side of the House. Let me just remind you, for example, that in relation to sugar, we are in a crisis which did not start now. We are in a crisis which many people anticipated a long time ago when the European market liberalised the sugar prices. The People's Progressive Party/Civic (PPP/C) failed to respond because it believed that it could have gone to *buse out* the European Union. It is true. I funded a study looking at the future of the sugar market. That Government, in the 1990s, was drawn to the attention that market in sugar was going to decline because the Europeans were liberalising that market.

Do not come here and tell us about the rice sector. We could talk about that. They give away our bauxite without a cent in return from the privatisation of the sector, for example. Do not let us go there, because this is not about that. We could get very ecstatic, and so forth, over a *buse out*. We are looking at a very simple and restricted Bill. I would like to focus on that, Mr. Speaker.

The Bill before us relates to a legislation pertaining to the operations of a central bank. It has to do with the heart of central bank operations, which has to do with liquidity control. When my friend, before he was reading, was addressing the functions of the central bank as captured in the 1998 legislation, he correctly pointed out that a big part of the task of the central bank was to control liquidity. That was to ensure that the incomes, the dollars we have in our pockets, maintain their value. That issue of liquidity, yes, it is an important one. Part of the function of the bank is that and the issues that are captured here. The amendment of clauses 40 and 41, in particular, is meant to reinforce the capacity of the central bank to maintain stability in the financial sector. The generation of unnecessary stability, excess liquidity, affects inflation and that is what this is focusing at.

Let me take you, Mr Speaker, for example, to the... [Mr. Mustapha: Talk about the gold bar.] It sounds as if you have a bar over there. I do not know if it is golden or not. It is inappropriate here.

The issue here is that this Bill sets out to amend the following clauses. The first clause amends section 40 and the old section 40 is being replaced. What the Bill attempts to do is to widen the

role and activities of the bank as it regards the open market operations. That is, the facilities made available to the financial institutions and commercial banks, for example, Treasury bills. Clause 40 in the legislation, as clearly set out by the Minister of Finance in his presentation, speaks to the functions that were contained in the original Bill that dealt with this matter. The new Bill proposes, first of all, to ensure that the monetary operations of the central bank can be widened. You could see that in clause 2 section 40 of the Principal Act is amended and in the substitutions it identifies that the central bank will be allowed, in this case, in order to facilitate all aspects of training, an exercise in which it undertakes the rediscounting on behalf of what it calls deposit taking financial institutions which enable it to buy and sell and conduct credit operations.

Additionally, you will see here a reference to the questions of regulations. This is part of the governance of the system. You are not wildly opening the system to the types of unpredictable outcomes that our colleague Mr. Ali was mentioning. You have an issue here of regulations which prescribe the type of instruments and collateral to be used for the open market operations, so they would be widened.

Secondly, it also speaks about the issue of negotiable debt instruments. That is for short-term instruments.

The amendment of the other clause, which is section 41 of the Principal Act, is an interesting set of changes. Again, this was not, I think, clearly set out by Mr. Ali when dealing with this matter. The intention here is to deal in exceptional circumstances under the whole arrangement as a routine, the bank had this facility. The new Act is saying that in exceptional circumstances the bank may... It is doing these things that I am going to mention in specific circumstances. Specifically, it is when the board of the bank determines. In other words, it is not the Minister who sets out the circumstances under which they render the emergence assistance. It is set very clearly here. One needs to separate and try to avoid confusion of those who listen. [An.

**Hon. Member (Opposition):** Have you worked with Mr. Matthews? First of all, I work with Mr. Matthews and it was a very enjoyable and fruitful period, I would have you to know. The board determines the circumstances which the banks or any of the other financial institutions could take deposits. In addition, the time period over which these loans or these exceptional financial assistance have granted, in other words, the emergency liquidity assistance

provided by the central bank is limited to 91 days or less, in the first instance. It is limited in time.

Part of the challenge of economic management has to do with... It is like the problem that people speak of when they speak of the so-called commodity curse. The big problem is you never know when you set off, in economic policy, where it is going to go. The cheque is to ensure that you limit the time over which assistance is provided. If an adjustment is needed, you give yourself time to make the adjustment. What is being proposed here is a 91 day-period in which that loan is made in the first instance. Again, it is not open-ended. If at the end of that period, the bank fails or the financial institutions fail to meet the circumstances or the conditions under which the loans are given, then they could take action.

Amongst the things, the bank is supposed to satisfy itself with are remedial measures. If you look, for example, at section 41(2), it states:

“The Bank in deciding whether to provide such financial assistance...”

It is not the Minister.

“...shall take into account...”

It is number of things, amongst these that I want to draw to your attention.

“...a programme specifying the remedial measures...”

In other words, the bank has to be satisfied that the entity which has asked for the emergency assistance has a programme for fixing the problems that have risen. The assistance provided to it has to follow that pattern. That is what a requirement that the board of the central bank has to meet.

Secondly, the purpose of the exercise or in the event, for example, if an extension - if I might put it that way - or renewal of the credit operations is required, it is in those circumstances that the Minister can give a guarantee. The circumstances are circumscribed. Again, there is no obligation set out here. I am reading from the Bill. However, much wizardry is encompassed over that side of the House, you cannot wish in to the articles here something that is convenient for you to argue. A government’s guarantee, it states, is required in writing. **[Mr. Ali:**

You are exposed already.] Do not let us get into the problem of English language. The language here says nothing.

The board, it states, shall determine the maximum value of the collateral to be associated with the renewal of credit operation. At the same time, it is true that the bank could safeguard itself by having collateral, in terms of real property.

The case that colleagues on the other side are trying to draw parallel of another entity, an entity which was lending to borrowers and then was not in a position to get back its money, should not arise in this particular case. The bank has itself a guarantee from the Government. May I say that the guarantee itself as you ought to know - we went through this debate before - does not constitute the incurring of debt as such. These are, as you ought to know, again, contingent liabilities.

7.20 p.m.

As regards the main concerns that are being raised by colleagues on the other side, regarding the adequacy of the arrangements that are set out here, I believe that the Minister set out to fashion some arrangements which provide a stability in relation to ensuring the central bank's ability to control liquidity, to ensure that there are times and other arrangements in place, so that any problems or dangers that arise in relation to the movement of a financial system can be taken on board.

The question of what is happening to the underlying system, in terms of the real sector, I think it is a separate item completely. It does not arise here. Nothing in this legislation facilitates the type of allegations being made, for example, as regards whether or not a bond is to be issued or has been issued. These regulations that are set out here, given that they have arisen out of an examination of the financial system, will be required whether or not one intends to issue a bond or whether one does not issue a bond. [*Interruption from Members of the Opposition.*]

**Mr. Speaker:** Hon. Members, we cannot have this. One person is on the floor. Let that person complete. You may not like what that person is saying. You may not agree with it, but let the person say what that person has to say. I believe some of the Hon. Members who are interrupting

that speaker have had their opportunity to speak before, so let the person who is speaking now do so. We cannot have this.

**Mr. Greenidge:** I am saying that if the Minister has fashioned a framework within which to deal with the challenges faced by the financial sector, issues of excess liquidity in the banking system, a danger that banks may, when they need assistance, not be able to get it or not be able to get it with the requisite speed are normal challenges of the banking system. As the banking system expands and as the variety of work being undertaken, in the financial system expanse, one needs to ensure that there are safe guards.

I do not know why the emphasis was being made by our Hon. Member on the other side about viable entities, the question of viability. It is quite common for an entity and it is quite feasible for an entity to be illiquid at a certain point in time, basically for it to be viable. The intention is to avoid it collapsing even though it might be viable. That is part of the purpose underlying in this mechanism here.

Therefore to generate anecdotes is completely irrelevant to the issue before us. I think it is not helpful. None of the speakers has proposed that the measures be dropped and notwithstanding all the anecdotes, I would like to invite all my colleagues, when the time comes, to embrace the measures set out in this Bill and to pay more careful attention to the two critical clauses here which pertains to the amendment of sections 40 and 41, in particular.

Thank you very much Mr. Speaker. [*Applause*]

**Ms. Teixeira:** Listening to my colleague, Mr. Greenidge, on the other side and having sat in this honourable House in 1986 and listened to the Minister, who was then the Minister of Finance, who, oversight, managed the bankruptcy of Guyana, in which we were forced as a country to adapt the Economic Recovery Programme (ERP) which had devastating effects on the Guyanese people and plummeted our people into terrible poverty. I remember the sliding scale of foreign currency where during the day then it could have been \$28 dollars for one, by night it was \$98 dollars and by the next day it was \$50 dollars. Everyone was going absolutely berserk.

This is also the days of beriberi. Do you remember beriberi? For those old enough, you can look it up. It is not “B..h..e..r..i”. It is beriberi which was caused by a nutritional deficiencies, poverty

and malnutrition. I am pleased to hear my friend on the other side speak. I had hoped that after those days and his very erudite presentations, when he was on this side of the House in the last Parliament, that he would have given us a better lesson, but be that as it may. [Mr.

**Nandlall:** They did not even make him the Minister of Finance.] That is what I do not know. I cannot understand it. Despite of the failure in 1985, I would have supported him being the Minister of Finance in this Government. However, I do not have any say in such decisions.

The issue, getting back to the compendium of Bills, the Hon. Minister of Finance talked about those that have been brought with the World Bank's loan of \$35 million. He very proudly stated that they have the loan already. From the time the Bills were tabled in this House on 26<sup>th</sup> April, the money was released. However, in going to the documents themselves and reading them, the IMF, Article IV consultation 2018, the World Bank indicators which were included in the first programmatic financial and fiscal stability development policy credit, and it has all of the fancy numbers behind it, basically, is talking about Bills, but there are five here in the House, obviously with whether we modernise the architecture of a banking system and financial system to prevent it from shocks, to protect it, and so forth, and to protect the consumers or clients in our country.

However, what are we doing here now with these Bills, particularly the one for Bank of Guyana? Basically, there are rationales why some of these Bills should be here but the Government always comes with one agenda and there is another agenda underneath. It is never able to come without being forked tongue. It is "fork", in case anyone misunderstands me. We are dealing with what appears to be an issue that appears to be normal, that the Government should do and the Bank should do. However, what we are also dealing with is why there is the rush - why the hurry? Why the US\$35 million? Why not? What we are dealing with is a loan, Mr. Greenidge, that you got. You do not know this it was US\$35 million. The issue is what was the impetus? What is very clear is that the Government has had to respond to the IMF and the World Bank to do with their concerns about the stability of our system, our economy and our debt.

My colleague on this side, Mr. Irfaan Ali, has tried on more than two Bills to give an idea of the state of the economy, the state of debt and, in fact, the balance of payment debenture, which is 964% more when compared to the corresponding period appeared in 2017 and has caused our gross international reserved, US\$94 million. These are realities in our country. Unfortunately, the

Government is not very good at nor does it wish to have public disclosures on this issue. It rather continues to live in a kind of ivory tower that everything is great out there, everything is fine, and we are doing a great job.

When you read from the IMF Executive Board - this is announced - concludes Article IV consultation with Guyana, and this was done today 13<sup>th</sup> July, 2018, it is on the IMF website, there are about 11 main points that was picked off from it. I would like to raise just a couple of them. For example, one of the issues raised was “reducing the cost of doing business; strengthening private sector confidence and advance in productivity, enhancing reforms essential for sustaining growth in the short term”. The issue of our economic stability and our banking system had to do with economic production reforms out there, facilitation of the private sector to grow.

The next one talks about the quality and efficiency of Government expenditure should continue to be improved. “It is important to address the shortcomings identified by the Public Investment Management Assessment (PIMA) before public investment is significantly scaled up.” It goes on to talk about greater efforts are needed to reduce energy cost, greater efforts needed to bridge the gaps with the hinterland. It talks about Guyana’s continued vulnerability to external shocks and it also talks about private external borrowing should continue to be avoided and central bank financing should not be used. That is IMF today.

I believe that this Government has had to come to this House, not on its own volition, but clearly, it has been under pressure by the World Bank and the IMF to come here to address solvency issues and the very serious risk that the country faces. That is what, in my belief, we are doing here, today. What the Government is not being honest about, as I said, it is not coming with a clean slate to say: “We have a problem, our economy is in trouble, our foreign exchange is in trouble and, therefore, let us try and fix it.” In fact, what it has been doing is avoiding any discussion about that. In fact, the first foray on the first Bill was hammered because Mr. Ali was dealing with some of these terrible, shameful statistics which have to do with how it is performing as a country. He was shut down as being irrelevant. Maybe, it is irrelevant to you on that side, but you know the poor working people of this country have to go and buy food, pay rent.

You have reduced the gas prices by \$4. You are so generous. When the world price has dropped to \$73 a barrel! The same day that happened or a few days after that happened, the Guyana Government is so generous, it dropped the price of oil by GY\$4, not US. The reason why we are here is because you have to bring some of these things in here, but it is typical that you must titivate.

All the Bills that we drafted you bring them here and you rush them and say that it is the People's Progressive Party (PPP)'s Bill. When we read them you put on onerous penalties, offences, that were never in the original drafts. It is too with this one. You have brought a Bill that has aspects of it that are require by conditionalities of that IMF World Bank, however, you must titivate. You cannot leave things alone. You must bring your own agenda in. Let us go to Section 40 (1)(a) in the Bill. It talks about:

“operate in the financial markets by buying and selling outright, either spot or forward or under a repurchase agreement, and by lending or borrowing claims and marketable instruments, as well as precious metals;”

Why is the Bank of Guyana getting involved with precious metals? As my colleague said earlier, you have already crowded out everybody else with foreign exchange. You are now going to crowd out everybody else on the gold market. In the early days, we dealt with the bank as a regulator and enforcer simultaneously in the last Bill that we just finished. In the Bill before that it was the bank being a monitor and ‘big brother’. In this Bill, we have the bank getting involved with not just dealing with companies as banks and other entities that may have trouble.

*7.35 p.m.*

Just as important, it is slipping in that the bank will now be dealing with precious metals. The issue is why is that of interest to anybody? I have a concern that our banking - and I am not an economist, so anyone can accuse me that I do not know what I am talking about, but I am glad that I can talk about what I believe because, at least, there are signals that something is wrong. Why would you want the Bank of Guyana to be the entity that is consuming and will be buying up reserves of gold and holding it?

A situation will be created where the bank will outmanoeuvre everybody else who will compete with it. The Bank of Guyana will have a monopoly and it will bring in gold and reserves of gold. This is not a healthy situation. Why would you be doing this? What is wrong with the system that is there now? Or have you talked such nonsense in the public about gold going away – how many billions of dollars you have said with no proof of it all, now you have hurt yourself where some people actually believe the lies that have been said. Is that why you are trying to say that the Bank of Guyana must now get involved in the gold market and be involved in acquiring precious metals and not just gold? The assumption on my part is that it is gold.

By the bank doing this, it crowds out, as I said, purchases in the market, and the Central Bank will end up having a monopoly of gold. It will have a premium about what the price of gold is. So, why would you do that? What are you trying to fix? No one has come to this House and said, “You know what, this particular addition, as well as precious metals” just that phrase to say to this House this is why we are doing it. “We do not have trust in the Guyana Gold Board anymore; we do not have trust in anybody anymore, so we want the bank to take it off.” Tell us honestly. Let the Guyanese people know why.

You are taking and reposing enormous powers and, unfortunately, the Guyanese people do not trust this. They do not have any confidence in this - they have none. At the same time, we have just gone through a rush in this Parliament, one night all of a sudden, to extend the debt ceiling of this country. It was still \$50 billion, but now other things were put in it and it had to be discussed the very night. [*Inaudible*]...went right through all the affirmative motion with it. There was no time to see it or to consult and you expect people to trust you? Do you expect people to trust when there is this lack of disclosure, lack of informing and lack of involvement?

You know you can bring as many Bills as you want to this House, how effective they will be, even with the best of intentions, has to do with if people understand them and if they agree with them. While we want a modern architecture, you cannot be slipping in these underhand things that will actually undermine the very architecture that you are trying to enhance. So, when you come along and you are talking about the guarantees – I am not getting into gold bars, I know nothing about that, my Colleague knows about that, I do not. I am sure that when he said it he knows something that I do not. I cannot protect you Mr. Greenidge. Regrettably, I do not know anything about gold bars.

The other mischief in the Bill has to do with the guarantee by the Minister, a Government guarantee in writing, securing repayment. These are two areas of the Bill that are very disturbing. Does this mean the precious metal issue, as well as the Government guarantee? We have to say that this is all in anticipation that we are in a downward trend. Based on your own knowledge of what is going on, is this about trying to put in provisions that you expect things are going to go down rapidly? Is this, in fact, not about putting in the legal architecture just in case something was wrong? Or is this with this haste and money from the World Bank and the readings that I downloaded all of this stuff here about what they are saying? It is really about being in worse trouble than you thought and you need now to put in a whole series of things that include Government guarantees to make sure that the *ship does not collapse*.

My Colleague went back to the Guyana Cooperative and Industrial Development Bank (GUYBANK), but I want to go to a more recent experience we had. This is because the International Monetary Fund (IMF) and the World Bank's documents both speak about external shocks, the impact, the limitation of Guyana's own economy and a dependence on exports. It points out the poor performance of sugar, rice, construction and forestry. These are facts; we are not lying about these things. If you do not believe your own people and you believe a stranger, well, good for you.

The 2008 Global Financial and Economic Crisis was a global thing that took place and yet Guyana, a country with a small economy and small population, at risk with exports that were vulnerable at that time on the World Market, was able to not only survive, but to cushion the impact on the ordinary people. In fact, it was during that period when other countries in the Caribbean were going into a decline with minus positive growth, that Guyana showed positive growth and went into an eight-year cycle of positive economic growth rates that had not been seen. What was the difference between now and then? It had to do with prudent, financial and fiscal management. That is what it had to do with, prudent fiscal management, and bringing issues and remedies to help the ordinary people overcome.

The World Bank talks about nonperforming loans, mostly in the small business sector and in the household. You do not have to read the World Bank Report for this or the IMF, just open the *Official Gazette*. The regular *Official Gazette* where the banks put up what is called Execution Sales – just open the *Official Gazette*. Peoples' loans for motorbikes, minibuses, cars, tractors,

houses, bicycles, all are up on sale. Now, that cannot be happening because people are being *bad-minded* and do not want to pay their loans. People want to keep these things. They want to be able to live and function. The Government is like an ostrich, it is sticking its head in the sand and pretending that the Guyanese people will never know anything because you are hiding it from the people.

This issue of the Bank of Guyana, I have spoken and I am referring to it because, just like with the Economic Recovery Programme (ERP), you guys forgot about the context when you were bankrupt. We all suffered as a people because the country went bankrupt. We do not want to see Guyana go bankrupt again. Some of us have been around and our children, who are now in this Parliament and the young people who are now in this Parliament – I said this Parliament because I do not see that many young people over there – young people on this side who grew up in the 1980s when we were bankrupted and in trouble. I remember that I sat in this House, at the back there on this side, because it was the Opposition and listened to Mr. Greenidge, he was much younger then and not too bad looking either. He read the Budget Speech and I felt very sorry for him - I mean, he is People's National Congress (PNC) and I was angry - but I felt sorry for this man who had to announce to the nation that we did not have money. *[Interruption]*

*[Mr. Speaker hit the gavel.]*

This Bill is extraordinarily important. Whether the Prime Minister thinks that I have strayed, I have not strayed Mr. Prime Minister; I am not like you. I have not strayed to three different parties. I have stayed always with the one party. I beg your pardon? **[An Hon. Member:** *[Inaudible]...* No. But do not tell me about straying. *[Interruption]*

*[Mr. Speaker hit the gavel.]*

Yes. He has called me a *strayer*, please ...*[Inaudible]*...I do not stray. You have strayed through three parties and still have not made it yet.

This Bill is in a context. If the precious metals and guarantees are left out, it might have been more realistic about dealing with solvency issues. But, new animals were brought into this story; new issues into this story that we have to be aware of. It is unfortunate that the speakers, the IMF Report, and the World Bank Reports... Just before I finish up, let us go to the World Bank

Report. I went through the whole World Bank Report because that is the basis of this US\$35 million loan, which Hon. Minister Jordan referred to. These are the indicators. In the indicators, on page three of the First Programmatic Financial and Fiscal Stability Development Policy Credit Project, there is no reference to the issue of the bank being involved with precious metals. There is no indicator or requirement for the Government to give a guarantee. I was a little bit confused because the World Bank document talks about four Bills and we have five before us. So, maybe, I missed it.

In addition to that, when you go back to the World Bank Report it talks about risk ratings and this has to do with Guyana's fiduciary risk; it talks about fiduciary risk being substantial. Of course, the last Public Expenditure and Financial Accountability (PEFA) Report was done in 2012 and now it is being done in 2018.

“...the Co-operative Republic of Guyana PFM environment is mixed and has weaknesses in internal controls, comprehensiveness and transparency of the budget, and accounting and reporting.”

It is calling on the Government of Guyana to prepare a time-based action plan to address the weaknesses and areas noted. On the summary risk ratings in the report it states, “Risk Categories: Political and Governance – Substantial; Macroeconomic – Substantial; Sector Strategies and Policies – Moderate; Technical Design of Project or Programme – Moderate”. So, these are the risks – “Substantial and Moderate”. “Institutional Capacity for Implementation and Sustainability – Substantial; Fiduciary – Substantial; Environment and Social – Moderate; Stakeholders – Moderate; and Other – Moderate”. The overall rating of Guyana is substantial risk that Guyana is facing and how it is assessed.

We can talk about that we have come a long way. This country was doing well. It had eight years of consecutive economic growth. Regrettably, in a matter of three years, we have seen a downturn; a very serious one to do with foreign currency reserves, which have been reduced to the lowest it has ever been for a long time. It is at 2.5 months cover, when it should be three months minimum. We are way below on all the other factors - our deficits, our debt. If this does not make the Government lose sleep at night, it certainly makes those of us on this side of the House worried. It is because in 2020, we will have to fix the mess. In 2020, we have to come and

fix this mess that you have created. [An Hon. Member: That is a dream.] No. It is not a dream; it is a reality. [Interruption]

[Mr. Speaker hit the gavel.]

7.50 p.m.

The Minister needs to explain to the Guyanese people, he does not need to explain to Gail Teixeira, it is alright. He could explain to the Guyanese people: With the inclusion of “precious metals” in clause 40 (1)(a), what would be the impact? Why has the Government decided to go in this direction? Would it help to create competition? Would it help to stabilise various prices or is it going to worsen it? In relation to the guarantees that the Government is giving, is this not putting our economy into greater stress? There is already a \$30 billion loan that the Government has given a guarantee for...

**Mr. Speaker:** Hon. Member, you have five minutes remaining.

**Ms. Teixeira:** Thank you very much. You are also borrowing at high rates - concessional as well as non-concessional rates. Your expenditure is out of control. In this environment, do not come and tell us about the World Bank and the IMF. The IMF and the World Bank have made it clear that if you want the US\$35 million, you better fix it because this place is going to fall. The economy is very delicate, to put it nicely. If you do not like some of the words that some of our Colleagues have used about decline; if you do not like the fact that the US\$35 million loan would help to provide foreign currency that you desperately need, that you do not have and that you need to put in the system...

Unfortunately, the Hon. Member wants this side of the House to support these Bills. It is a good intention, but you cannot go to a friend or even a foe to ask for support and go with an empty hand. That does not explain it. What is it that you want? What is it that you need? Why should this be supported? The Government has always believed that it could come with hammer and a bully and everyone should bow down like the guards had to in the parking lot.

Thank you very much. [Applause]

**Mr. Nandlall:** Mr. Speaker, thank you very much for the opportunity to express my thoughts on the Bill that is before this honourable House. I want to begin by reminding the Hon. Member, Mr. Carl Greenidge, the Hon. Minister of Foreign Affairs that when he spoke about sugar, he said to us that the sugar problems did not start now, some of us foresaw it a long time ago and we even predicted it. Assuming all of that is true, my problem is, why did they not tell that to the electorate in 2011 and 2015? Why did they not tell that to the electorate? They went to the sugar workers and said, “We will keep the industry alive and we raise your wages and salaries by 25%.” That is what they told the sugar workers. Do not come here and speak, as my Colleague said, with forked tongues. I do not have to spell it for you. We cannot keep fooling the people of our country.

The Hon. Minister was last night and is today still avoiding, with great emphasis, embracing and acknowledging that these Bills are as a result of the conditionality of the loan. He was remarking why it is that we are referring to this US\$35 million. He is not being fully frank with this House, as I said last night, about the conditionality. He prefers to take us on some historical analysis of the evolution of financial development taking place in our country, in relation to the fiscal sector. That is what he has been doing, rather than accepting frontally, as the document of the World Bank states:

“The recipient...”

Which is the Government of Guyana,

“...through the Ministry of Finance, has submitted to the National Assembly, for approval thereof, a bill to establish a prudent legal framework for the Bank of Guyana’s short-term lending to illiquid but solvent banks as a banking safety net measure, by delineating the modalities of: (a) the Bank of Guyana’s lending and collateral requirements;...”

Everything that is in this Bill is in the documents of the World Bank. All that I am saying is that the Minister of Finance should make it a frontal part of his presentation here to say, “Mr. Speaker and Hon. Members of this National Assembly, I bring these five Bills because we are benefitting from a US\$35 million loan and the World Bank has asked that I lay these Bills in the National Assembly.” That is good face start so that the people of this country would know that

we are not making laws here in abstract. People are looking at us, Sir. I have done my survey out there. People are looking at us and they want to know what it is that we are debating in this House. What disaster are we preparing for? No bank is collapsing. People are worried. They called me to say, “Mr. Nandlall, should I withdraw my money from the Guyana Bank for Trade and Industry (GBTI)? Last night I heard the Minister saying that the banks are collapsing.” People have called me genuinely scared because of the Minister’s presentation - not locating it in a context. It would allay the public’s fears and concerns if you say that these Bills are useful for some future eventuality, but it is brought at this point in time to satisfy the requirements for the loan, and we move on and do not have to have all these debates. Do you know what the rate is of babies dying in this country, Sir? I will go back to the Bill.

When I read this Bill for the first time, it took me back to my days at Queen’s College, where I learnt the essentials of Economics. I recall doing, as part of my Economic studies, the functions of the Central Bank, basic Economics. When I saw this Bill, I thought, generically, the functions of the Central Bank would have changed over the years. This Bill radically alters the core functions of the Central Bank as we know it. The Bill is moving the Central Bank from the position of a regulator and supervisor, into the arena as a player. The first clause in the Bank of Guyana (Amendment) Bill 2018, tells you that.

“40. (1) In order to achieve its objectives...”

The Central Bank may-

“(a) operate in the financial markets by buying and selling outright, either spot or forward or under a repurchase agreement, and by lending or borrowing claims...

(b) conduct credit operations...”

Dealing with foreign exchange and precious metals, all these things are matters that had to be conducted in the Financial Market by commercial banks and other financial institutions. They had to be regulated and supervised, by the Central Bank. Here it is that the Central Bank is now being conferred with the authority, to descend into that very arena that is supposed to regulate and trade as an equal

How could the other operators feel comfortable? How could they feel secure when their supervisor and regulator are competing with them and have that advantage that all central banks do over commercial banks? This intervention and the conferment of these powers by the Central Bank radically alter the playing field and make the commercial banks a competitor. The commercial banks remain as the advisor to the Government in financial matters and policies *et cetera*. Now the Central Bank is entering into the fray.

The other worrying feature of this Bill is the role of the Minister of Finance. Suddenly, the Minister of Finance becomes a player in this equation that is supposed to be devoid of political interference, of any kind. The financial sector is supposed to be insulated from the intervention and input of politicians. The Bill at clause 41 (b) states:

“...such assistance...”

It speaks to the Central Bank being allowed to bail out commercial banks if they are experiencing problems. The Central Bank, as a condition precedent to bail out the commercial banks, must first get a guarantee from the Minister of Finance. Why is that necessary? For 200 years, central banks have been working with commercial banks in their difficulties, without any government guarantee. How suddenly the Minister comes into this equation, and as a condition precedent? If the Governor of the Central Bank does not get the Minister’s guarantee, that commercial bank would perish. That is the evil. Let me read. If language is a problem over there, Sir, permit me to assist them.

At clause 41 (2) it states: “the Bank” meaning the Central Bank, “in deciding whether to provide such financial assistance, shall take into... as financial assistance, to the commercial bank”. Now you see why the country went bankrupt in the 1980s.

“(2)The Bank in deciding whether to provide such financial assistance shall take into account information provided by its supervisory department on the basis of a programme specifying the remedial measures that the bank or other financial institution that takes deposits concerned will be taking, provided however, that no such commitment shall be made by the Bank unless-

(b) such assistance is necessary to preserve the stability of the financial system and the Minister of Finance has issued to the Bank a legally binding guarantee in writing securing the repayment.”

8.05 p.m.

Why is that added requirement necessary? Is it that this Minister of Finance will determine which bank will go under and which will not go under. That is a power that should never reside in the political directorate of a country and that is the point that I am making. That has passed over all of the heads over there, but they want to *rattle* me. Concentrate on the evils that are in the Bill. [Mr. Greenidge: Well.] You are a former Minister of Finance, you should have stood there and tell us about that, instead you were talking about sugar. [Mr. Greenidge: Is it there.] You did not see it.

This is a dangerous addition. I have no problem with the Central Bank being allowed to intervene, but the Central Bank must do that upon objective conditions and not upon whether a Minister of Finance gives a guarantee or not. It cannot be. That is a dangerous subjective injection in these requirements and it destroys the autonomy and the independence which are so requisite for the Central Bank to play its objective role. Last night, I spoke about the regulations of these types being promulgated in a society where the regulating agencies that are being equipped with these powers not being allowed to operate in an independent environment and here it is that we see the very ill that I am speaking about manifesting itself nakedly in the form of the Minister. That is the first problem with that issue.

The second problem is, with which section of the population did the Government consult to promulgate the Bill? As my Colleagues have said, once the Minister has to guarantee, the Minister is not guaranteeing in his personal capacity. It is not Kiskadee Drive transport going anywhere. It is the Treasury that would be guaranteeing this. Therefore, the people of this country ought to have been consulted. The people of this country must know that Minister Jordan will use their taxpayers' dollars to guarantee loans without them even knowing - loans which they and their children have to pay back. Are the people of the country not entitled to the decency of that information? Sir, are they not entitled to that? Are we going to burden the people of this country with humongous debts that they and generations will have to repay and they are

not being told? They passed that experience already and it is a horrible one, imposed largely by the Hon. Vice-President and we are still paying back some of the loans that were taken in the 70s. Now, in this surreptitious manner, we have loans again being taken.

Sir, the third issue that I want to highlight is clause 3 (5), which states:

“Where the collateral for a debt due to the Bank is or is likely to become in the opinion of the Bank inadequate, the Bank may secure the debt on any real property of the debtor and may acquire such real property which shall be disposed of at the earliest suitable opportunity”

Now, this is a central bank and it is a bank regulating commercial banks. It deals with money, monetary instruments, treasury bills, negotiable bills - that is what a central bank deals with. Guyana's Central Bank perhaps... we may be leading the way, but I do not know. We will have the first Central Bank that will be mortgaging commercial banks' property. You see when we take these legislation and we do not apply our law to them that becomes a problem. How do we in Guyana secure a debt on moveable property? How do we do that? We do that by the execution of a mortgage and that mortgage is not in accordance with English or American law. It is in accordance with Roman-Dutch law. The Central Bank will now have to execute a mortgage on the properties of commercial banks as a security. For the time, for example, Mr. Gobind Ganga will have to attend the court to sign a mortgage deed. I hope he understands that. The first Governor of the Central Bank, in the history of Guyana, will have to go and execute a mortgage deed and he will have to go to the Bail Court to get a Foreclosure Order to sell a commercial bank's properties at an auction sale. He will be the first Governor of the Central Bank that will be doing that.

The commercial banks and the Central Bank will be competing for space in the High Court to sell properties at auction sale. A very unique and unprecedented situation, but then we are living in unprecedented times with a Government of unprecedented competence. This is the result. There are five lawyers on that side and, as the Attorney General rightly exclaimed, he does not know what I am talking about and that is the problem. When the legal issues are not known to the Attorney General, the entire Government is in problem.

So we are radically changing the functional scope of the role of the Central Bank. [*Interruption*]

[*Mr. Speaker hit the gavel.*]

Sir, Mr. Ramjattan, is under some other influence, so, Sir, protect me. [Mr. Ramjattan: You are highly spirited.] I am highly spirited from the wind from that side. I am on the wind side of Mr. Ramjattan. [Mr. Ramjattan: I wonder what you have in the glass?] H2O, unlike you who has *Grey Goose*.

We have some very serious measures that are being proposed in these Bills which I ask that we reflect upon. As we have said before, the modernisation of the fiscal structure in this country started under the People's Progressive Party (PPP) and under the stewardship of Minister of Finance Bharrat Jagdeo. The Hon. Minister of Finance referred to it and we are proud that it is being continued, but not in this way. It must be done at the appropriate time. The Bills that we are bringing, we must be told frankly what the requirements are they intend to meet, we must not be legislating in abstract, but we must be able to bring bills that will be truly modernising our fiscal structure. I thought that this Minister, a prudent thing, even the doctors will tell you about preventative medicine. A prudent client comes to a lawyer to seek legal advice, well he would avoid problems. I thought that principle applies in economics too so that we take steps to avoid the disaster. The Minister here is preparing the economy for the disaster rather than taking steps to prevent it from happening. Minister, preventing the flood is better than getting the water off the land. I respectfully suggest that approach be adopted by the Minister.

Thank you very much. [*Applause*]

**Mr. Jordan (replying):** Mr. Speaker, this may very well be the shortest wind up that I have ever done. It is because, for the last two hours, we have been treated to a harangue of everything else, except quality arguments and analysis of the Bill that is before us. We have heard an unhealthy obsession with a US\$35 million concessional World Bank loan that has been given to this Government. We have heard and were treated and have been exposed to an unhealthy obsession with a \$30 billion bond that we have been able to raise for the Guyana Sugar Corporation (GuySuCo) operations, a sugar industry that was made bankrupt under the PPP/Civic Government. A sugar industry where US\$200 million that could have carried us a significant way on the Linden/Lethem Road and avoid all the bad roads that we have there now and open our southern border with Brazil, in terms of trade. A US\$200 million was sunk in something

called a Sugar Modernisation Project, at a time when we were warned. We were forewarned that sugar was no longer here to stay.

Today, thanks to this Government, when in 2015 the then Chief Executive Officer (CEO) of GuySuCo, who was earning US\$35,000 in salary alone, and who was being paid return passage, virtually every fortnight, to go back home in New Jersey, while the workers were struggling. One week after we got into power, he dropped it and left it and said “Alyuh tek it”.

We were forced, while we were in a pincer movement with our western neighbour, where we had to divert further moneys to deal with that border issue, we still found \$12 billion to bailout sugar. We have bailed out sugar over the last three years at \$32 billion and we are bailing out sugar today again. Ten thousand workers now producing less than a 100,000 tonnes of sugar and that is the price this country is paying for the so call sound management - eight years of continuous growth. That is the eight years of continuous growth that we have here.

We are hearing them trotting out statistics. Some of them do not even understand the statistics that they are reading. They are trying to make this economy as if it *deh bad* or is going down. The very extract from the report (FSAP) states that the economy has comfortable liquidity...

*8.20 p.m.*

**Mr. Speaker:** Please resume your seat, Hon. Minister. Members, are we having a debate or a shouting match? I was under the impression that we are having a debate on something of importance to the whole country. Members who are interested in that and have declaimed their interest here are doing their best not to have the debate heard. Please proceed, Hon. Minister.

**Mr. Jordan:** Thank you, Mr. Speaker. The very Financial Sector Assessment Programme Report, which has recommended the changes to be done to the Bank of Guyana Act to accommodate emergency liquidity assistance, states that the economy has comfortable liquidity buffers.

We did not come here and bring these Bills in the expectation that there will be a crisis tomorrow. I did not indicate to you that jurisdictions such as Jamaica, Trinidad, Barbados, Belize, United States of America, England and Canada all have emergency liquidity assistance in

their banking laws. If we had it 14 years ago, we would have saved the Globe Trust and Investment Company Limited and its depositors.

Emergency liquidity assistance does not have to be in place because there is an impending crisis. In any case, it is best that it be in place now so that in the event...It is as going on an aeroplane. In the unlikely event that 'x', 'y' or 'z' happens, this is what you must be prepared to do. You do not wait until something happens to find out that you have to put on a belt, an oxygen mask, *et cetera*. That is the first thing, before the plane moves off, that they tell you. What we are putting in here are the safeguards that, in the unlikely event such a situation occurs, we would not be panicking anymore. Depositors, now, could have entrenched confidence that when they put their moneys in a commercial bank, should the bank get into trouble, we have layers of legal regulations and proceedings and so forth that can guarantee that they will get their moneys, unlike what happened with Globe Trust and Investment Company Limited.

I do not see that this has anything to do with foreign exchange rate, foreign exchange going down and the Central Bank intervening. One of the roles of a Central Bank is to ensure monetary and price stability. Part of ensuring that is that they have to intervene at such times, in the case of the foreign exchange market, they intervene to provide foreign exchange when there may be a shortage; they will sell from their reserves; or to mop up in terms of buying from the market when there is excess. Right now, my understanding is that there is an excess of foreign currency in the commercial market. It is like having excess blood. You have to continue drawing or else you will die. It seems to me that the commercial markets have this excess hanging and they do not know what to do with it. That is where the Central Bank can comfortably enter the market without disrupting operations. If the Central Bank has to put in directives, such as that which was put in 2017, to stop usury, to stop rapacious dealings in the market and to stop foreigners from coming and buying our foreign exchange and causing problems in the market, then that is the role of the Central Bank.

This is not about politics; this is about our economy. It has nothing to do with you being over on that side and us being over on this side. At the end of the day, if the economy does not run properly, it does not discriminate between Opposition and Government. Just like what we had last night that there is no such thing as a child born out of wedlock, all of us are in the same economy and it must be in our interest to ensure that the economy functions properly.

If the Bank needs strengthened powers, new regulatory powers, new provisioning powers and new emergency powers to ensure that it could carry out its functions in regulating this economy in a proper, efficient and functional manner, then these powers, as enshrined in these Bills, ought to have the widest unanimous support of this House. It is not about politicking.

Emergency liquidity assistance is found in almost all jurisdictions and it is in recognition that no matter how strong the economy is, a crisis could come. Once a crisis steps in, there is a run on banks. There does not even have to have a crisis for there to be a run on banks. A simple rumour could cause a run on banks. It happened here before at a certain bank around a certain time period. Just one spread of a rumour and everybody started looking for their moneys. It happened in some of our neighbouring countries. I read that it happened somewhere in India. The economy could be going well, it does not have to be in a crisis, but one rumour or cross-border activity that is negative could cause a run on banks. What will you do then? Would you go to the Government and ask for financial assistance when there is no law in place for them to lend any moneys or are we going to put in these measures now?

Everybody is worried about the Minister of Finance. They are being personal about this Minister of Finance. It is not the Minister of Finance. We are just guaranteeing a 182 maximum day loan because 91 days is a Treasury Bill, literally. There would be a maximum of 91 more days. That is what the Bill states. That is what we are guaranteeing. We are not guaranteeing any long-term loan. In fact, this is not even a loan because we do not treat borrowings of less than one year as a loan as such. You come here and you hear all kinds of redefinitions; guaranteeing a loan now is a debt. It has moved from a contingent liability to a debt.

The issue is not about the Minister of Finance stepping in on the autonomy of the Central Bank. If we really want to be reasonable, strictly speaking, no institution is autonomous. After all, the Bank of Guyana has Directors, all of whom are appointed by the Minister of Finance. Strictly speaking, they act on my behalf and the Board takes instructions from me. How is the Bank independent and autonomous if it has a set of people who are taking instructions from the Minister of Finance? It is the Minister of Finance who appoints and who could also disappoint.

We must not attempt to put the kind of fear into people where there is none. As the Minister of Finance, we know that the Central Bank cannot run certain deficits. Under the new Bank of

Guyana Act, they are not supposed to be running a deficit. If they are going to lend money, they have to find a way of getting it back. They are lending money to an insolvent or illiquid entity and there is some risk of not getting back the money. They are saying that if they would get involved in that kind of operation, in the unlikely event that they do not get back the money, the Government must pay it back.

We will get it back in the Bank of Guyana profits. It is just one set of money moving temporarily from one place to the next. He has to declare profits at the end of the year and give it back to me. I get a couple of billions of dollars in profits every year. Do not let us see this thing as if we are creating some set of macabre regulations or putting in some draconian or dictatorial things at the Bank. We do not intervene in the Bank. The Governor could tell you that. I do not intervene in the Bank. I do not even intervene in the Board because I have already given them a broad policy guideline and I expect them to follow it. That is essentially what this is all about. We are just trying to safeguard depositors. We are just trying to give back confidence to depositors, especially those who were scarred from the Globe Trust and Investment Company Limited and those who have been scarred from the Colonial Life Insurance Company (CLICO) operations also. The insurance industry, up to today, has not recovered from the CLICO debacle. Life insurance, they would tell you, is down significantly, relative to the other types of insurances. Because of the CLICO debacle, people have lost confidence in the insurance industry. It would take a long while to recover. We have made significant strides where that is concerned with the amendments to the Insurance Act that we did yesterday and the number of other measures that we are putting in place to anchor and strengthen the architecture of our financial system.

Mr. Speaker, as I said, there is not much that was said about the Bill. I believe that Members of the Opposition do support the Bill. I did not hear any concerns that are real in the context of this Bill. I heard a lot about the economy and so on, which we could debate when Budget 2019 comes up in another couple of months. For the purposes of this Bill, these amendments are necessarily non-contentious and they are here for particularly good reasons. The FSAP or no FSAP, the World Bank \$35 million loan or no \$35 million loan, these measures, which were talked about...because I heard how they were started in some previous era, I do not want to debate that. They were talked about then - the FSAP 2004 stated that - but they are now being put in place 14 years after. It is better late than never.

I commend these amendments to the House, as I said, for unanimous passage. I hope, together with the rest of the Bills that have been produced in this House and the last one on deposit insurance, that, come a year from now, at least, we would have a particular system in place, even though not second to none, but we would have put in the architecture and the foundations to get there sooner than we can. Thank you.

**Mr. Speaker:** I thank the Hon. Minister for his statement.

*Question put and carried.*

*Bill read a second time.*

*Assembly in Committee.*

### **Clauses 1 to 6**

*Clauses 1 to 6 agreed to and ordered to stand part of the Bill.*

*Assembly resumed.*

*Bill reported without amendments, read the third time and passed.*

8.35 p.m.

Hon. Members, we have completed consideration of the Bank of Guyana (Amendment) Bill 2018. We would proceed to consider the next item, but before we do so, I must say to you that we are long past the time when we should have taken a break. I would interpret you correctly, I believe, if I say that you would want us to continue.

**Hon. Members:** Yes.

**Mr. Speaker:** Thank you.

### **DEPOSIT INSURANCE BILL 2018 – Bill No. 7/2018**

A BILL intituled

“AN ACT to establish a Deposit Insurance Scheme for the protection of insured depositors comprising a Deposit Insurance Fund and a Deposit Insurance Corporation responsible for managing the Fund and for connected purposes.”[*Minister of Finance*]

**Mr. Jordan:** Mr. Speaker, I rise to move that the Deposit Insurance Bill 2018- Bill No. 7 of 2018, published on 25<sup>th</sup> April, 2018, be now read a second time.

More than two-thirds of the member countries of the International Monetary Fund (IMF) have experienced one or more banking crises in recent years. These crises have occurred in countries at all levels of income and in all parts of the world. This troublesome situation amply shows that, while banks are important for channelling saving to productive investment projects, they, nonetheless, remain relatively fragile institutions, and when a country’s banking system experiences systemic difficulties, the results could be disruptive and costly for the whole economy.

*[Mr. Speaker hit the gavel.]*

It is well known and widely accepted that banks are a very important part of a nation’s financial system. They complement non-bank financial institutions and the capital markets in promoting economic growth and development. In particular, banks extend credit to business firms for various investment projects and otherwise assist them in coping with various types of financial risks. They also facilitate the payment for goods and services by providing a medium of exchange in the form of demand deposits. But, in providing these services, banks create longer term assets in the form of credit, which are funded with shorter term liabilities in the form of deposits. Therein lies the inherent source of bank fragility. Depositors may decide to withdraw their deposit from banks at any time.

The worst case scenario is one in which depositors nationwide become so nervous about the safety of their deposits that they simultaneously decide to withdraw their deposits from the entire banking system. Such a systemic run would force banks to liquidate their assets to meet the withdrawals. A massive sale of relatively opaque assets, in turn, would require that they be sold at what we call “fire sale prices” to obtain the needed cash. This situation could force illiquid but otherwise solvent institutions into insolvency. The typical structure of a bank’s balance sheet is, therefore, necessarily fragile. Any bank would be driven into insolvency if its assets had to be

immediately sold to meet massive withdrawals by its depositors. This would not be of concern if such of an event were a mere theoretical curiosity.

In fact, there have been widespread bank runs in various countries at various points in time. In fact, the public do not know, but several months after the closure of the Globe Trust Investment Company Limited, both the Guyana Bank for Trade and Industry Limited (GBTI) and the Demerara Bank Limited (DBL) suffered shocks to levels of depositor confidence in each institution. GBTI experienced several days of unusual withdrawals following rumours in the market about the soundness of the institution, while Demerara Bank Limited's problem appeared to have arisen from press reports that one of the institution's correspondent banks in Florida had failed. However, both institutions were able to successfully address those concerns through public relation campaigns, thus restoring depositors' confidence in the institutions.

Unfortunately, bank runs are not benign. They are destructive insofar as they disrupt both the credit system and the payments mechanism in a country. Worse yet, the bigger the role banks play in the overall financial system of a country, the more destructive a banking crisis would be on economic and social welfare. The experts say that this is a typical situation in developing countries.

The inherent fragility of banks has motivated more than 50% of countries in the world to establish deposit insurance schemes. The purpose of such schemes is to assure depositors that their funds are safe by having the Government guarantee that these could always be withdrawn at full value. To the extent that depositors believe that the Government would be willing and able to keep its promise, they would have no incentive to engage in widespread bank runs to withdraw their funds; and by increasing depositors' confidence, deposit insurance has the potential to provide for a more stable banking system.

Since the first national deposit insurance scheme was established by the United States in 1933, over 70 more countries have done so, most of them in the past 20 years, and it is the IMF's recommendation that every country should establish a deposit insurance scheme.

Continuing with our Financial Sector Assessment Programme Report, there was a recommendation in there that, to enhance the confidence of the banking system, we should consider establishing a deposit insurance scheme. This came out of the FSAP Review in 2016,

which also established a number of important preconditions for the successful implementation of a deposit insurance scheme in Guyana. One being that Part VIII of the Financial Institutional Act (FIA) be amended in order to facilitate an effective resolution of failing or about to fail banks, and as you would recall, yesterday we passed the amendments to Part VIII of the FIA.

After consultations with the Caribbean Regional Technical Assistance Centre (CARTAC), which has an affiliation with the International Monetary Fund, and the team that conducted the FSAP, a decision was taken by the Bank of Guyana to make the necessary legislative adjustment. The World Bank, through its Financial Sector Reform and Strengthening Initiative (FIRST), assisted the Bank with the provision of a draft Bill for both deposit insurance and the amendments that were done to the FIA. The drafts were reviewed internally by the Bank of Guyana and the Attorney General Chambers and shared with licensed depository financial institutions, mostly banks, which were subsequently invited to several consultative meetings with representatives of the World Bank, the Ministry of Finance and the Bank of Guyana. Hence, the product of all of those discussions is the Bill before us today.

What are some of the benefits of the Deposit Insurance Scheme? As we indicated, the primary purpose of this scheme is to minimise if not entirely eliminate the likelihood of bank runs and a secondary purpose is to protect small depositors from losses.

Key features of our Deposit Insurance Scheme: (1) it addresses the inherent instability of maturity transformation in the banking sector, that is, the financing of long-term assets through the issuance of demand or short-dated deposits, which make banks vulnerable to depositors' runs and to contagion from less-sound institutions.

Clause 8 of the Bill seeks to establish the Corporation as the deposit insurer and seeks to give it a pay-box plus mandate, with functions and powers instrumental to the objective of fostering financial stability through depositor protector and resolution financing. It sets out the core functions of the Corporation, which are to reimburse the funds held by insured depositors at a failed member institution and to finance the resolution of a member institution.

Clauses 22 to 25 seek to provide that, as a counterweight to its independence, the Corporation is bound to render account of the discharge of its functions and the fulfilment of its objectives.

Clauses 26 to 36 seek to provide that funding for the scheme is provided on an ex-ante basis, which is based on the forecasted need for funding, as opposed to actual need for funding, thus giving the Corporation immediate access to the necessary resources to reimburse depositors promptly.

Clause 45 also empowers the Corporation to obtain, by regulations, other relevant information directly from members of financial institutions, in particular, their depositor records through onsite or offsite examinations; and the liquidator.

How does this Bill compare with those in the Caribbean? The International Association of Deposit Insurers (IADI), which was founded on the 6<sup>th</sup> May, 2002, has instituted 16 core principles, while the International Monetary Fund has a number of criteria for the effective management of a deposit insurance scheme. CARICOM countries such as Jamaica, the Bahamas and Barbados have mostly satisfied these.

Notwithstanding, compliance with the core principles issued by the IADI, at this point, only refers to those essential criteria which relate to implementation of this legislation. The IADI core principles cover (1) Public Policy Objectives and this could be found in clause 4 of the Bill; (2) Mandate and Powers, found in clause 8 of the Bill; (3) Governance, found in clauses 9 and 13 to 21 of the Bill; (4) Relationship with other safety net participants, found in clause 11 of the Bill; (5) cross border issues – section 44 of the Bill; (6) Deposit insurer's role in contingency planning crisis management – clauses 11 and 14 of the Bill, combined with the supervisory tool under section 33(b) of the FIA (Amendment) Bill;

*8.50 p.m.*

(7) Membership, found in clause 3 of the Bill; (8): Coverage - clauses 35-36 of the Bill; (9): Sources and Uses of Funds - clauses 28-34 of the Bill; (10): Public awareness, clause 51 of the Bill; (11): Legal protection, clauses 48 to 49 of the Bill; (12): Dealing with parties at fault in a bank failure, Section 43 of the Financial Institutions (Amendment) Bill; (13): Early detection and timely intervention - covered under the Bill to amend the Bank of Guyana Act and the Financial Institutions Amendment Bill; (14) Failure resolution, clauses 37 to 38 of the Bill; (15): Reimbursing depositors, clauses 39 to 41 of the Bill; and (16): Recoveries, which is dealt with in clause 42 of the Bill.

Guyanese depositors will be reimbursed on all insured deposits to a maximum of \$2 million per depositor within 30 calendar days after the issue of a winding up order filed in the High Court, in the event of an institution's insolvency. That is roughly US\$10,000. How does that compare with other places? Well, the higher the limit, the more protection is afforded to individual depositors, but the higher the limit, the greater the moral hazard. The limits vary widely for countries, ranging from a low of US \$183 in Macedonia to a high of US\$260,800 in Norway. Of course, they have oil and everything. For purposes of comparison, the limit in the United States of America is US\$100,000. In Jamaica, which established a deposit scheme in 1998, the limit is US \$5,512. In Trinidad and Tobago, which established a deposit insurance scheme in 1986, the coverage is US\$7,957. In this Bill, we are faring reasonably well with our roughly US\$10,000 limit.

This will result in significantly less shock to the financial system since depositor runs and contagion from problematic institutions will be constrained. Moreover, depositors will be restored to their former financial position, maintaining their savings and investment power, which is essential to maintaining financial soundness of the local economy.

Our counterparts in the Region, Trinidad and Tobago, Jamaica, the Bahamas and Barbados, however, provide for depositor compensation between three to six months after the failure of an institution. So, there are at least significant differences in the benefits in our favour, in this Bill, relative to our counterparts in the Caribbean in two significant ways. One is in terms of the limit. Ours is US\$10,000 and both Trinidad and Tobago and Jamaica's limits are less, as I indicated. Two is that we are proposing to reimburse 30 days after the winding up, whereas in the case of countries like Trinidad and Tobago, Jamaica, the Bahamas and Barbados, it varies between three to six months before depositors will be reimbursed. So, these are some of the positives of this Bill.

I did give you the coverage for Trinidad and Tobago and Jamaica. In Bahamas, it is B\$50,000, which is the same as US\$50,000. In Barbados, it is Bds \$25,000, which is roughly US\$12,500 at two to one.

Importantly, our ceiling of \$2 million per depositor will represent over 90% of all depositors in the banking system as at December, 2017. So, that is a substantial coverage of depositors' money in the unlikely event of a failure of a major licensed deposit financial institution.

In terms of the benefits of our Deposit Insurance Scheme, I would say that there are quite a few. One: the implementation of the deposit insurance fund will serve as a buffer to the financial sector by protecting depositor's funds and by contributing to the resolution of member institutions. This will aid in fostering financial stability.

Two: the coverage and benefits, outlined in the Deposit Insurance Scheme, will eliminate any uncertainty that depositors may have in the event of the failure of a bank. This increases the level of confidence in the financial system.

Three: the stipulated timeframe outlined in the Deposit Insurance Scheme for dissemination of funds will ensure the prompt payment of insurance claims to depositors. This provision will also help to prevent bank runs and panic when an institution is placed in liquidation.

Four: it prevents the abuse of power by putting a system of checks and balances in place to support the independence of the Chief Executive Officer (CEO) and Board of Directors of the Corporation. This is further cemented by the safeguards put in place to prevent political and private interest groups' interference.

Five: it clearly defines the processes and procedures outlined in the Deposit Insurance Scheme, which will allow all stakeholders of licensed financial institutions and the rest of the financial sector to have an idea of how to effectively manage a failing institution.

Once again, I cannot fail to acknowledge that, had such a scheme been in place 14 years ago, almost all of the depositors of the Globe Trust would have been reimbursed out of this scheme by now. It is a failure of the system, but it is this Government that is seeking, now, to correct that failure in the unlikely event that such a situation occurs down the road.

Thank you.

**Mr. Hamilton:** From the outset, let me say to my good friend, the Hon. Minister of Finance, that, in wrapping up this piece of legislation, I can assure him that he will not have to exert all the energy that he exerted a couple of minutes ago while wrapping up the last Bill.

I rise to give support to the Bill that is before us, that is to establish a Deposit Insurance Scheme and, at the same time, establish the Deposit Insurance Corporation. In my respectful view, I think that this piece of legislation is useful, it is necessary and it is timely. I believe that, with this piece of legislation, first time citizens who bank their hard-earned cash in banks can feel safe, and would feel safe, in the event that there is some situation with a banking institution. Therefore, I think the time is right for this piece of legislation.

Part IV, which deals with governance, at clause 13 (1) (c), when we deal with the Board of the Corporation, I must commend the Minister for the involvement of people outside of the scope of Government, who will be members of the Board of Directors of the Corporation to be established.

I have a couple of issues that I would seek to ask the Minister to clarify when he rises again to speak. If we look at clause 19 (1), which deals with the governance of the Bank, that is in Part IV, it states:

“(1) the Chief Executive Officer, Directors, officers, employees and any other person in the service of the Corporation shall have a fiduciary duty to the Corporation to place its interests before ...”

It speaks to employees. I hope that the Minister would clarify what will be the likely human resource component of this entity. It speaks, specifically, to a Chief Executive Officer (CEO), and beyond that, we are not sure as to who are the likely other technical staff and the staffing component.

Secondly, the fact that this Corporation would have to be funded, it might be useful for us to get what will be estimated cost, annually, to fund the new Corporation.

The other matter, when I look at the Bill, again, deals with the issue of governance. At clause 19 (4), it speaks to the issue of conflict of interest. Clause 19 (4) states:

“(4) The Chief Executive Officer shall perform the duties of Chief Executive Officer on a full-time basis and shall not engage in other occupation, whether gainful or not, except with the approval of the Board in exceptional cases.”

It would be useful for the Minister to clarify what those exceptional cases are that clause 19 (4) speaks to.

At clause 19 (7), it states:

“The independent Directors shall not provide professional services to the Corporation in a personal capacity for financial gain.”

The question is: if the independent Director is a member of another entity, let us say an accounting firm, can he participate in giving service to the Corporation for financial gain? It is because clause 19 (7) states that he or she cannot do it in his or her personal capacity. So, the Minister needs to clarify whether, as a member of an entity, this person can be allowed to participate in doing jobs for the Corporation.

Clause 19 (9) deals with Directors and employees and other persons. Let me read what it states:

“(9) A Director, officer, employee or other person in the service of the Corporation shall not accept any gifts, benefits, rewards or remuneration, whether financial or otherwise, connected in any way to the discharge of their duties to the Corporation in excess of a customary or negligible amount.”

The Minister needs to clarify, because it is either they can or they cannot. Who determines what is negligible? And, what is a customary amount? The Minister needs to clarify that. If we are dealing with the issue of conflict of interest, I would advise and recommend to the Minister that there should be no scope whereby any person, employee, Director, CEO, or whoever of the corporation should be able to collect any gift so the Minister needs to clarify that also, what, in his estimation, is a customary or negligible amount

*9.05 p.m.*

The other clarification that is useful is, the Deposit Insurance Fund, at Part VI, clause 28 (3) where it states:

“Within three months of the establishment of the Fund, each member financial institution shall pay into the Fund an initial contribution of up to 1.5 percent of the average amount of the insured deposits held at the start and at the end of the calendar year preceding the entry into force of this Act.”

Whilst the Minister indicated percentage terms, it might be useful to indicate to the National Assembly, in money terms, what we are talking about when we accumulate all of these percentages. That is at the initial stage of the fund. Then continually, in money terms, it is what sums the scheme is likely to have. It would be useful if the Minister can inform us of that.

Again, another clarification, that is at Part VII, clause 36(g) where it talks about people who in the event of the fund or in event of liquidation of an institution and the fund would have to step in to pay depositors. It talks about persons who would not be paid. At clause 36(g) it states:

“(g) deposits of persons under criminal investigation or who are suspected of being involved in money laundering or terrorist financing.”

Is it suspected or convicted? Again, there is the issue of suspicion. Persons have denied their funds because there is suspicion. They are not convicted and charged with this specific crime, money laundering or terrorist financing and the Bill is suggesting that they would be denied the funds that are being reimbursed to depositors.

As I said, when I stood I can assure my friend, the Hon. Minister Jordan, that he would not have to exert all the energy that I saw him exerting not so long ago when he dealt with the other legislation. As I said when I started, I think this legislation is useful, it is necessary and timely. I think depositors, I suspect for the first time, can feel confident that their deposits in the banking institution of Guyana is assured and they can feel safe of reimbursement in the event of any collapse of a bank that they deposit their funds in.

Thank you very much. [*Applause*]

**Mr. Dharamlall:** I would like to follow on the tone set by my colleague Joseph Hamilton, that indeed this is a move in the right direction and that there is no doubt that deposit insurance has contributed immensely to mitigate against major banking crisis, around the world - touch wood

and let us hope that this does not occur in Guyana at any time - and its role of depositing insurance in maintaining financial stability.

Whilst I seek to add value to the debate on this issue and our support to it, I would like to share some concerns as a matter of principle on deposit insurance. Before I do so, I would like to also put a caveat to what the Hon. Minister has been saying about Globe Trust and Investment Company Limited. Globe Trust and Investment Company Limited problems stemmed from a failure of the administration of the company and not from the depositors themselves, being unable to be fully repaid. I hope that the Hon. Minister can speak of the things that we need to believe rather than being disbelieving regarding this company.

I know too that the Hon. Minister Dominic Gaskin is coming after me and he usually refers to best practices. I would hope that as I go through this evening that he would pay attention to what I am saying so that the best practices that he speaks of usually will seek to address the concerns that I have, despite my support for the Deposit Insurance Bill.

Firstly, one has to ask why is it that the Government, after only three years in office, is so intent on implementing deposit insurance in our financial system. We know that deposit insurance is a safety net in the financial sector that guards against insolvency, and in layman's language, it amounts to bankruptcy. The question is: Why do banks become insolvent? Banks generally are defined as deposit taking financial institutions using deposits, same as savings, from tens of thousands of clients and customers, some very small whilst some are huge, to lend to borrowers who engage in small businesses, large businesses, medium businesses, construction of our homes, trading in the financial market, investment in local and foreign instruments in the money market, investments in Hedge Funds and such things, newer and innovative technologies, education loans, car payments, many of us in Guyana, household equipment, appliances and holidays. Many people take loans for holidays as well.

These borrowers pay an interest which is then used to fund the operations of banks and the provision of saving interest on deposits. When the borrowers are failing, this happens as a result of a compendium of reasons:

- (i) A failing national economy characterised by stagnant and plummeting economic growth.

- (ii) Contraction and regression in the main sectors of the economy. We are universally aware of how this Government has systematically deconstructed and destroyed the main subsectors such as sugar, rice, mining, forestry, fisheries, even the information communications technology (ICT) we stop hearing about these days, retail, commerce, and so forth.
- (iii) The loss of jobs due to underperformance of the main employment sectors and the vigorously pursued policy of political, and I may add, even in some cases, based on complaints, racial discrimination.
- (iv) The inability of the main foreign exchange earning sectors to generate increased foreign exchange earnings.
- (v) The vicious taxes imposed on businesses and poor people which have had deleterious effects on marginal profits.
- (vi) Heightened crime and an upsurge in criminal activity.
- (vii) Lack of economic policy with corresponding strategies for the country.
- (viii) Loss of confidence in the Government and the direction the Government is taking the country.
- (ix) Massive and uninhibited levels of corruption such as - to use the word of the Minister of Finance - rapacious raids on the National Treasury, especially in instances of procurement.
- (x) Fear of persecution from the state apparatuses directed by politicians and political apparatchiks.

When borrowers are unable to meet their commitments to banks and when banks are unable to succeed on their investments, in financial instruments and other pursuits, banks develop issues of insolvency which may lead to bankruptcy. When banks are at this stage or when insolvency is imminent, depositors, many of whom are small deposit holders, and I think based on my reading of the documents that serve as the source of this Bill, about 95% of the depositors in Guyana are small depositors accounting for almost 69% of the total deposits in our banks. When they are

faced with the fear of not being able to access their savings, then issues become detrimental for them. The result can be decimating to their lives, especially when faced with the stark reality of moving from hero to zero in a short period of time. To guard against this, deposit insurance becomes defective. The long and short of what the World Bank has said to our Government, in a very polished and classy language, is that Guyana is bankrupt and it is only a matter of time before the banks implode. It is important that these measures are put in place to make sure that the fallout is not beyond control.

All this Deposit Insurance Bill is doing is creating a rouse over the failed state that this Government has created in three years. What the Minister has not said is that deposit insurance also has some philosophical failures, which I would hope that the Government would address.

In the explanatory notes or in this Bill there are between clauses or sections 37 and 43, the Government seeks to allay fears that this issue of moral hazard is being addressed. From my understanding of moral hazard or what moral hazard means - I will explain to you - it is where depositors and banks take on excessive risks as a result of this contingency, that is, the deposit insurance, which acts as a safety net. Without a deposit insurance, depositors usually seek out safe banks, meaning that, when I know that a bank has to manage my money properly, then that is the bank that will get my deposit or that is where I would be saving, because I know that that bank would guard my money zealously. In instances where banks or where a deposit insurance is in effect, sometimes banks take greater risks and in their taking of those risks, the competition in the money market increases and sometimes that is when they overextend themselves and failures can arise as a result.

That catch-22, the moral hazard, despite it being identified in the Bill, I do not think that the Government has sought to address it in the way the Hon. Member Anil Nandlall described earlier, that instead of getting the water off of the land, it is to try avoiding the flood from happening. Clauses 37 to 43 address the effects of a moral hazard and it does not stop a moral hazard from happening. I would like for the Government to think about that because it is one of the significant criticisms of a deposit insurance scheme.

Secondly too, banks run on insolvent banks where depositors rush to make withdrawals. That is also one of the significant criticisms of a deposit insurance scheme, in the sense that in insolvent

banks every customer, every client, basically would rush and get into a panic mode and start to withdraw his or her funds.

*9.20 p.m.*

Even though we have not reached the point of insolvency, that alone can drive the banks to insolvency. Whilst that is happening, there is also what we call the cascading effect of insolvency, where customers from other banks, seeing the panic in eminently insolvent banks could also make runs on their accounts in other banks and this could have a cascading effect on insolvency and bankruptcy as a result.

We also have this issue of the negative flow of credit to our economy, as a result, especially where eminently insolvent banks are concerned, and especially where these insolvent banks hold large portfolios in a lending market, and any failure in these banks could result in greater failures in small and especially medium size businesses.

In concluding quickly, I would like to indicate that the Government, even whilst it is proceeding to implement a deposit insurance scheme, must also focus on better and longer term plans to build stronger viable and sustainable sectors in our country, sectors launch on stable and well planned infrastructural, financial, economic, monetary, trade, investment and security policies than what currently obtains in our country at this time. That which now have imminent and ominous signs of economic and financial instability as well as the destruction, and we have seen that on all the reports. The Hon. Minister, despite all of his utterances, the fact that every time he comes here in the National Assembly and reviews downwards the growth rate of Guyana, it is a sign that we are not performing based on projections and expectations. Despite all of what the Minister said about the economy, we are not performing according to how we were performing and we are not performing according to expectations.

Finally, I think the most important thing for all of us, as responsible citizens of our country, in my view, it would be more effective, it will less costly, and much better to vote out this Government and elect the PPP/C at the next general and regional elections.

Thank you very much. [*Applause*]

**Minister of Business [Mr. Gaskin]:** I rise to give my support to this Bill, Bill No. 7 of 2018, the Deposit Insurance Bill 2018. Before I do so, please allow me to place on record, my sincere condolences to the family, friends and colleagues of the late Debra Cadogan, staff member of the National Assembly. I will not be in town for the night of the wake or on the day of the funeral, and I just would like to express my condolences this evening.

As it relates to the Bill, this Bill complements the Financial Institutions (Amendment) Bill which we passed in this House yesterday. That Bill essentially provides for the orderly and timely resolution of banks or financial institutions that are failing or have failed. Among the main safeguards provided in this Bill, or in the Financial Institutions (Amendment) Bill, is that of a deposit insurance scheme. This is a scheme that will ensure that Guyanese depositors do not lose their money when our banks collapse, and more importantly, that will discourage panic among depositors whenever there is a bank that is experiencing problems, or even a rumour that a bank is experiencing problems.

Any bank that accepts deposits from the public which could be redeemed on demand faces the risk of a run on the bank. As long as persons have to have reasons to believe that there is a problem and that the bank is trouble, they will immediately and with some urgency, want to withdraw their moneys from the bank. This is instinctive human behaviour. However, if they that their deposits were ensured and that even if the bank fails, they would get their money back in a timely manner, they would be much less likely to panic and to try to withdraw their money from the bank.

This Bill along with some of the other financial sectors Bills that have been tabled in this House between yesterday and today seeks to do what ought to have been done decades ago to create stability in the banking system and to encourage Guyanese to use the banking system and reduce their reliance on cash-only transactions. I should add in response to a comment made by the Hon. Member Juan Edghill that, this Bill, these Bills do not seek to illuminate the use of cash, but merely to reduce the amount of cash transactions taking place in our economy. I think that we could all accept and agree that the use of the banking system allows traceability of transactions and therefore improves accountability. More businesses using the banking system means more formal business transactions, and by extension more revenue collections. Greater use of the banking system will reduce the amount of cash that people have to carry around on their person

and, therefore, reduce the likelihood of them being robbed. If you are asking people to place their trust in a system, then we must also ensure that this trust is not misplaced and that those who use the system are protected against the risks associated with that system.

This Bill along with the Financial Institutions (Amendment) Bill and the other Bills that were debated in this House yesterday and today are all related. I listened to a number of speakers on the Opposition side of this House over the last two days and there seems to be a common thread running through their remarks. There seems to be an attempt to create some sort of hysteria to convince everyone in this House, and particularly the media, that Guyana is in some sort of economic crisis. I think we heard it all over the last two days and we had Members complaining about the economy imploding, financial sector no longer stable and the Treasury being bankrupted. It reminded me of 2013, when the then Government brought to this House the Anti-Money Laundering legislation. Let me go back before that, because there had been in some problems prior to bringing the legislation to the House. It was placed in what the Caribbean Financial Action Task Force (CFATF) called a follow-up process, where it had to report at every half yearly meeting on its progress in implementing the recommendations of CFATF. It moved from the follow-up process to an enhanced follow-up process.

Then, when they realise that CFATF and the entire CFATF regime was not a regime that they could pussyfoot around and pretend to be making progress when indeed they were not really giving effect to the recommendations that they had signed on to. They suddenly brought legislation to this House and wanted it passed within a very short time. I think it was less than a month. It is because they wanted it passed before the next meeting of the CFATF, back in May, 2013, in doing so, they try to enlist the assistance of a number of private sector organisations, banking association, insurance associations to convince the public that if this legislation was not approved before the end of May, 2013, all hell would break loose in Guyana – the economy would collapse, the banking sector would break down or implode, Western Union would no longer be able to transfer money. What happened after that? The Bill was not approved. In fact, they moved from enhanced follow-up to a public statement being issued against Guyana and still nothing happened.

It is ascend in this case, we are crying wolf trying to pretend as if we are in a crisis. I do not know why? I do not know if they believe that it enhances their chances in the next elections. I

really do not know. I already pointed out yesterday that we are not in crisis and everyone knows that there is no economic, crisis despite the fulminations of the Hon. Member Irfaan Ali.

We heard today, too, rice contracting, sugar contracting, gold contracting, non-performing loans, and underperforming economy. I stood here, the only performance I could see was from that side of the House. The Hon. Member reminded me of the World Cup Competition that we are now looking at, and everyone is engrossed in. I do not know if anyone of you paid attention to the Brazilian play on Neymar who every time the cameras are on him, he manages to a fall and roll all over the place and play to the media. [Mr. Damon: Just like you.] Just like

me, it is no problem. That is the performance that I saw. I did not see all of the underperforming and non-performance that the Hon. Member was alluding to. The point I am trying to make though, is as it concerns this legislation, this Deposit Insurance Bill, you do not have to have an economic crisis or any of the conditions that the Hon. Members were trying to portray to initiate a run on the bank. As the Minister of Finance explained to this House, a simple rumour could cause a run on the bank.

Mr. Speaker, it is if you would allow me to use an example from a popular movie. I appreciate that in the movies that human behaviour is sometimes dramatised and exaggerated. Even in the movies, the human behaviour does not necessarily stray far from our natural human instincts. The movie I had in mind was *Mary Poppins* – a popular musical film of the 1960s.

9.35 p.m.

Mary Poppins was the governess responsible for the care of two children, a boy and a girl, whose father was a banker. One day the father invited the children to the bank to open a bank account and he introduced the children to the chairman of the board of the bank who tried to convince the children now to put their money in the bank account. The little boy was holding on to his penny and he refused to hand over the penny. The chairman tried to grab it from him. He eventually grabbed the penny from the little boy and the little boy started to scream, “*gimme back me money, gimme back my money*”. The ruckus came to the attention of the bank customers who were in the bank at the time and the rumour quickly spread that someone is not getting back someone’s money. The bank would not give that person his money.

Immediately, there was a mini riot in the bank. That was in a follow-up meeting with the bank manager, the father of the children and the chairman. The chairman fired the manager, but in doing so, he reminded him that this was the first time that there had been a run on the bank since 200 years ago at the Boston Tea Party when the bank had invested heavily in a shipment of tea and had lost a lot of money, and that had triggered a run on the bank back then.

Mr. Speaker, I might be going about it in a long-winded way but the fact is that a run on the bank is nothing new. The entire world is familiar and has been familiar with a run on the bank for a very long time, so this is not a novelty trick designed to steal someone's money or to...

**[Bishop Edghill: Hon. Member, stay close to the Bill.]**

Mr. Speaker, I can stay close to the Bill. I understand that the Opposition is not interested in the rationale for the Bill. They want to hear the nitty-gritty of the Bill. There are well over 100 countries now with national deposit insurance schemes. It is a necessity in this day and age if you want to have a stable banking system that you have some kind of depositor's insurance scheme in place. If you want your banking system to be able to provide a kind of coverage and the services needed in the modern economy, you also have to provide the kinds of safeguards that exist in those modern economies.

I heard the honourable gentlemen, quite a few of them, proclaiming that they support modernisation. Again, I was reminded of something. Back in 2015 when our Government first came into office and I visited a Neighbourhood Democratic Council in one of the rural areas and what I saw in the office there was a typewriter. I had not seen a typewriter since I was a child. It was not a new model typewriter. It was an ancient typewriter. That was in the office and it was obviously in use during the reign of the People's Progressive Party Government. I say this just to say that when people stand up and say that they are in support of modernisation and when they were in power the best that they could have done for very important offices responsible for carrying out very important functions was to leave them with a typewriter with which to do their job. It does not ring through. I do not believe that the Hon. Members over there are really interested in a modern economy. I think they have an idea of what they would like to support but I do not think that it is a modern economy. Otherwise, we would have had this kind of legislation in place a very long time ago.

Back in 1933, the United States of America had the Federal Depositors Insurance Fund in place. That is almost 100 years ago, so it is not as if this was something new and you need to really be

in the Twenty-first Century before you could enact this kind of legislation and these kinds of schemes. Let me go to the Act. [Mr. Damon: It is not an Act. It is a Bill.] I agree. It is not an Act as yet. It is a Bill. This is not a complicated Bill. [Mr. Damon: No one said that it is a complicated Bill.] I am saying that it is not a complicated Bill. In all fairness, I do appreciate the support that the Opposition is giving to this particular Bill, but we have wasted a lot of precious time in this House.

I am not repeating anything that I said yesterday. I am not repeating anything that anyone else has said, but what I have heard yesterday and today was the same thing over and over again said by different Members on every single Bill. I will go to the Bill. It is a very simple Bill. If we look at Part II, clause 3(1):

“This Act establishes the Deposit Insurance Scheme, the Deposit Insurance Corporation and the Deposit Insurance Fund, and provides for the authority and the governance of the Corporation and for the administration of the Fund.”

The objectives of the scheme are set out in the Bill in clause 4 and it is very simple. The objectives of the scheme shall be to foster the stability of the financial sector of Guyana by protecting the depositors of the financial institutions operating in Guyana and by contributing resources to the resolution of member financial institutions. It does so through the establishment of the Deposit Insurance Corporation and the Deposit Insurance Fund as well as the Deposit Insurance Scheme. Those are the three main components of this Bill. It is quite straightforward. There is no contentious sections in this Bill. No doubts that someone will find something that that person will claim to be contentious, but I have not seen anything contentious. In fact, I have seen a lot of provisions here that I think are very useful.

The governance of the corporation for instance. Clause 12(1):

“There shall be a Board of Directors of the Corporation which shall be responsible for the general direction of the operations of the Corporation, for the making of internal policies, regulations and decisions within the legal authorities of the Corporation and for the supervision of the daily operations of the Corporation.”

The next clause speaks about:

“The Chief Executive Officer of the Corporation shall be responsible for conducting the daily operations of the Corporation according to the general direction of the Board, and for proposing and executing the internal policies, regulations and decisions of the Board.”

I see no mention of the Minister in the governance of the corporation. I see no scope here for ministerial interference or political interference that has been the hallmark of the cries of the Opposition. [Mr. Hamilton: Did someone say so?] Yes. It was said quite a few times between today and yesterday. It actually speaks about independent directors who shall be appointed by the bank for a period of three years and such appointments shall be non-coincidental and at least one year apart. We have a provision here that provides for continuity in the life of the board, so it does not come to an abrupt end and then we have a new board coming on board.

I must acknowledge the fact that the Hon. Member Mr. Hamilton did allude to the independent members of the Board and he paid compliments to the Minister of Finance for having that included in this Bill.

As I said, there is not a lot here that is contentious and I would not stand here and waste the House's time by reading the entire Bill.

In closing, just for the record, I just want to look at Part VII of the Bill, Insurance Limit and Liquidation of a Member Institution.

“The Corporation shall insure every depositor, including principal and interest, held at a member financial institution to an amount not exceeding two million dollars.”

There is a limit of \$2 million which is covered for each depositor under this Act. This limit will be reviewed at least every five years and the corporation has as the authority, with the approval of the Minister and the bank, to vary the insured limit.

This Bill, as that I said, complements the Financial Institutions (Amendment) Act. It is part of the resolution process that was being made efficient and streamlined in the Financial Institutions (Amendment) Act. It is very important and critical component of that resolution process.

I would like to support it and I comment it for passage in this House.

Thank you Mr. Speaker. [*Applause*]

**Mr. Ali:** I want to address an issue raised by the Hon. Minister Gaskin. That is, we in this House would have been wasting time over the last two nights dealing with these Bills. It is unfortunate that the Minister of Business cannot understand the implications that these Bills would have on the financial architecture and, more so, on the citizens of this country. I was hoping that the Hon. Minister would have stood up and addressed issues, for example, what would be the increased cost of doing business at the result of this? How would this new requirement affect positively or negatively, either interest rates or interest on your savings in the bank? Those are issues of a technical nature, Hon. Minister, that you have to learn to grapple with. Unless you can grapple with such issues you will not be able to position yourselves into the important role of policymaking and policy formulation that is required from such a serious functionary of Government. That is why you would not appreciate how important it is for us to understand holistically and thoroughly the pros and cons of these Bill because you do not understand holistically and positively the role of policymaking and implication of policymaking for the lives of ordinary people.

There are a number of issues that I would like to raise. It is not to say that we are not in support of the Bill, but these are issues that we must examine as we go through the Bill here tonight.

*9.50 p.m.*

The Hon. Members, Mr. Joseph Hamilton and Mr. Nigel Dharamlall, did what I think was a fantastic job in going through examples of countries that would have moved into a Deposit Insurance System and what would have been some of the advantages and disadvantages.

One of the positives in our system, and I see we have Dr. Gobind Ganga here, the Governor of the Bank, is that, even without the Deposit Insurance System, the level of supervision at the Bank of Guyana has done us well and we should all compliment the work at the level of the Bank of Guyana over the years. There is a problem when we move towards the Deposit Insurance Scheme. My Colleague, the Hon. Member Nigel Dharamlall, spoke about moral hazards. What we would like to hear from the Hon. Minister of Finance is how we would improve the supervision at the Bank of Guyana? It is because, whilst this would help the system, it also causes a lot of lapses in the system. There are many examples where regulators sit back

thinking that they have this safety net and this safeguard and allow things to flow - allow riskier ones to pass them and that can create, as my Colleague said, that is part of the moral hazard aspect that we are speaking about.

If you look at various jurisdictions, when they pass this Bill, some of them pass it for political reasons. They may favour a system of protection designed to avoid the recession. So, Hon. Member, Minister Gaskin, for example, in the IMF Report – this is an IMF piece on *Protecting Bank Deposits* by Gillian Garcia. She pointed to the fact that one has to be careful when legislation like these are passed. This is because, for political reasons, some may pass it to avoid a recession. It is not fairy tale argument. You have to examine what the reasons are behind passing legislation. What is the motivation behind passing legislation? We will be doing a disservice to the people of this country if we do not understand and evaluate the underlining circumstances under which the legislation is coming.

For example, this legislation is coming at a time when we are seeing an increase in nonperforming loans. For example, within the first quarter of 2018, nonperforming loans increased by 4.5% and remains concentrated in the business enterprises at 55.4%. Services, mining and quarrying increased by 10.3% and 24%, respectively. These are the prevailing conditions that exist as we speak now, while we are passing this legislation. Hon. Minister, we cannot avoid them. It is already here. It is the reality and we have to deal with it. **[Mr.**

**Gaskin:** Is that relevant?] Of course, it is relevant to the Bill and we have to deal with it in the context of passing this Bill, tonight.

This Deposit Insurance System can also prop up mismanagement and uncompetitive banks. Hon. Minister - that is another issue that we have to address. This is because the system can prop up mismanagement and uncompetitive banks, and we have to explain to the Guyanese people how is it in this Bill we are going to address that issue. How is it in this Bill we are going to address the issue of market discipline? How is it in this Bill my Colleague, the Hon. Nigel Dharamlall, said we are going to address the moral hazards that we speak about? It is important for us to keep in mind the reality.

Deposit insurance is not really an insurance that we are accustomed to. It is basically a guarantee against lost. Normally, private insurances only guarantee against losses due to defined risk such

as death, illness or accident, but not due to suicide by the insured. Such exclusions help us to guard against preventable losses. Deposit insurance gives banks incentives to take added risk either by increasing their leverage or investing in riskier assets, thereby increasing the Government's exposure to losses. That is a disadvantage that has been identified by all those who would have examined countries that have adopted the deposit insurance. How is it that we are going to guard against these issues - banks taking excessive risks; increasing leverage or investing in riskier assets? All of this exposes the Government to greater losses.

Banks will have the liberty to lend to whoever they want. They do not take the time to examine the risk in a detailed manner. The safeguard has to be in the Bank of Guyana being against this. This has been identified as part of the moral hazard and we have to say how we are going to address this issue. For example, the United States (US) learnt a painful lesson in this regard, in the 1980s and early 1990s, when an overly generous Deposit Insurance System helped to trigger the largest wave of bank failures there since the Great Depression in the 1930s. As the US suggests, any country that adopts deposit insurance must grapple with destabilising the effects of that insurance on the country's financial system.

#### **SUSPENSION OF STANDING ORDER NO. 10**

**Mr. Speaker:** Hon. Member, if you would resume your seat for a moment. Prime Minister, we are approaching the 10.00 p.m. hour and we seek the suspension.

**First Vice-President and Prime Minister [Mr. Nagamootoo]:** Mr. Speaker, I move that we continue the Sitting until we conclude the consideration of this Bill.

**Mr. Speaker:** Thank you. We will continue.

*Question put, and agreed to.*

*Standing Order suspended.*

**Mr. Ali:** So, Hon. Minister Gaskin, we were not wasting time. Instead of grazing, you should have stood up and address these issues, for example, the issue that occurred in the US. How do you envisage this Bill to address issues like those?

Another issue that I would like the Minister to address is section 48 of the Bill – “Providing immunity to staff: the Chief Executive Officer (CEO), Directors and employees”. Another issue is that there is no measure in place to ensure that private information obtained from banks remains confidential. We know the Hon. Minister of Finance and many officials on the Government’s side complain, from time to time, about confidential information reaching the public. What are the safeguards that would prevent information obtained from the bank going out to the public and used, for example, to witch-hunt people?

As I said before, whilst deposit guarantee would have immense political appeal we have to consider the moral hazards and the cost. Who is going to bear the cost? The Hon. Minister of Finance should tell us whether he anticipates that this would create a reduction in interest rates to the bank and increase lending rates. This is because, at the end of the day, somebody will have to bear the cost. Who is bearing the cost? The bank will not bear the cost. That cost will have to be passed on to someone and more than likely it will be passed on to the consumer.

Therefore, the Bill fails to outline measures to curb moral hazards. It is ambiguous on system in place to deal with entry restrictions, activity restrictions, examinations and sanctions. These are things that the Bill needs to address and the Hon. Minister of Finance needs to elaborate a bit more for us as to how he intends or how the Bank of Guyana intends to address these issues.

Thank you very much. [*Applause*]

**Mr. Nandlall:** Like my Colleagues on this side, I have certain queries that, hopefully, the Hon. Minister will address. I want to begin to place on the record, as I have done in relation to the other Bills, that this is yet another Bill that the Minister has to bring to this House to satisfy the conditionality of the US\$35 million loan. I want to put that on the record because there are some very deliberate efforts by the Minister to avoid that. This is what the World Bank document states:

“The Recipient...” - meaning the Government of Guyana, “through the Ministry of Finance...”

**[Mr. Jordan]:** ...[*Inaudible*]... I know I sound like a broken record, but I have to put it on the record. The Minister is not prepared to do it.

“The Recipient, through the Ministry of Finance, has submitted to the National Assembly, for approval thereof, a bill to improve depositors’ protection and provide enhanced depositors’ confidence in periods of stress of the financial system by establishing a Deposit Insurance Scheme comprising a Deposit Insurance Fund and a Deposit Insurance Corporation.”

Why the Hon. Minister fails to disclose this vital piece of information to the House is a mystery to me. We have put that on the record, so that we can understand that this Bill is not necessarily any genuine attempt by the Government to bring modern reform as the Minister would like us to believe. It is more inspired by a rigid requirement of the World Bank to disburse this money. Having said so, I now wish to treat with a few clauses in the Bill.

First of all, the Minister has not disclosed to us any evidence at all that would establish to us, in any form or fashion, that this Bill is needed at this point in time. The Hon. Colleague, Gail Teixeira, spoke earlier tonight about the fact that not only were we able to survive what the economist described as the ‘Greatest Depression in living memory’ – the 2008 financial collapse –but we were able to record positive growth rates during that period. What is so shattering now that requires the promulgation of this Bill? At least, the Minister should have told us that, but that information is absent. And because this is to perfunctory satisfy a loan requirement, the Minister, obviously, makes the mistake that the text writers speak about. The presumption that deposit insurance is the panacea of the type of financial disaster that the Minister spoke about. That is why the Hon. Irfaan Ali went to great lengths to deal with the other issues, the underlying and precipitating factors that could catapult the financial sector into crisis.

*10.05 p.m.*

Insurance is not the panacea as it is believed. The Hon. Member, Mr. Dharamlall, spoke about the advantages, but more so highlighted the disadvantages of what these types of insurance schemes carry themselves, and what they engenders in a financial system. There is recorded data, which I am sure the Minister is familiar with, that this type of scheme could be counter-productive. It could inject into the financial system at a management level the laissez-faire kind of approach because of the mental assurance that there is an insurance fund, to which one could fall back on. For example, the other systems in the absence of the Deposit Insurance Fund,

managerial levels at the bank, their remuneration and bonuses *et cetera*, are sometimes held in abeyance. That is part of their contract, if anything goes wrong with the bank. That type of system extracts from the managerial levels of the banks and the financial sector, a different degree of performance. What the data shows is that the insurance scheme is a debilitating factor in terms of performance, at that level of the bank.

It has another effect, the effect of lulling depositors into this false sense of security as well. The bank on one hand, relaxes its due diligence mechanism and that has a corresponding impact on the depositors. They are not inspired to do projections and feasibility studies *et cetera*, which are requisites for loan applications. That drops the entire standard and makes the system weaker.

It also provides a means by which the Government is afforded an opportunity to shirk its responsibility, in reliance upon this insurance fund. Ordinarily, governments are expected to take certain measures when there are impending financial disasters, and in order to protect, largely, depositors' fund. Governments have, in the past, used this mechanism, the Deposit Insurance Fund, as a basis to shirk its responsibility. This is because there was another method to which the financial system could turn for a bailout when such a situation arises.

Deposit insurance could also be used to cap the limit of coverage offered to deposit funds. Ordinarily, as I said, Government's responsibility extends to 100% of the depositors' fund, but this Bill corroborates and supports my argument by extending coverage in clause 35 to a maximum limit of ... [Mr. Jordan: Two million dollars.] ...\$2 million. If I have \$25 million in the bank, the Deposit Insurance Fund only covers \$2 million. On what basis have we arrived at \$2 million coverage, as opposed to \$10 million, I am not sure. This is a capricious legislation. On what basis are you establishing a Deposit Insurance Fund which only guarantees a maximum coverage of \$2 million? What that does Mr. Speaker is it inspires, also, capital flight. [Mr. Jordan: Capital what?] Capital flight because people will take their finances out of the country, where they are afforded a higher level of protection. [Interruption]

**Mr. Speaker:** Hon. Members, we must allow the Member to speak.

**Mr. Nandlall:** That is a documented phenomenon. I am not coming up with these theories out of my head. These are what the text writers say, the disadvantages of the Deposit Insurance Fund. It makes sense. Think about it. Why would I keep \$25 million in Guyana that offers me \$2 million

coverage, whereas, if I take it to Trinidad and Tobago, I could get far higher than that in terms of protection? Why? That is a concern.

The next issue that the Minister has omitted to disclose to us is the cost factor. A major factor in deposit insurance has to do with the cost that eventually has to be borne by the depositor. What is this thing costing? We do not know. The Bill speaks to an authorised capital of \$300 million that comes from the Treasury. Then there is a whole host of undisclosed costs. For example, in Part VI of the Bill, an unspecified sum of money has to be guaranteed again by the Government. This Government is guaranteeing debts after debts. We have a \$30 billion bond that has already been guaranteed. Then we were told that this Government's guarantee is not a real one. That is what one of the Members on that side has told us earlier, that it is not a debt.

However, with the Amaila Falls Hydropower Project, when we brought it here to raise the debt ceiling, the Government in that case had to raise the debt ceiling simply to guarantee obligations of the Guyana Power and Light (GPL) under a Power Purchase Agreement - no money or no debt. All it had to do was to guarantee that GPL would carry out its obligation to purchase the power generated by the Amaila Falls Hydropower Project. That was rejected by this Government, when it was the Opposition and was described as a "huge and humungous debt." That is what they were calling a debt. Here you have the Government using the Treasury as collateral security for every single thing, in a very whimsical way.

In these Bills, we have about three to four instances alone tonight, where the Government is using the Treasury to guarantee loans and deposits. The Hon. Minister should tell us how much it will cost to capitalise the scheme as well. For this Government, we have to set up a whole corporation here. You have an opportunity now for super salaries for the boys and girls. We may have a similar drug bond kind of tenancy arrangement in place, \$14 million dollars a month. These are the issues that the people out there expect me to raise.

Is there a budgetary limit that the Minister could tell us that he would not exceed in the establishment of this scheme? The scheme could become a parasite on the people, the depositors. The cost would have to be borne by the depositors. Their interest that they are getting on a deposit would either go down, or cost of borrowing would go up. Somewhere the banks of this country are not going to bear this cost. Therefore, as legislators, we have a responsibility to have

some appreciation, as the custodian of public funds, to know that we are embarking on a new initiative unknown to our country and the Minister is not disclosing to us a fair estimate of what it is going to cost taxpayers and depositors eventually. Minister, I would respectfully ask that you disclose that information.

Last night I spoke about this tendency that seems to be developing and I am happy that the Deputy Chief Parliamentary Counsel is here. I see this phenomenon raising its head again in this Bill. Clause 1 sub-clause (2) states:

“This Act shall come into operation on such date as the Minister may by order appoint...”

Again, we are being asked by the Minister, to delegate to him, our responsibilities here as legislators, when to bring an Act into operation. Why are we...? *[Interruption]* You have to give us good reasons why this Act cannot... *[Interruption]*

*[Mr. Speaker hit the gavel.]*

The Judicial Review Act had a reason which was explained in this House, obviously not understood by those who should have understood it. Here we are vacuous; there is a vacuum. I am asking the Hon. Minister to explain why we have that abeyance in appointing date.

“...with the exception of Parts V, VI, VII, VIII, and IX which shall come into operation on another date as the Minister may by order appoint.”

If that is not bad enough, when one examines what Parts V, VI, VII deals with, it is the accountability and transparency mechanism in the Bill. **[Mr. Jordan: Absolutely.]**

This one is hollering, “Absolutely.” *The goose cackles again.* Here it is that we are being asked to pour money into this corporation and to suspend those portions of the Bill that extract from the Minister and the Governmental apparatus of the structure, the accountability parts.

*10.20 p.m.*

Look at what clauses 5, 6 and 7 deal with: Clause 5 deals with accountability and transparency and clause 6 deals with the Deposit Insurance Fund. All the sections that are there to safeguard public funds have been suspended. When you think about it, it is an insult to the people of this

country because they are being asked to commit at a beginning, \$300 million of taxpayers' money. They are being asked to guarantee from the Treasury another set of money, but the accounting mechanism have been suspended and will only come into force when the Hon. Minister, at his sole discretion, decides. Is something not wrong with that when we are speaking about accountable and transparent Government?

Also, we have a situation where in the Bill, at clause 36, it excludes certain categories of persons from benefitting from the insurance scheme. I believe one of my Hon. Colleagues, on this side, mentioned it; on the basis that they are under criminal investigations or who are suspected of being involved in money laundering. As a lawyer I have fundamental difficulty with sanctions being imposed on people without a trial. On mere suspicion. You suspect me of being involved in some type of criminal activity; you do not conduct an investigation; you do not charge me for an offence; you do not put me before a Court, but you are denying me insurance coverage that every other depositor enjoy. We are dealing with a Government here that has the entire board of directors of a bank before the Court. That is the kind of Government that we are dealing with. We are dealing with a Government that charges people for offences never heard of before in this country - failure to make an entry into a ledger, not a dollar missing, but directors of a company are being asked to face the criminal court because an accounts clerk failed to enter a matter in a ledger. That is the kind of society that we live in and here it is that you have, on mere suspicion and there are five lawyers on that side and they are *skinning their teeth*...

**Mr. Speaker:** Hon. Member, Mr. Nandlall, I am sure that you can use language that does you justice.

**Mr. Nandlall:** Your Honour, The populist understands me very well when they hear me say they that are *skinning their teeth*. We have to speak in language that the people out there can understand that we are here only to represent them. So, when they interfere with these fundamental concepts...

**Mr. Speaker:** When the Speaker is speaking, you are to pause and listen to the Speaker.

**Mr. Nandlall:** Sir, your microphone was not on. I did not know that you were speaking.

**Mr. Speaker:** Proceed.

**Mr. Nandlall:** Thank you very much Sir. As I was saying, all of us are citizens of this country, we are *big people* here and we know that we are governed by a Constitution that guarantees every one of our citizens a presumption of innocence. What that means is that they can suffer no sanction until they are convicted by a criminal court. Why are we residing in the powers of bank managers, people who are untrained in the law, to deny people's insurance on the basis of suspicion? We live in a society where freedom from discrimination is guaranteed also as a fundamental right. What kind of law are we passing? Do I have to go to court every day to protect the Constitution and the people of this country? Do I have to do that? Do I have to establish the authoritarianism every day in this Government?

The final point I want to make is, under Article 224 of the Constitution, our Auditor General is the Auditor of all public entities. That is common ground. The Hon. Governor and Minister know that. This institution that we are creating for the first time, if one examines clause 25, it goes to great lengths to exclude the Auditor General. Why do we want to exclude the constitutionally authorised Auditor of Public Accounts of Guyana from a public entity? Why? They are making fun of people's serious business. It is serious business that I am raising here and listen to the other side, the Hon. Attorney General of the country, *all skin teeth nah laff*.

One can only speculate and I hope that the Hon. Minister will allay my fears as to why it ...

**Mr. Speaker:** Hon. Member, you have four minutes.

**Mr. Nandlall:** Yes, Sir, thank you. Why is it that the Auditor General is being excluded, when the Auditor General is also the external auditor of the Central Bank. Minister, what is going on here? Something is not right. You are excluding the accountability clauses in the Bill; you are suspending them from coming into operation; you have excluded the constitutionally autonomous Auditor General from auditing. Why?

I hope that the Minister would allay my fears, as I think that I have raised some serious issues and I hope that the Minister can address some of those issues in a satisfactory manner.

Thank you very much. [*Applause*]

**Mr. Jordan (replying):** Let me thank the contributors to this debate. Just quickly to deal with the Hon. Joseph Hamilton who asked about the likely composition of the corporation. Well, I am

told that, initially, there will be a very small complement of staff, of about three to five persons since the Bank of Guyana will be providing technical and administrative support to the corporation. In terms of the sums that the scheme is likely to have, I think that is in the Bill - \$300 million for a start and the target is 5 % of the insured deposits within 10 years. That is perhaps the reason for the commencement of certain sections only. The fund has to build up to a certain amount before it can be made viable. I think you know that, so I am not too sure why you asked it openly.

In terms of the exceptional cases, we were looking at, perhaps, maybe a Lecturer at the University of Guyana or in a teaching or other educational institution in Guyana. The customary or negligible amount, the intention here is a small gift that one may get maybe at Christmas time, for an anniversary or so on. Generally... [Mr. Hamilton: Is it Grey Goose and so on?] Grey Goose sounds beyond the pale, but a two year old might be more like it.

Mr. Hamilton did ask the same question at clause 36 (G), as indeed the Hon. Anil Nandlall. I can tell you that if a fund only has a certain amount of money and it cannot cover everybody, then there has to be some level of discrimination. I see nothing wrong in discriminating with somebody who might have suspicious transactions for whatever reason, maybe suspected of enjoying the proceeds of crime. It is also consistent with the AML/CFT requirements, anyway.

There was a big issue made about moral hazard. Indeed, the literature talks about moral hazard, but, in life, there are issues of moral hazard and they are dealt with. Why, for example, would someone go out and buy a million dollar insurance policy and then turn around and go injure themselves just because they want to benefit from it. That is the essence of moral hazard that the higher the sums involved, the greater the risk and that somebody else would pay for the risk. Why would you go and take out an insurance policy for \$1million and then turn around and go injure yourself just because you want collect \$1 million? So that the insurance company would be out \$1 million?

The moral hazard argument is indeed a valid argument, but it has been countered and it has been countered by over 100 countries that have Deposit Insurance Schemes in place. It does mean that they have countered it with the set of legislation that we have been putting in over the last two days. They have countered it with increased and enhanced prudential and supervisory functions

of the Central Bank. Indeed, there is a moral hazard that now one has to deposit insurance, the assumption is that the banks would not behave in the way that they would behave and depositors would not police the banks in the way that they would ordinarily do because they know that if the banks fail, then they have a deposit insurance scheme to turn to.

Recognising that, the visible hand of the Government has come and has strengthened the prudential and other functions of the banks so that they take on that policing role. So far, in almost all instances, it has worked essentially because it had stemmed lots of banks from foreclosing or being closed.

Hon. Irfaan Ali asked why staff was being immune. I think that if he reads clause 48, it would tell you that staff is immune, unless it is proven that the actions that they purportedly did in the execution of their duties are actions done, not necessarily in the execution of their duty or omissions that were done in bad faith. I mean that is a standard clause and, again, I do not know why that should be questioned in the Bill. As to the \$2 million limit that we were hearing about, the literature will tell you that the higher the limit, the greater the cost and the greater the risks that create the moral hazard.

*10.35 p.m.*

A limit has to be set in the context of the affordability and generally, according to the literature, based on the gross domestic product (GDP) of the country. The \$2 million limit, as it stands at the moment, Hon. Member, Mr. Nandlall, is higher than that of Trinidad and Tobago.

You asked the question about the supposition that there is capital flight. Please remember two things: Firstly, the \$2 million that is being set as the limit covers roughly 90% of depositors in the banking system as of December, 2017. Almost everybody will get back their moneys if there were, technically, a run on the bank.

Secondly, the limit is not meant to give one back one's \$25 million or \$100 million if one were deemed. Indeed, in the United States America, the limit is US\$100,000. Those who have \$25 million in one bank, in any case, would only be getting US\$100,000 from the Federal Deposit Insurance Corporation (FDIC).

I do not see how suddenly this is an issue of capital flight. It was a good “waker upper”, as we might have thought, but it is clearly misplaced and, perhaps, a lapse in judgement.

I think, generally, that the Deposit Insurance Scheme has arrived and it has arrived for a particular reason. There was a real life example in the Globe Trust and Investment Limited and there were potentials in the cases of the Guyana Bank for Trade and Industry (GBTI) and the Demerara Bank Limited. We do not want these to ever recur. In the unlikely event that they happen in the future, we will have a system and a scheme in place to, at least, protect all of the depositors and, in many cases, the bulk of the depositors in terms of them getting back all of their moneys.

I commend this Bill, again, for unanimous passage. Thank you.

*Question put and carried.*

*Bill read a second time.*

*Assembly in Committee.*

**Mr. Chairman:** The Bill has 11 Parts. I propose to treat each Part, as I did on the last occasion, dealing with the clauses in each Part together.

*[Interruption]*

*[Mr. Chairman hit the gavel.]*

**Mr. Chairman:** Hon. Members, it would be good if you allow the Chairman to complete what he is doing right now, even if you do not wish to take part.

**Clauses 1 to 54**

*Clauses 1 to 54 agreed to and ordered to stand part of the Bill.*

*Assembly resumed.*

*Bill reported without amendments, read the third time and passed.*

**Mr. Speaker:** Hon. Members, this concludes our consideration of the Deposit Insurance Bill 2018 – Bill No. 7 of 2018. I thank you for your cooperation and assistance. This brings to an end our work for today.

## **ADJOURNMENT**

**Mr. Nagamootoo:** Mr. Speaker, I move that the House be adjourned until Thursday, 19<sup>th</sup> July, 2018 at 2.00 p.m.

**Mr. Speaker:** The House stands adjourned until Thursday, 19<sup>th</sup> July, 2018.

*Adjourned accordingly at 10.48 p.m.*