

Facilitating regional integration

Interview with Larry Howai,
Chief Executive Officer, First Citizens Group



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Lubricating the wheels of integration between the eleven Spanish-speaking members of the Association of Caribbean States (ACS) and its 12 other mainly English-speaking members by providing the finance required for trading and investment, is a clear imperative for commercial banks in Trinidad and Tobago and the rest of the Caribbean.

Larry Howai, Chief Executive Officer of one of the leading indigenous Caribbean banking institutions, the Port of Spain-headquartered First Citizens Group, firmly believes in this key responsibility, stating that "we have an important catalytic role in this process."

Indeed First Citizens is probably better placed than most of its regional counterparts to play this role: it was, after all, named one of the five "safest banks in the Caribbean and Latin America" by *Global Finance* magazine in an October, 2010, survey, based on long-term foreign currency ratings by Standard and Poor's and long-term bank deposit ratings by Moody's.

The ACS was founded in 1994 in a visionary effort to tighten the then tenuous bonds between Spanish and English-speaking countries in the roughly U-shaped region that fronts the Caribbean Sea, running from Mexico, through Central America, northern South America and up through the Caribbean archipelago. Boosting the intra-regional exchange of goods and services is a crucial element in this and First Citizens has not been slow to respond.

"We started looking at some relationships in the Dominican Republic in the early days of the ACS," says Mr Howai, whose bank celebrated its 17th birthday in September 2010, "and, together with Republic Bank (the other Trinidad and Tobago indigenous bank), we do some business in Cuba." He admits, however, that "this initiative has never really been developed to any great extent."

He is well aware of efforts by various providers of goods and services in Trinidad and Tobago – the industrial centre of the ACS's English-speaking sub group – to broaden trading relationships with their Spanish-speaking counterparts and, along with the two states already mentioned, he lists Costa Rica and Honduras as ACS members in whose markets local producers have obtained business.

But because of decades of mutual indifference and a lack of will by either party to strengthen economic interaction, prior to the advent of ACS it has been laborious going. Mr Howai points out that "a big issue is in managing the whole trade regime and in particular dealing with customs in some ACS countries. I recall that, in the Dominican Republic for instance, there were issues around the fact that you had to establish a specific relationship with

someone and couldn't break it easily and so on.

"These Spanish-speaking markets are much bigger than those in the English-speaking states, it is true, but there are a number of things to understand about how you handle customs, how you handle payments – all of these are issues which need to be managed." But, overall, in the view of the First Citizens CEO, the prognosis going forward is favourable and one of the actions that banks in Trinidad and Tobago and probably elsewhere in the mainly English-speaking Caricom area need to undertake is establishing correspondent relationships directly with banks in the Spanish-speaking countries.

"At the moment, we do this through international banks like JPMorgan Chase and others that have those relationships," Howai explains. "But to deepen the ties that





would enable us to better facilitate trade, we would need a one-to-one relationship with banks in those countries."

First Citizens is ideally suited to establish such relationships if only because of the high regard in which it is held, even in the wider hemispheric context, as evident from the award bestowed by *Global Finance*. Why does Howai think his financial institution achieved such eminence (and it was competing in a field of 50)? "We work hard at these things," he says. "We understand the importance of branding. We have always focused on the key things you need to be competitive. As a result, the international community have started to sit up and look at us."

In that context, it was no surprise that the Central Bank of Trinidad and Tobago should turn to First Citizens to salvage the banking parts of the collapsed Port of Spain-based conglomerate, CL Financial, in early 2009. The key entity here was a company called Caribbean Money Market Brokers (CMMB), which First Citizens took under its wing in February, 2009 and is now functioning as First Citizens Investment Services and as First Citizens Brokerage and Advisory Services. The two are now making significant contributions to the Group's bottom line.

First Citizens' strength in a financial world that has suffered from considerable turbulence in recent years mirrors that of banks – indigenous or international – in the Caribbean as a whole.

How did the region's financial sector – with the notable exception of the companies under CL Financial's control – ride out the recession so well? Mr Howai has a sardonic answer: "We weren't smart enough!" he observes with a laugh (by which he means that Caribbean banks did not indulge in the risky financial instruments that brought down some of the biggest names in the business). "Sometimes, it pays not to be too smart! The fact is we continued to be staid bankers and to do things in an incremental kind of way. At the end of the day, you can't go wrong by focusing on the basics. Caribbean Banks didn't do anything too extravagant and I think that has helped us."

Mind you, First Citizens does take some risks with its clients and the CEO admits that the bank is "starting to see delinquency levels increasing, which was not the case, say five years ago. So even though Caribbean banks have maintained a responsible position in relation to lending, we still find some of the risks we have taken haven't worked out as well as we would have liked. So that is something of which we have to be mindful."

Of course, this is not going to deter the banks in Trinidad and Tobago and the Caribbean from doing what is necessary to facilitate economic recovery. "The economies

are not going to revive unless we lend," Howai says, pointedly. "2010 was actually a growth year in Trinidad and Tobago and we expect the same in 2011. The outlook is for resumption of steady, not spectacular, growth. That seems to be the longer-term trend."

As is well known, the principal engine of Trinidad and Tobago's growth is the energy industry (40 per cent of gross domestic product, 58 per cent of all tax revenue, 88 per cent of exports) and Mr Howai, in addition to his onerous banking duties, is now right in the middle of that industry, by virtue of his appointment as Chairman of the state-owned National Gas Company (NGC), the Caribbean's most profitable stand-alone indigenous corporate entity, which is largely credited with helping catapult the country into the realm of heavy industry based on the utilisation of natural gas reserves.

The new chairman has already worked out his goals for NGC: "I want first of all to ensure the company continues to be the catalyst, mainly through its subsidiary, the National Energy Corporation (NEC), for downstream manufacturing activity such as using melamine from ammonia as a raw material in production. NGC or NEC may have to kick-start some of these projects themselves. Secondly, I want to see NGC developing itself into a multinational company, looking selectively for investment abroad and we hope to start with Ghana in west Africa in relation to gas production from the recently-discovered Jubilee field."

The second Commonwealth Business Conference that may take place in Port of Spain this year could assist in boosting NGC's international outreach. "These sorts of meetings continuously help to keep Trinidad and Tobago in the eye of the international community," Howai notes.

Indeed, the whole concept of "internationalism" is very much in the forefront of the First Citizens CEO's thinking, both in his new role as policy-setter for a major, gas-related corporation as well as his old role as a senior banking executive.

This is why First Citizens is teaming up with a local software company called Trinidad Systems Ltd (TSL) to deepen electronic banking even further by establishing a system that will virtually eliminate the possibility of fraud and facilitate financial transactions between business people in different countries. "Large financial transactions have not been taking place electronically because the security has not been there to make it happen," Howai points out. "Together with TSL, we have identified the technologies necessary to make it happen and, if First Citizens is there at the leading edge of it, we should get the greatest gains from this initiative." ■

First Citizens Group aims to grow by fostering greater economic linkages between the English and Spanish speaking Caribbean