



Caribbean banking: Defending rights, resisting unfair practices

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April 1, 2016

In January, coincidental to my assuming the presidency of the Permanent Council of the Organisation of American States (OAS), I met, in Washington DC, the prime minister of Belize, Deane Barrow, who had just taken on the responsibility of chairman of the Caribbean Community (CARICOM) heads of Mr Barrow was in DC to meet US government Treasury officials, and regulatory bodies to explore what could be done to stop the destructive course on which US banks had embarked of cutting-off correspondent banking relations (CBRs) with banks in Belize. At the time US banks had severed relations with the majority of banks in Belize, creating high costs for every international transaction. Banks had to seek correspondent relations with countries as distant as Turkey and China in order to clear payments for goods and services between the US and Belize.

The situation in Belize at the time, while dire and urgent, was not unique in the Caribbean. Indeed, no county was immune; all were affected.

He and I agreed then that, as president of the OAS Permanent Council, I would convene a meeting to ventilate this issue before high representatives of the 34 states of the Americas. The objective would be to expose the adverse effect on the financial services sector and the economies of Caribbean countries as a consequence of unfair practices in certain powerful member nations of the Organisation for Cooperation and Development (OECD).

Incidentally, the convening power of the OAS is one of its few real strengths. It does have the capacity to bring its 34 member states to the same table for discussion, even though its practice of decision-making by consensus allows the more powerful countries to influence or block decisions. But, were it not for the OAS, there would be no other forum for a gathering of governments of the Americas to at least raise awareness of issues that materially affect the lives of their peoples.

On March 30, the last day of my three-month stint as president of the Council, a meeting was

held to look at what was euphemistically described as “Finance and Banking Services Challenges to Development in the Americas”. For the meeting, I assembled four experts on the issue to inform the ambassadors, including those from countries in which correspondent banks are located, on the reality of the situation.

The experts were: Ryan Pinder, a former financial services minister in the Bahamian government and partner in the legal firm of Graham Thornton; Dr Farah Diva Urrutia, director general for legal affairs and treaties of the ministry of foreign affairs of the Republic of Panama; tax treaty expert Dr Bruce Zagaris, partner in the Washington, DC, firm of Berliner, Corcoran & Rowe LLP; and Dr Daniel Mitchell, senior fellow with CATO Institute, who has been a long term advocate against unfair practices in the global financial sector.

Each of them made powerful, compelling and irresistible presentations (which can be made available to anyone who contacts me). They left no doubt in the minds of the ambassadors that all of the countries in the Caribbean and several in Central America are being unfairly targeted as “high risk areas” for financial services and that cutting off CBRs has little to do with the risk of money laundering and terrorism financing and much more to do with the smallness of the rewards global banks receive from doing business with Caribbean banks when those small rewards are measured against possible huge penalties with which they are threatened by regulatory bodies.

In this regard, it was a highly successful meeting – a part of the work of Antigua and Barbuda prime minister, Gaston Browne, who is charged by other CARICOM heads of government to lead on this issue.

As chair of the three-hour meeting I was at pains to point out that while the problem is urgent for the Caribbean, no Central and South American country is immune from its reach. I called it a “creeping cancer that must be surgically terminated”.

Significant facts and figures were provided by the experts. For instance, five banks in Belize have had CBRs terminated in the US; two domestic commercial banks and four international banks in The Bahamas have been directly impacted by the loss of CBRs; eight domestic financial institutions in Barbados have had accounts terminated primarily by Canadian and US correspondent banks; in Jamaica, correspondent banks in the UK, the US and Canada have terminated or imposed restrictions; and in the OECS countries and Guyana, CBRs with major US banks have been terminated or notice given of such termination.

The unfairness of the termination of CBRs because of perceived rather than actual risk was emphasized by Dr Zagaris when he pointed out that, while Caribbean countries are in full compliance with international standards, “the US has the biggest volume of transactions not meeting international regulatory standards; its jurisdictions and constituents do not suffer the same problems compared to smaller jurisdictions because the US controls international organizations and informal groups and they are reluctant to challenge US non-compliance, let alone to seek countermeasures for the same”. Among those organizations are the OECD and the Financial Action Task Force.

Dan Mitchell underscored the point when he mentioned that US authorities are fond of publicly saying that “12,000 companies are registered at Uglan House in the Cayman Islands, making it either the biggest building in the world or biggest tax scam in the world”. He explained that in the state of Delaware in the US, there is a building that houses over 200,000 such companies. He also asserted that, based on figures produced by the Financial Secrecy Index, the US is one of the largest tax havens in the world.

In truth, countries of the Caribbean and Central America are being judged by standards imposed by powerful countries that they do not follow themselves. That is why governments of affected countries have to take this matter to truly representative organizations such as the United Nations and away from informal groupings of self-serving countries such as the OECD and FATF. The meeting at the OAS was a first step to dealing with the issue in a genuine multilateral body.

Caribbean and Central American countries have no wish to exclude any country from decision-making; neither do they appreciate being excluded by others. What happened in the OAS on March 30 was an important step in exposing the double standards to which the Caribbean region is being subjected on financial matters, and to building a wider international consensus.