

L. Ryan Pinder

Member for the Elizabeth Constituency

Address to Parliament

Payment Systems Bill, 2011

January 25, 2012

Mr. Speaker ...

Introduction

Today I stand on behalf of the good and proud constituents of Elizabeth to represent their interests and concerns in this honourable house. I again stand here and welcome the new members of the Elizabeth family, many who I have already had an opportunity to meet. Today we debate a Bill that in my opinion is long overdue, a Bill where the proposed amendments were issued for public consultation in early 2009, a Bill that was subject of a Central Bank of the Bahamas Consultation Paper from 2009. A Bill that will in theory make it easier for Bahamians to satisfy payment obligations between banks. But although long overdue, this legislation is not miraculous, and should have been brought here years ago if this Government truly cared about the best interest of Bahamians. This is evident of a natural and overdue progression of our banking industry.

Legislation

According to the Central Bank of the Bahamas, The draft Payment Systems Act and other related legislation, once brought into force, will provide the legal framework for the Central Bank's oversight of payment systems and payment instruments. The proposed payment systems legislation, will also establish standards for the operation of payment systems in The Bahamas. In other words, this legislation will regulate the movement of payments between banks and other institutions. In an era where multiple payment methods are becoming more and more evident, in a time where electronic payment formats are gaining in popularity internationally, legislation to oversee and regulate the movement of funds is a necessity.

The Central Bank of the Bahamas as the regulator of payment systems will have the authority to prescribe the rules and requirements of those involved in the movement of funds and payments. It is important than in all instances, the necessary protection and oversight is in place for the protection of Bahamians.

I would recommend certain policy considerations to be considered. With respect to the National Payment Systems Policy I would encourage consideration be made that the Policy be flexible to address how payment systems evolve in conjunction with the evolution of the related technology. For example, international electronic payments to support electronic commerce is a significant development and the Policy should be prepared to reflect it. Addressing international payments is a specific concern and I encourage the Policy to incorporate this.

I also make the recommendation that as the Bill requires current licensed payment providers and electronic payment providers to make application, that a streamlined application procedure be put in place for the grandfathered license holders. This is important so not to interfere with the conduct of their businesses, and ultimately the infrastructure for the current movement of payments

But in my opinion, more is required, advancement and regulation of payments systems in necessary, but what is also necessary is Government policy and negotiations with respect to the status of loans in this country.

Lending in the Bahamas

The ability for Bahamians to pay their loan balances once again worsened. As reported by the Central Bank of the Bahamas in its Monthly Economic and Financial Developments for November 2011 (the most recent report), banks' credit quality indicators weakened during the review month, reflecting constraints posed by the domestic environment on borrower's ability to meet debt servicing obligations. The report further states that an analysis of the average age of delinquencies revealed that the majority of the increase occurred in the short-term segment, as delinquencies between 31 and 90 days firmed by \$21.2 million (5.4%).

What this means is that more current loans are increasing in non-performance, Bahamians are more so unable to pay their obligations, even recent loans. Things are getting no better for the average Bahamian. You continue to hear from the other side that things are getting better, well mouth can say anything, the facts indicate things are still getting worse. Bahamians continue to experience hardship, inability to make enough to satisfy their obligations. More Bahamians every day continue to lose their homes, get evicted from their homes. Talk is cheap, you on that side claim to "Deliver", the only thing I see you delivering is hardship on the Bahamian people.

The inability to pay their loan obligations is directly attributable to Bahamians losing their homes. The rise in total arrears was due solely to a \$30.7 million (4.9%) expansion in mortgage delinquencies to \$663.3 million, with increases recorded in both the 31-90 day and non-performing categories, of \$14.1 million (7.2%) and \$16.7 million (3.8%), respectively. Things are tough, Bahamians continue to be unable to pay their mortgages on their homes, the risk of losing your home is increasing month after month, and they want to say things are getting better, this FNM Government claims to “Deliver”, well they are delivering pain to the average Bahamian.

A Government for Bahamians would put consideration into securing a policy that will preserve the homes of Bahamians, especially in the face of increasing delinquencies, growing foreclosures, and increasing numbers of homeless in the Bahamas. The FNM – Delivering foreclosures to Bahamians

Policy Recommendation

In the face of increasing foreclosures and mortgage delinquencies, other governments have entered negotiations on behalf of citizens to reach a settlement to protect their citizen’s home ownership, to encourage the refinancing of loans, to create reserve accounts as insurance. We have heard nothing by the FNM Government on policies or even discussions to help reduce the month after month increase of foreclosures, Bahamians losing their homes. This FNM Government has “Delivered” a sense of despair, hopelessness.

Some options the Government can assist, or even take the lead in negotiations including a temporary moratorium on foreclosures of principal residences. Day after day Bahamians are becoming homeless. In many instances they do not have a place to live, and cannot acquire necessary social assistance for a number of reasons. An agreed position with the banks to suspend foreclosures of principal residences while a longer term solution can be worked out would be a policy initiative in the best interest of Bahamians. This is not a problem that will fix itself overnight, even in an environment where Bahamians are making more and can service their mortgage payments, in order to get the industry, and Bahamians out of arrears, so that they are current on their mortgages can take decades. Without progressive involvement by the Government of the Bahamas in partnership with the commercial banks, the housing markets, and the suffering for Bahamians homeowners is bound to continue.

Foreclosure not the first option – Consideration should be made, and agreement reached that foreclosure will not be the first, or primary option for recourse. Banks should be more willing to negotiate loan modifications, and should get the support of the Bahamian Government to provide the necessary reassurance. For example, one option might be a temporary suspension of the payment of principal on mortgages, to allow Bahamians to become more secure financially.

Another option would be encouraging a policy for the commercial banks to extend loan terms so that monthly payments are reduced. This would allow opportunity for Bahamians to be in a more serviceable position, to continue to keep their roofs over their heads. I do want to make clear, in all instances this will be a negotiated position with the commercial banks. The banks are not in the business of being land owners, and it serves their interest to facilitate the viability of the loans on their books. The Government's obligation is to do whatever is in its power to ensure that Bahamians are protected.

Regulators

We all understand that The Central Bank of the Bahamas is the chief regulator of banking activities. We, however, also have other regulators in the Financial Services Industry, such as The Securities Commission. We have heard a lot of talk from this FNM Government about the consolidation of the regulators for the Financial Services Industry, but they have yet to "Deliver" on their promises. For one who works each day in this industry, I can tell you the frustrations of the business public in having to go back and forth through Regulators, providing the same information to each Regulator in order to get an approval. We want to claim to be a commercial jurisdiction, in order to do so we have to facilitate business, including through the Regulators.

We as a country, in order to facilitate business, in order to stay competitive in an industry where we have stiff competition, we must do all things to facilitate business. This requires a progressive government who has the focus for the industry. We should have consolidated the regulator process, so a company doesn't have to jump from regulator to regulator, with weeks and a lot of times months of delay to get approvals. Consolidate the process, appoint a central regulatory authority that acts as the liaison, standardize the application information throughout. These are initiatives that a government who cares for the Financial Services Industry and enhancing the ease of doing business would act. This FNM Government has filed in this regard, but I want the industry to know, the next PLP Government will be the ones delivering on these initiatives.

Financial Services Industry Policies

To facilitate this, the next PLP Government will re-instate policies that made the former PLP Government a trailblazer in the Financial Services Industry. The next Progressive Liberal Party Government is committed to the creation of the Ministry of Financial Services, to give the industry the focus that it needs, and deserves and ensure that Bahamian Professionals in the industry are given the opportunity for success. This new Ministry of Financial Services would be responsible for the policy and

regulatory component of the Financial Services Industry, providing the focus to ensure the regulatory aspect of the industry is centralized and facilitated.

Without the Ministry focusing on our second pillar of our economy, the advancement of the financial services industry has suffered. This FNM Government has failed to “deliver” on their promises to the Financial Services Industry because they have been unable to give it the focus it deserves, because they decided to disband the Ministry of Financial Services, for the sole reason that it was a trailblazing policy decision by the former and next Prime Minister of the Bahamas, Perry G. Christie.

Not only will we re-create the Ministry of Financial Services to ensure that the industry thrives, we will continue to initiate policies that will cause the industry to expand, providing more career opportunities for Bahamians at home, and those abroad who want to return home. As we focus on the expansion of the country’s economic development, into more international commercial industries, the Financial Services Industry will have to likewise expand, building a more robust and sophisticated commercial banking arm. This will have to be done with the proper coordination with the Government, through a dedicated Ministry of Financial Services, and ensuring not only a comprehensive regulatory framework, but an efficient and effective one as well. This can and will be done under the next PLP Government.

BFSB

Before I conclude, I want to recognize the outgoing Executive Director of the Bahamas Financial Services Board, Wendy Warren. Wendy Warren has served in her capacity as Executive Director of the BFSB for a number of years, overseeing an effective effort to promote the industry internationally. Many will know that I am very active in the BFSB, sitting on committees, helping with policy development and marketing efforts. I want to commend Wendy Warren on a job well done, she was certainly an asset to the development of the Financial Services Industry, and I want to personally wish her well in her private endeavors.

I would also like to recognize the new Executive Director, a young attorney who has boldly accepted this challenging role, the Executive Director of BFSB – Aliya Allen. I am sure Ms. Allen will continue the development of BFSB and its impact on the industry. I can assure Ms. Allen that the next PLP Government of the Bahamas is prepared to work hand in hand to take the Financial Services Industry to a higher level. I look forward to attending next week the annual International Business and Finance Summit sponsored by the Bahamas Financial Services Board and participating as we grow the economy of the country and the Financial Services Industry.

Conclusion

In conclusion I want to emphasize that in creating policy, the Government of the Bahamas is mandated to do what is in the best interest of Bahamians, but also to engage private enterprise when necessary, to try to negotiate or come up with creative ideas to assist and Bahamians when they are most in need. This includes instances like now, where we are experiencing record foreclosures, an increasing amount of Bahamians losing their homes and becoming homeless. The Government must act, and act now.

I also want to emphasize that a Government's responsibility to create policy to enhance the country economically, which will have a direct impact on the advancement of Bahamians. We must ensure our industries are not only secure, but are growing and expanding. Instead, this FNM government has "delivered" a trend of failures in industry.

The Bahamas has fallen in the ease of doing business measurements as compared to other countries. We have fallen from being ranked 59th in the 2009 report, to 71st in the 2010 report, to 77th in the recently released 2011 report, which was subsequently adjusted down to 82nd, and now a further fall in the 2012 report to 85th. Additionally, for the last 4 reporting cycles, the Bahamas has fallen in the rankings of The Global Financial Centers Index. The Bahamas has fallen from being ranked 59, to 64, to 67, to 72 in the most recent report. This trend is an indictment against the failures of this FNM Government as it relates to the Financial Services Industry.

This is not evidence of delivering a strong economic environment, this is evidence of delivering a failed economic policy. A PLP Government will reverse this, we have the ideas, the policies and the talent to provide more effective representation. A PLP Government will do better, because a PLP Government Believes in the Bahamas.