



CENTRAL BANK OF  
TRINIDAD & TOBAGO

Alvin Hilare  
Governor

May 5, 2021

The Secretary  
JSC Constitution (Amendment) (Tobago Self- Government) Bill 2020  
Parliamentary Complex  
Cabildo Building  
St. Vincent Street  
Port of Spain

REF: CB-G-050/2021

Dear Sir/Madam

**Re: Constitution (Amendment) (Tobago Self- Government) Bill 2020**

Reference is made to the letter dated April 23, 2021 from the Chairman of the Joint Select Committee on the matter at caption. The Central Bank of Trinidad and Tobago thanks the Committee for the opportunity to comment on the proposed legislation and we apologize for the delayed response.

We focus our comments on aspects of the Bill directly related to the work of the Central Bank, in particular the delegated responsibility for the management of investments of the Tobago Fund:

- i. **The investment component of the Fund proposed to be managed by the Central Bank should be strictly separated from other assets of the Fund, such as deposits for operational needs.** We observe that Section 25 of the Bill suggests that the sums in the Fund are to be used for the general expenditure of Tobago in meeting its operational needs. A specific delineation of the amounts to be invested, as opposed to be used for operations, is required.
- ii. **There should be precise rules for withdrawal and deposits into the investment component of the Fund.** This would allow for establishment of minimum balances appropriate for investment and for predictability. Low, volatile or unpredictable balances would hamper productive investment arrangements.
- iii. **Decision-making on investments should be clear.** The role of the Tobago Executive Council (relative to the Central Bank and its investment agents) in deciding on specific investments should be clarified. This is particularly important to avoid potential conflicts of interest, especially where investments in domestic public or private sector instruments are involved. The clarity would also assure independence and autonomy in the investment function, subject to agreed overall investment guidelines.

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- iv. **There are limitations on the Central Bank's direct involvement in investments in its licensees.** As regulator of financial institutions, the Central Bank must exercise impartiality in its dealings with such institutions. In this regard, its investment decisions may be viewed as giving signals on the relative health of various entities. To circumvent this, the Central Bank may itself have to enter into arms' length agreements with other investment companies—this could add to the complexity of the arrangement with the Tobago Executive Council. It should be noted that the Central Bank performs a similar investment agency function on behalf of the Heritage and Stabilization Fund, but the investments are all external, and do not involve licensees.

We are available for further elaboration or clarification on our comments.

Yours sincerely



**Alvin Hilaire**