



CENTRAL BANK OF TRINIDAD & TOBAGO

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LUNCHEON ADDRESS

at

TSTT/Citigroup Commemorative Ceremony for the Issuance of a TT\$1 Billion Bond

by

Ewart Williams
Governor, Central Bank of Trinidad & Tobago
July 22, 2005

I am pleased to be here today to celebrate the success of the TSTT one billion dollar currency bond. It is a noteworthy event since it is the largest capital market transaction for a local corporate, placed in the local market to date. The success of this transaction testifies to the growing maturity of the market for long-term funds. It also demonstrates the confidence that the market has in TSTT's ability to retool and expand to meet the new demands emanating from telecommunications liberalisation.

Ladies and gentlemen, not too long ago, it would have been inconceivable to finance a transaction of this magnitude from our internally-generated resources. We would have had problems **firstly** with the foreign exchange content (and possibly, we would have needed a government guaranteed external

loan) and **secondly**, our domestic savings would have been insufficient to generate the required resources.

Fortunately over the last decade or so because of the strengthening of our balance of payments, **we no longer have a serious foreign exchange constraint**. Moreover, the sustained economic growth achieved over the past several years has raised our domestic savings rates such that, in addition to meeting our investment requirements, we are now a major exporter of capital to the CARICOM region. Last year, through our domestic capital markets, some US\$700 million in bond placements were made for regional governments and sovereigns.

Citigroup's record bond transaction underscores the rapid development of our local capital market, particularly the market for debt instruments. In the period 1997-2004, the value of bond placements in the local capital market amounted to over \$30 billion with central government and state corporations accounting for a bit over 60 percent.

Citigroup has played a most important role in the development of our capital markets and specifically in helping to raise considerable sums for public sector projects. Since 1997, Citigroup has raised some \$6 billion for the central government and state corporations in some 20 issues (an equivalent amount has been raised for the private sector).

For the most part, the resources for the public sector were marketed through a system of underwriting which has been the traditional mechanism used for bond placements. Accordingly, over the years, Citigroup established itself as a leader in underwriting several major capital market transactions for both the central government and for various public corporations. As

underwriter, Citigroup also played an important role in marketing the bonds to a wider clientele of investors.

In recognition of the level of development achieved in our capital markets, in July 2004, an auction system was launched for Central Government bonds. The decision to move to an auction system was taken in order to **enhance the efficiency and transparency of the market, emphasize market-based pricing; encourage broader investor participation** and establish a yield curve to fulfill a bench-marking function. To date, the Government of Trinidad and Tobago has issued four bonds through this system. **However, the intention is to expand the auction system to incorporate the quasi-governmental agencies.**

The Central Bank has been taking other initiatives to help develop the bond market. In February of this year, the Bank introduced the Government Securities Settlement System. Participants can now place their bids online with allotment to successful bidders taking place automatically (following the close of the auction). This system is linked to the real time gross settlement system (the RTGS) to facilitate simultaneous transfer of funds and securities.

In the period ahead, the Bank would be working to ensure more active participation in the primary market, the emergence of an improved yield curve, and a significant expansion in secondary market activity.

All of the above initiatives are designed to move the capital markets of Trinidad and Tobago to a new level of efficiency and sophistication. The Central Bank will continue to play its part to further the development of the market and we are confident that Citigroup will continue to do so well.

Again I would like to congratulate TSTT and Citibank for achieving this successful landmark fundraising of TT\$1 billion.