

**ISSUES IN THE REGIONAL TRADING OF SECURITIES
AMONG LIBERALISED AND LESS LIBERALISED
CARIBBEAN COUNTRIES**

by

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Several issues in the trading of Government Securities have to be addressed in order to ensure that regional trading of securities is conducted efficiently and predictably. Some of these are systems-related, others are related to monetary policy, to the degree of autonomy which is desirable in the conduct of open market operations, and to the implications of regional trading of securities for domestic capital markets. Normally, the level of efficiency in domestic trading of securities influences the success or otherwise of trading at the intra-regional level, and perhaps this should be our first and main concern.

This presentation will address firstly, the aspects of trading at the domestic level which could benefit from some coordination if the Caribbean is to engage optimally in the regional trading of securities. The second part of the presentation will focus on monetary, supervisory and regulatory issues which arise in the context of cross-trading of Government Securities.

Short Term Securities - Primary and Secondary Trading

Each country and each Central Bank has been associated with the issue of Government Securities for many years at the primary level. In Trinidad and Tobago and Jamaica, treasury bill yields are determined by an auction process at the primary level. Treasury bills are virtually the only securities for which yields on Government securities are fully market-determined in most CARICOM countries. In the Jamaica case, secondary trading of treasury bills is also handled through a market-determined bid and offer process, but in Trinidad and Tobago, in the case of bills, the Central Bank sets the rates at which it will buy or sell securities to commercial banks through the issue daily of a rate-sheet which sets out prices applicable to each security. In Barbados, margins which vary with the maturity of the security are set within an approved range on the buying and selling side.

Agency functions differ across the Caribbean. In Jamaica and Trinidad and Tobago, the agent for government treasury bills is the Central Bank. In Barbados, Government issues its own treasury bills. In all three cases the issue is handled by tender or auction.

The trading of Government short term securities at the secondary level between non-banks, the corporate sector and individuals as they adjust to liquidity needs has been conducted on an even more limited scale. It is the short term securities which are mostly exchanged in the process of conducting open market operations while longer term securities are less frequently traded.

Longer Term Securities

In Jamaica and Barbados the Central Bank acts as agent of Government, performing the issuing function in the case of longer term securities. In Jamaica however, bonds are purchased through dealers both at the primary and secondary level, while in Barbados at the moment they are purchased directly from the Central Bank at the primary level and at the secondary level from the holder or his agent. In the case of Trinidad and Tobago, private sector dealers and investment houses, mostly branches of banks, bid for the business, and investors then buy from the issue manager. In Barbados, interest 'coupons' are decided on by the Central Bank after an evaluation of trends in the market, the level of liquidity and the extent of Government's financing needs. Yields on primary issues in Trinidad and Tobago and Jamaica are therefore more likely to approximate to market rates than in Barbados.

Creating a Market

The question of whether primary dealers are necessary and whether there is a sufficient number of primary dealers in these markets continues to be of great interest. A subsidiary question is whether market auxiliaries are sufficiently motivated to perform the role of market-makers. In order for a market to be efficient there needs to be market-makers. Because of the size of these markets and the small number of actors, it is not always possible to have a set of Government securities dealers who are not associated with banks. Ideally, therefore, where banks are among

the primary dealers, there should also be a significant number of non-banks to offer some competition to banks.

The need for an interdealer broker may also arise if markets are developing as over-the-counter markets. This seems to be the direction of most markets with the Central Banks acting as interdealer broker for transactions between banks. However, as the wider public becomes more involved in secondary trading, there may be changes in this method of trading.

Designated Primary Dealers

The designation of certain dealers as primary dealers provides additional financial incentives to market makers by offering them access to the securities market. This has been done only in Jamaica. In Trinidad and Tobago any finance company may offer a bid to Government either to manage or underwrite a government issue. It is not clear whether these companies must be capitalised according to special criteria for primary dealers or whether they must fall under the Financial Institutions Act as a condition of dealership. However, in reality those institutions which underwrite, do fall under the aegis of the Financial Institutions Act.

Unlike Barbados and Jamaica where most finance companies are registered brokers or broker-dealers on the stock exchange, in the Trinidad and Tobago case, those brokers who may trade on the stock exchange are separate and distinct from finance companies. Since 1994 it is the latter brokers who trade longer term government securities on the stock exchange and not the finance companies.

Single Tier or Two Tiered Dealer Structure

In most developed markets there are two tiers of securities agents, the primary dealer and the brokers. The first buy at the wholesale level at the auction and the second intermediates between the customer and the dealer, i.e. they operate in the retail market. In small markets in the Caribbean, the challenge is to economise on the number of tiers in the market, as the size of transactions cannot, in most cases, justify too many actors.

Capitalisation

There is also the question of capitalisation. The size of the stock of outstanding government securities is quite significant. If dealers are going to undertake to buy and sell large amounts of securities, to the extent that part of their portfolio is not matched, they will require capital to purchase securities which they expect to sell at the secondary level. To the extent that they are prepared to make a market in government securities, capital will also be required to finance them through the holding period between purchase and resale. Thirdly, since prices may move against them, they must have sufficient depth of capital to operate with confidence in the market without fear of facing the prospect of inability to deliver. Many dealers may not however, have sufficient resources to adequately fund their operation.

Financial Support for Dealers

Where there is the expectation or the obligation to make a market there should exist also, some means of offering support to the dealer who needs liquidity support. This may be done by setting up lines of credit with a commercial bank or in more generous situations with the Central Bank. Alternatively, the Central Bank may wish to offer repo facilities to the dealer. This is done in some cases but not in others.

Direct Purchase at the Primary vs Purchase through an Intermediary

A third issue relates to direct purchase at the primary level and the implications of breaking with tradition by introducing an intermediary through whom such purchases must be made. In some jurisdictions, companies as well as individuals may presently purchase securities directly from the issuing authority and may be reluctant to switch to a system of trading through dealers. In the latter cases, customers and some regulators may argue for the control of broker commissions.

Controlled or Uncontrolled Spreads

In more sophisticated markets, dealers are obligated to offer two-way quotes and in all markets, must transact business on the basis of the prices which they quote. Where there is an obligation to quote, the margins between buying and selling prices must be sufficiently wide, so that the

dealer does not have to choose to go into a loss position, and must be narrow enough as to encourage trading.

The setting of maximum spreads where there is an obligation to make two-sided quotes may be considered in small markets in order to guard against wide fluctuations in price. On the Barbados Securities Exchange, equities cannot be traded at prices in excess of 10% from one trade to the next. This constraint on prices does not obtain on other regional Exchanges and may need to be re-examined.

In mature government securities markets, margins tend to be a matter of convention and bond traders tend to keep margins narrow because of high levels of competition. In the markets in the Caribbean, the question will need to be addressed as to whether the market can be relied upon to keep margins tight in situations where competition is frequently less keen.

Other Issues

Other issues at the micro level relate to the use of book entry system or physical delivery of certificates. Presently, exchange of securities is by physical delivery in all Caribbean markets and in many cases delivery is too long delayed. However, there is a current proposal to set up Central Securities depositories in each market to facilitate the movement toward a book-based system. This would greatly facilitate trading in securities.

Settlement Periods

Settlement periods in these markets where securities are being traded between the Central Bank and Commercial banks is usually same day or next day, but in some cases takes somewhat longer. This is simple to execute as Central Banks hold the account of commercial banks. However, as individuals and corporations become more involved in trading, settlement periods will need to be tightened in order to reduce potentially large carrying cost of market auxiliaries, as money has a time value, and unless settlement is prompt, a favourable trade can quickly become an unfavourable trade.

These issues are discussed here, not with the intention of suggesting that there should be uniformity of systems but first, that we may be aware of the differences and reflect on whether they matter. In some cases they do not, and in others some coordination may be useful.

REGIONAL TRADING

We now turn to issues of trading between and among issuing countries. Too often the identification of hurdles to the trading in regional securities tends to lead to the standard recommendation that Caribbean economies should (1) remove all hurdles to trading in securities by liberalising their economies, (2) should increase the level of awareness about the trading in securities and (3) should put the appropriate legislation in place to assist orderly growth and development of the securities market.

While these recommendations are indeed essential to the functioning of a vibrant market, they need to be analysed with a view to following through on their implications for monetary or fiscal policy and for possible regulatory consequences. Essentially, the development of the securities market must be seen, not as an end in itself but as means of achieving improved economic performance and output for the Caribbean. Regional trading of securities must therefore be conducted in a manner which will achieve this.

Exchange Rate Issues

It has been posited that one of the hurdles to the trading of securities in the Caribbean region is the existence of differing exchange rate regimes.

Exchange rates at December 1996 are set out in table 1. These range from 140.84 per US\$ in the case of the Guyana dollar to Bah\$1.00 per US\$ in the case of the Bahama dollar.

While uncertainty about exchange rates of floating currencies has been an important factor in explaining the low level of inter-regional trading in securities, it is interesting to note that since 1988 the bulk of cross trading activity on the Exchange has been between Jamaica and Trinidad and Tobago investors. Yet both these countries have floating exchange rates.

While the stability of the exchange rate is no doubt a factor in the decision to invest in regional currencies, the evidence would suggest that the fact of the exchange rate being fixed or floating seems to be less material than the fact of relative stability of the exchange rate and general macroeconomic well being of the domicile.

REGIONAL EXCHANGE RATES

	Exchange Rate equivalent to US\$1	Fixed (F) or Floating (FL)
Jamaica	J\$34.80	FL
Trinidad and Tobago	TT\$6.06	FL
Barbados	BDS\$2.00	F
OECS	EC\$2.70	F
Guyana	GUY\$140.84	FL
Belize	BZ\$2.00	F
Bahamas	Bah\$1.00	F

One of the first steps in analysing progress to date is the collection of information on cross-trading of Government securities and on the ownership of Government securities by residents of CARICOM countries other than the country of issue.

No information was available on cross border trading in Government securities but information on cross border trades in stocks indicate that for the most part, markets in stocks and government securities operate mostly as separate entities.

There was no information available on activity on the call exchanges in the OECS, Belize and Bahamas though there appears to have been some freeing up in the trading of intra-

OECS securities. Currently any bank may purchase government securities issued by any country of the OECS. These are tax free to the bank resident in the issuing country but taxable to residents in other countries. Steps are in train to make these securities free of tax to any OECS resident.

Given the commitment of governments to a single market and economy, and the commitment of some countries to a fixed exchange rate, it appears therefore that over the medium term that cross-trading will be taking place in the context of both fixed and floating exchange rate regimes. Barbados has declared its intention to keep its exchange rate at BDS\$2 = US\$1. Logistical difficulties alone would make it extremely difficult for OECS to coordinate a decision on exchange rates by 7 governments, even if it decided to do so.

Also, as the corporate sectors in the region become more integrated, differences in the exchange rate are likely to become less problematic. For example, if CARICOM based companies follow a policy of portfolio diversification within the region, the corporate sector will acquire financial interests within the region. Where such assets and liabilities exist, fluctuations in the value of flows such as dividends and interest may then become capable of being better hedged against liabilities in the investee country. In addition, investment dealers and market-makers are likely to emerge to provide support in hedging related services.

Exchange Controls and the Securities Market

For the most part, exchange controls, where they still exist in the Caribbean, are intended to stem the outflow of foreign exchange and for some time, countries with floating rates kept exchange controls in place. This was so in Jamaica until 1991 and in Trinidad and Tobago until 1994. It was argued that the existence of exchange controls helped to create a black market in foreign exchange. Whether or not this was so, since their removal, the parallel market virtually disappeared in both countries. This phenomenon may however be related to improved foreign exchange availability in these markets and to improved economic performance, but it is unlikely that it is totally unrelated to removal of exchange controls.

From the inception of cross border trading of listed stocks, exchange control authority was delegated to the various stock exchanges to grant exchange control approvals for such transactions. This is still the case in Barbados for amounts up to \$1 million. However, with the removal of exchange controls in Trinidad and Tobago and Jamaica, approval is no longer required.

In the Barbados case, the approval presently granted to the Exchange in respect of securities, is applied to listed stocks and not to bonds. This was also the intention in the case of Jamaica and Trinidad and Tobago, but with the abolition of exchange controls, both stocks and bonds may now be freely traded in these two countries. There may therefore be a need to revisit the agreement to trade regional stocks on the Barbados Exchange and to extend the delegation of exchange control authority to the Exchange to cover the trading of government securities as well.

There is concern in countries with fixed exchange rates about the impact of the removal of exchange controls on securities trading. There appears to be little likelihood that the opening up of capital investment in stocks within the region could lead to major outflows of funds outside the region - whether in listed or unlisted securities. Such securities can presently be traded between Trinidad and Tobago and Jamaica, but there has been no rush to trade and despite financial liberalisation in these two countries, up to now there has been no major change in investment attitudes.

The position with respect to intra-regional trading in government paper is evolving. The potential for volatile movements is greater in the case of government securities. If potential investors in one CARICOM market consider that they are unlikely to suffer currency depreciation of sufficient magnitude to offset higher interest earnings in another market, they might find the investment worthwhile. For a potential investor who is moving funds out of a domicile offering a 7% return into a domicile offering a 20% rate, this could be attractive. In large doses such movements could create liquidity difficulties in the investor country and hence lead to higher interest rates there, but could also help to bring rates down in the

investee country where that country is experiencing high interest rates.

Where foreign exchange reserves in the investor's country are sufficiently healthy, there is less likelihood of pressure on the exchange rate as a result of such flows, but if either levels of foreign exchange are unhealthy or the outflow is prolonged, pressure on the exchange rate of the investor's country could result. However, as interest rates are pushed up in the investor's country, this should help to attract capital back, but may raise the operational costs of businesses and could create corporate profitability problems, particularly in the traded goods sector where prices are constrained by competitive pressures.

Floating of Government Securities by one Government in the Market of another

The floating of government securities by one government in the market of another is also a matter deserving of clarification. Presently, countries with exchange controls require that permission of the Exchange Control Authority be obtained before issuing a placement of securities whether by Government or by the private sector. Where no exchange controls exist, private sector placements are therefore possible. However, placement by Government of issues in the market of another country where no exchange controls exist are less clear-cut. Whether or not permission of the Government is required, and whose permission is necessary (whether the Stock Exchange or Government), needs in some cases to be clarified.

Leakages to Third Countries

While there is serious commitment to the notion of a regional capital market, the problem of leakages to third countries outside CARICOM continues to be a preoccupation particularly with those countries which still have exchange controls in place. There seems to be a greater possibility of removal of exchange controls on current account transactions within the region. In the case of capital transactions, the likelihood of persons intending to move funds out of the region, first moving them to a CARICOM country where there are no exchange controls and from there out of the region completely, serves as a damper on the total freeing of exchange controls.

Several approaches are possible:-

1. Free up all current account transactions and capital related current account transactions such as dividend payments, loan interest etc. which relate to CARICOM.
2. Free all current account transactions up to some maximum, (per transaction or per annum basis). Such a maximum could exclude capital related current account transactions, so that such transactions would have no limit on their movement.
3. Free all transactions including capital stock transfers within CARICOM.
4. Free all transactions current and capital both within and outside CARICOM.

Whatever the course of action taken, it is clear that a regional market cannot function efficiently where exchange control has to be sought in order to purchase and sell securities prior to a dealer or an agent committing himself to the transaction. Similarly, if the regional market is to move towards either t+1 or t+2 day settlement, then the hurdle of exchange control will need to be addressed. Whether a gradual approach or a sharp cessation of controls will be adopted is unclear, though indications so far suggest the former approach.

Protection from Money Laundering

One of the virtues of the Central Depository System (CSD), which is being prepared under the auspices of the MIF (Multilateral Investment Fund) and funded largely by IDB is the ability to control the ownership and transfer of securities. This facility, a CSD, is an efficient means of controlling the assets of suspected money launderers. In an open environment for the trading of securities (government and private sector) issuers may wish to be sure that their issues are not being used to launder funds. At the same time, since a central securities depository could in due course lead to paperless transfers, investors will have concerns as well. They too, will need to have a great deal of confidence in the efficiency and the fairness of such systems. Some public relations effort will therefore be necessary to assure this result, and careful vetting of the system should be carried out in

order to ensure its efficiency.

Interest Rate Differentials

Because of the wide differences in interest rates in the individual territories of CARICOM there is considerable opportunity for interest rate arbitrage. It is quite possible, for an investor to borrow in Barbados or even Trinidad and Tobago and invest in Government Securities in Jamaica and make a reasonable return (if he is prepared to take the exchange rate risk) without using any of his own resources.

Tax Arbitrage

Similarly, in some countries, Government Securities are taxed at a preferential rate and in others, at the investors marginal rate of tax, so an investor can sometimes place funds on deposit where rates are high but are taxed and, where there is no tax on the security in his jurisdiction, and recover tax paid if there is a double taxation treaty which permits him to claim a deduction on tax paid in the treaty country.

Internal Tax Arbitrage

Tax arbitrage possibilities exist within countries as well where tax rates differ. Depositors taxed at a marginal rate of tax may find it useful to invest in securities which carry a low final rate of tax, even where the nominal rate on securities may be lower than the rate of deposits.

Capital Restrictions and the Implications for Portfolio Distribution

With the increasing use of Mutual Funds in developing countries and the need for such Funds to have diversified portfolios in order to reduce systemic risks, there is an urgent need for Governments in the region to permit managers of such funds to diversify their risks by investing in other regional securities as well as in non-regional securities. One of the strengths of any mutual funds is diversification. Careful monitoring of such Funds is however required in order to ensure the integrity of these investments.

Regional Trading of Securities and the effect on Monetary Policy

Central Banks act as fiscal agents of Government, and hence manage Government's debt.¹ They advise on the timing, size, maturities and other features of Government debt, and through their responsibilities for monetary management, also influence the trading of Government securities. Indeed, effective monetary policy in the Caribbean has been highly dependent on securities management.

Reliance on secondary reserve requirements is partly a function of the lack of demand for voluntary holdings of Government securities and partly due to the thin market in securities. Hence, if the private sector develops greater interest in the holding of Government securities, (and this will be influenced by the improved liquidity of the instrument), then the possibility exists for the lowering of the secondary reserve requirements in most countries.²

However, regional trading of Government securities does have the disadvantage of diluting the capacity of the Central Bank for protecting the balance of payments by absorbing liquidity and reducing spending, since, in a free regional market, liquidity can continually be replaced by inflows of funds from other regional sources. To the extent that this represents a foreign exchange inflow this may be acceptable provided there is no likelihood of overheating of the economy which is receiving the inflows.

Free trading of regional securities will also affect the ability of Central Banks to influence yields and hence interest rates. Presently, Central Banks may bid up yields on Treasury Bills so as to encourage a shift into bills and out of private sector credit. In circumstances where non-resident holders are buying bills from domestic investors and hence providing banks with cash, a greater effort may be required to encourage such shifts out of private sector credit.

¹ECCB does not act as fiscal agent for Government in the issue of Government Securities.

²Commercial Banks in OECS are not subject to Secondary Reserve Requirements that require their purchase of Government Securities.

The opening up of markets will, however, have the advantage of assisting Governments in shifting the burden of financing of the Government deficit away from the Central Bank and on to the private sector, in periods of excess liquidity; in situations where other regional domiciles are simultaneously experiencing excess liquidity, however, the problem of mopping up liquidity could be compounded. Hence the opening up of the regional market in securities is likely to assist monetary policy where the cycles of liquidity in CARICOM countries differ one from the other. Where circumstances are similar and occur at the same time the problem could however, be compounded.

Normally, where liquidity is tight, commercial banks sales of securities to the Central Bank can lead to increased holdings of Government Securities by the Central Bank. Where sales to the Central Bank result from tight liquidity in other CARICOM countries and from higher sales of securities by other CARICOM residents to residents of the issuing country which is also experiencing tight liquidity, the Central Bank could find itself buying more securities than it otherwise would, and hence be forced to finance Government to a greater degree. Volatility in the level of credit to Government by the Central Bank could be increased. The level of volatility in interest rates could also rise, since shifts in investments by banks between public and private sector affect both deposit rate accumulation and interest rates where regional liquidity is pro-cyclical. Presently, most Central Banks find themselves placing new issues on the market in order to absorb excess funds and to prevent capital leaving the country.

However, potentially the opening up of securities issues to CARICOM residents other than the country of the issuing country can help to alleviate liquidity difficulties which some countries are experiencing, provided all countries are not simultaneously experiencing the same type of liquidity situation. The implication is that access to other CARICOM markets could help to bring interest rates down in countries experiencing high interest rates and could push them up in countries with low interest rates. The likelihood is for gradual convergence of interest rates over the long term. To this extent greater opening up of capital markets would best be accompanied by coordination of capital market decisions where issues are to

be widely traded.

Greater planning and co-ordination of regional issues may be necessary in order to ensure predictable results.

Other Restrictions on Service Providers

Presently, in most jurisdictions service providers in the area of financial services cannot offer broker-dealer or investment advisory services outside their jurisdictions. Consideration may need to be given to whether it is intended, in the context of the CARICOM Single Market and Economy, to allow such service providers from outside national jurisdictions to transact business in any CARICOM country. While there are competitive and scale advantages to be gained, it does have implications for the regulation and supervision of such activities.

Information Deficiencies

In the Caribbean there is little information on the performance of public companies available to investors in other Caricom countries, so that potential investors are very poorly informed and are therefore less likely to feel confident in making correct investment decisions. In recent times data from the stock exchanges in the region may be found on the Internet; a similar facility for Government Securities is desirable.

When regional markets are ready to move to regional trading of Government Securities, fuller information on prices, new issues and volumes will be desired by investors. Similarly, market bid/offer information and aggregate trading information should be made available on line, and with the appropriate software, actual trades could be finalised electronically between brokers.

SUMMARY

Greater liberalisation of the financial system, does not guarantee active trading as liberalisation does not remove all obstacles to regional trading. Macroeconomic stability will continue to be important. It is noteworthy that in 1995 the decline in cross-border activity

was attributable, not to unliberalised systems, but largely to high inflation and macroeconomic instability in some CARICOM countries.

Sequencing is also important. The hypothesis that a liberalisation of capital markets at an early stage of trade liberalisation is likely to make the latter less sustainable has found some empirical support. Michaley Popogiorgiou and Choske (1991) in their seminal work on liberalising foreign trade observed after a study of 31 countries which liberalised their trade regimes, that liberalisation of the capital market should be withheld to a quite late stage and should not be attempted before trade has been liberalised. If this sequence has any meaning, and we note that CARICOM has dismantled QRs and is in the final stages of tariff reductions, it seems, that liberalisation of Capital Markets is the logical next step.

However, authorities should be cautioned that a wider market for Government Securities should not be used as an excuse to finance larger Government deficits. It is noteworthy that practically no liberalisation attempt introduced when fiscal policy was expansionary has managed to stay fully sustained.

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APPENDICES

(Responses to a questionnaire prepared by the writer and completed by Participants at a seminar sponsored by CCMS in April 1977).

Comparisons of the operation of the Government Securities Markets in CARICOM countries.

Who acts as Agent in the issuing of Securities?

Country	T-Bills	Other Securities
Bahamas	Central Bank	Government
Barbados	Treasury	Central Bank
Belize	Central Bank	Government
Jamaica	Central Bank	Central Bank
OECS	Government	Government
T and Tgo	Central Bank	Finance Companies

Can individual customers buy from Government/Central Bank at the Primary Level?

Country	T-Bills	Longer Securities
Bahamas	Yes	Yes
Barbados	Yes	Yes (from CBB)
Belize	Yes	Yes
Jamaica	Yes	No (must buy from dealer)
OECS	Yes	Yes. from Government
T and Tgo	Yes	No (must buy from Manager of the issue)

Are Treasury Bills and longer term Bonds traded on the Stock Exchange?

Country	Treasury Bills	Longer Term Securities	How Traded
Bahamas	n.a.	n.a.	n.a.
Barbados	No	Yes (but little trading)	with banks via the Central Bank
Belize	n.a.	n.a.	n.a.
Jamaica	No	No	in the over the counter market through Banks
OECS	n.a.	n.a.	n.a.
T and Tgo	No	Yes	

Does the Central Bank participate in the auction for Securities?

Is it involved in the allocation of securities at the Primary Level?

Country	T-Bills	Allotment
Bahamas	No	Yes
Barbados	Yes	No
Belize	No	No
Jamaica	No*	Yes*
OECS	Yes	No
T & Tgo	Yes	No

*There are exceptions to this.

Do most individuals and institutions who purchase Securities at the Primary Level do so through Brokers?

Country	T-Bills	Longer Term
Bahamas	No	No
Barbados	No	No
Belize	No	No
Jamaica	Yes	Yes
OECS	No	No
T and Tgo	No	Yes

Are there two tiers of Securities Brokers/Dealers in the Market?

Country	T-Bills	Other Securities
Bahamas	No	No
Barbados	No	No
Belize	No	No
Jamaica	Yes	Yes
OECS	No	No
T and Tgo	No	Yes

Are Dealers offered Lines of Credit?

Country	Lines of Credit
Bahamas	n.a.
Barbados	No
Belize	n.a.
Jamaica	Yes
OECS	n.a.
T and Tgo	No

Can non-residents buy and dispose of Government Securities freely? What are the tax implications?

Country	Buying - Ex Control	Selling - Ex Control	Tax
Bahamas			
Barbados	None	Needs EC permission to repatriate funds	Withholding tax when repatriating funds
Belize			No tax for non-residents
Jamaica	None	None required	No tax required
OECS	None	Need EC permission to repatriate funds	Tax higher for non-residents
T and Tgo	None	None required	No tax for non-residents

Tax regime for Government Securities.

Country	Tax Rate - T-Bills	Tax Rate - Longer Term Bonds
Bahamas	included in income	
Barbados	included in income	12.5%
Belize	included in income	some are not taxable
Jamaica	*	*
OECS		15% non-residents
T and Tgo	included in income	15%

*7.5% for life companies
 33% other corporations
 12.5% foreign and non-resident
 0% for residents
 (foreign currency bonds are axed at 25% for individuals)

What has been the range of yields on Government Securities over the past 6 months? - Give a range. (December 1996-May 1997).

Country	T-Bills %	Medium Term %	Long Term %
Bahamas	4.25		
Barbados	4.8 - 6.0	8.0 - 8.5	8.0 - 8.75
Belize	3.5	8.0	10.0
Jamaica	16.0 - 25.0	20.0 + 5	19.0 - 35.0
OECS	6.0 - 9.0	6.0 - 9.0	6.0 - 9.0
T and Tgo	9.5 - 11.5	12.0 - 15.0	12.0 - 15.0

Are yields on securities set by Government or are they market driven?

Country	Longer Term Bonds
Bahamas	Set by Government
Barbados	Set by Government
Belize	Set by Government
Jamaica	Both set and floating
OECS	Set by Government
T and Tgo	Best bid by underwriter - finance company

Is there a required level of capitalisation for investment managers and primary dealers and brokers?

Country	Capitalisation
Bahamas	n.a.
Barbados	yes
Belize	n.a.
Jamaica	yes
OECS	n.a.
T and Tgo	yes

Comparison: Margins on bid offer prices and dealers' Commissions

Country	Margins	Commissions
Bahamas	not set	
Barbados	not set	
Belize	not set	
Jamaica	not set	
OECS	not set	
T and Tgo	not set	