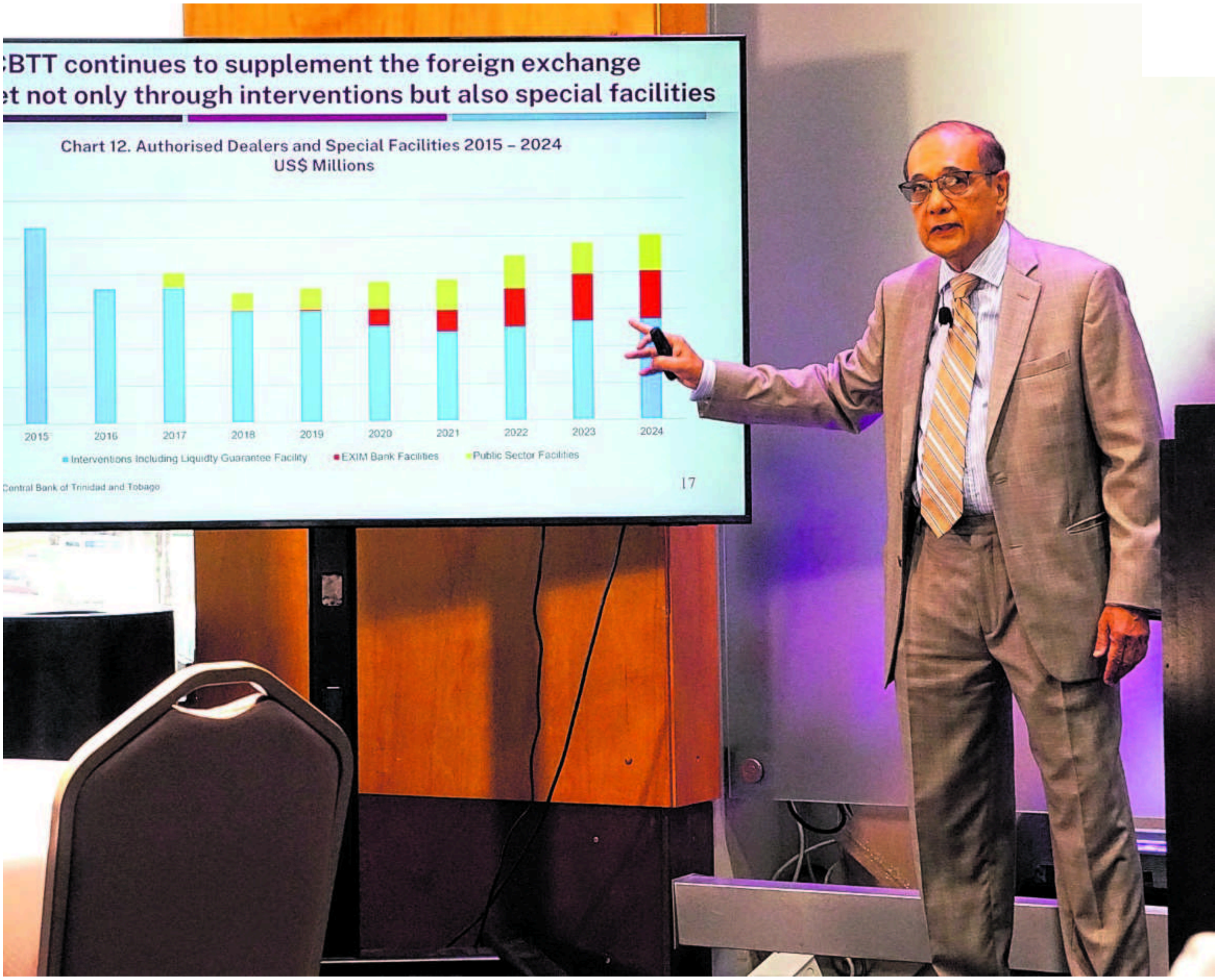
Howai: CBTT has no evidence of forex cartel



Central Bank Governor Larry Howai shows a chart of sales of foreign exchange by authorised dealers and interventions by the Central Bank between 2015 and 2024 during a news conference at the Central Bank yesterday. PHOTO BY KERWIN PIERRE

ANDREA PEREZ-SOBERS SENIOR REPORTER ANDREA.PEREZ-SOBERS @GUARDIAN.CO.TT

Central Bank Governor Larry Howai yesterday appeared to be at odds with Prime Minister Kamla Persad-Bissessar's claim in May that there is a foreign exchange "cartel" operating in T&T, as he sought to clarify persistent concerns surrounding the availability and distribution of foreign currency in the local market.

Speaking at a post-Cabinet news conference on May 15, Persad-Bissessar mandated three of her ministers to produce a report on foreign exchange distribution and leakage over the past 10 years.

"Then this report, as I say, will be made public to identify the main users, the main facilitators of this unfair distribution, and explain to the public how this entire foreign exchange distribution cartel and conspiracy between certain operatives and businesses was functioning," said the T&T prime minister.

Asked by a journalist at his first news conference whether there is a foreign exchange cartel in this country, or whether the term has become a sensationalised catchphrase, Howai said, "From our perspective, we have no evidence that would suggest there is a cartel."

After that statement, Howai went on to discuss black market activity, admitting he lacked firm data to assess the extent or pervasiveness of such a market.

Instead, he spoke about the concept of a "grey market," describing scenarios where legal foreign exchange transactions occur outside of the formal banking system. As an example, he cited a situation where a foreign diplomat might pay rent in US dollars directly into a landlord's overseas account, bypassing local financial institutions altogether.

"It's not illegal," he emphasised. "It just doesn't enter the system."

Howai said such transactions, while lawful, reduce the volume of foreign exchange circulating through official channels. "We have to find ways to incentivise people to move the grey market into the normal market, and of course, the black market into the normal market," he added, noting that addressing these issues has become a focus of his tenure in recent months.

Responding to public discourse about a "forex crisis,"a phrase used increasingly by politicians and business interests, Howai pushed back against that narrative, stating that while shortages do occur, they should be viewed in context.

He pointed to the "high consumption patterns" of Trinidad and Tobago's retail and distribution sectors as a key driver of demand, contrasting the local landscape with neighbouring countries.

"Sometimes we think Trinidad is the only place that has a foreign exchange problem. Everybody else seems to have foreign exchange except us. But that's not really so," he said.

Howai said the demand for foreign exchange in T&T is over US$6 billion annually, a figure that "most people can't even conceptualise." The bulk of the supply for this demand comes from commercial banks, which directly receive foreign exchange inflows primarily from energy companies and the public, while the Central Bank supplements those flows as needed.

While ruling out the existence of a cartel, Howai left no doubt that the foreign exchange market in T&T is complex, fragmented and in need of strategic policy interventions.

Chambers on cartel

The Chaguanas Chamber of Commerce acknowledged the Central Bank Governor's position that the word "cartel" may not accurately describe the foreign exchange market. However, the chamber said the reality remains that businesses are facing a severe imbalance in both access and distribution of foreign exchange.

"Beyond the limited supply, there is mounting evidence that banks are exploiting the situation by offering high-interest US dollar loans often requiring full cash collateral, with spreads in excess of eight per cent plus processing fees. This practice not only drives up the cost of doing business but also undermines confidence in the fairness of the system," said the Chaguanas chamber.

Sharing similar sentiments, Kiran Singh, President of the San Fernando Greater Chamber (SFGCC), said the 'no cartel' statement should be the start of a conversation in the general public that there is no conspiracy regarding the equitable distribution of forex.

"But, there is something amiss in the banking sector. There are disturbing developments in the banking sector with respect to the US$ credit card limits, which have been reduced once again. Overthe-counter US dollar cash withdrawals are extremely limited. The question that is being asked is, 'Why is this happening?' There seems to be no readily available solution to the ongoing forex crisis that is impacting on business persons and citizens in general. Locally owned US-dollar accounts with positive balances are generally inaccessible for cash withdrawals. This is remarked upon as somewhat of a quagmire," Singh lamented.

Chairman of the Confederation of Regional Business Chambers, Vivek Charran, said it could be that what exists is not really a cartel, but business entities that are able to regularly purchase forex and so have more preferential access.

Charran indicated that businesses that win procurement contracts from the government that necessitate them inheriting the goods to supply the contract would get foreign exchange as a priority.