

# THE IMPACT OF CLIMATE CHANGE ON BANKING

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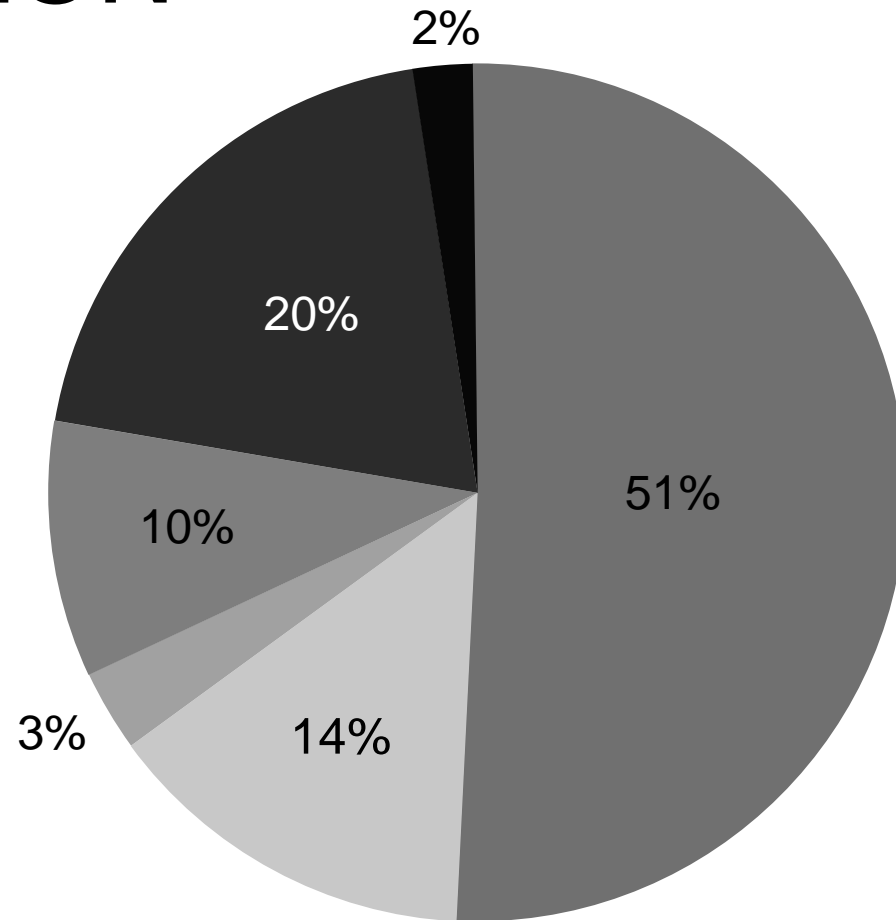
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# THE IMPACT OF CLIMATE CHANGE ON CARIBBEAN BANKING

- BANKING IN TODAY'S WORLD
- Technology, product mixes to match clientele
- THE DIVERSIFIED PRODUCTS OF TODAY'S BANK
  - Mutual funds, stocks, bonds, index linked funds, CDs, current accounts, call accounts
- MARKET DIFFERENCES- CARIBBEAN / THE REST OF THE WORLD
  - Lowest common denominator, me & you

# GLOBAL INVESTMENT CAPITALISATION

- United States
- Japan
- Other Pacific
- United Kingdom
- Other Europe
- Canada



Capitalization calculated at year-end 2000.

\$30 Trillion

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- LIMITATIONS ON PRODUCT MIXES
- CARIBBEAN BANKING
- THE CARIBBEAN AND ITS CLIMATE
- TROPICAL
- TOURISM DRIVEN BENEFITS
- ITS MANY JURISDICTIONS
- ITS COMPLEX EXCHANGE CONTROLS
- THE AUTONOMY, SOVEREIGNTY OF EACH ISLAND / TERRITORY

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- THE CARIBBEAN ITS CLIMATE - THE DERIVED BENEFITS
- TOURISM DRIVEN BENEFITS LINKED TO SUN & SEA BANKING
- IN EXCESS OF 85% OF PROFITABILITY LINKED TO SUN & SEA BANKING
- OFFSHORE BANKING

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- THIS REGION OVER = 900 BILLION USD, IN DEPOSITS
- GROWING AT OVER USD 120b, p.a.
- SIGNIFICANT ENOUGH TO PAY ATTENTION TO
- .05% in interest per annum
- = USD 450,000,000.00 or USD 450m

# RISK MANAGEMENT

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- OUR RISK APPROACH DIFFERS FROM BANK TO BANK, BUT THERE ARE COMMONALITIES
- THE PECULIARITIES OF RISK MANAGEMENT IN CARIBBEAN BANKING
- SECURE LENDINGS (EXPOSURE)
- Secured lendings,
- REPUTATIONAL RISK
- Staff
- OPERATIONAL RISK
- Environmental factors, Total risk of operation

# OPERATIONAL RISK

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- COMPLIANCE- Customer acceptance rules (regulatory)
- AUDIT- Procedural
- ENVIRONMENT- Viability, Budget constraints, Contingencies, Feasibility studies, Market strategies begin here

# RISK APPROACH TO CLIMATE CHANGES

- It affects our target markets
- Their ability to borrow
- Their ability to repay
- May create unrealistic infrastructure within which to do business
- May significantly affect current business

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- Insurance is required by most banks for most loans; for some Canadian banks in the region, it is required for all their advances except for credit cards
- The burden of insurance may become extremely challenging if for example hurricanes increase damage to the region inclusive of Florida.

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## ■ CAPITAL FLIGHT

- If epidemics arise or health concerns emerge in any territory the resulting fallout could have a negatively phenomenal effect on Commercial Banks, e.g. dead fish and birds for no apparent reason could trigger fear if not just concern in the offshore community

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- When assessments are made as to where to set up, many things are looked into which provide a total picture for the set up of a business in the region; inclusive of the health of the workforce, and their level of education and socialisation. This approach includes commercial banks, and where they place their Head Offices

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- Why should a bank place its multimillion dollar IT, processing plant on a hurricane prone island, the contingency plan would be the norm in that regard.
- The thinking behind these decisions is quite streamlined, and driven by the findings of professionals like the ones in this audience

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- Make no mistake Banks exist to be profitable and the decisions that they make usually reflects their desire to acquire their perceived share of the market.
- Notably integrity is usually quite paramount in the dealings of Commercial Banking decisions, for fear of a bad reputation, which could instantly cripple a Bank

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- In assessing the risk in any territory the Bank would wish to capitalise on the area of legitimate economic potential prosperity
- Since the climatic conditions play such a pivotal role to the Caribbean economies it is therefore essential to the Banks in this region to be aware of climatic change as an integral and critical component of their risk assessment.

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"SHOW ME THE MONEY"

