THE

SENATE DEBATES

(UNOFFICIAL REPORT)

PARLIAMENT 2003 – 2008

THE SENATE

Wednesday, November 8, 2006

The Senate met in the Senate Chamber, Parliament Buildings on Wednesday, November 08, 2006, at 11.25 a.m.

PRESENT

His Honour Senator Sir FRED GOLLOP, K.A., J.P., (President)

Senator the Hon. ERSKINE R. GRIFFITH, G.C.M, J.P., B.A. (Econ. & Hist.) Dip. Pub. Admin.,M.S.C. (Financial Studies)(Minister of Agriculture and Rural Development (Leader of the Senate)

Her Honour Senator Dame PATRICIA SYMMONDS, D.B.E., G.C.M., B.A. (Hons.) (P.G., C.E.), (Deputy President)

Senator TYRONE E. BARKER, B.A., (Hons), M.A., (Econ.), J.P., (Parliamentary Secretary, Ministry of Finance and Economic Affairs)

Senator Sir JOHN STANLEY GODDARD, K.A., G.C.M., B.Com., F.C.A. (Hons.), LL.D. (Hons.)(U.W.I.)

Senator RUDY W. GRANT, B.A. (Econ), J.P., G.Dip. M.A.,(Parliamentary Secretary, Ministry of Tourism and International Transport)

Senator the Hon. Miss LYNETTE V. EASTMOND, LL.B., (Hons.), LL.M.(Minister of Commerce, Consumer Affairs and Business Development)

Senator IVAN ST.C. LINTON

Senator GREGORY P. B. NICHOLLS, B.Sc., (Hons.), LL.B. (Hons.)

Senator Miss PATRICIA E. PARRIS, J.P.

Senator Miss SANDRA C. V. HUSBANDS, B.A., (Hons.)

Senator FREUNDEL J. STUART, B.A., LL.M.

Senator Dr. DENIS S. LOWE, Ph.D, Dip. Theology, B.A., MED, ED.D.

Senator the Very Reverend HAROLD E. CRICHLOW, G.C.M., B.A. (Hons.) (Dunelm)

Senator Dr. FRANCES L. CHANDLER, Ph.D., B.Sc., (Hons.)

Senator Sir ALLAN C. FIELDS, KCMG.

Senator RASHID O. MARVILLE, B.A. (Hons.), M.A. African Studies, M.B.A.

Prayers were led by Father E. Massiah.

Mr. PRESIDENT: This Senate is in Session.

PAPERS

SENATOR the Hon. E. R. GRIFFITH: Mr. President, I am commanded to lay the following documents:

1. Value-Added Tax Refund (F.A.C. Collymore Scholarship Fund) (No.2) Order, 2006;
2. Annual Report and Financial Statements of the Securities Commission for the Financial Year ended March 31, 2006.

SUSPENSION OF STANDING ORDERS

SENATOR the Hon. E. R. GRIFFITH: Mr. President, I beg to move that Standing Order No. 22(1) be suspended for the remainder of this Sitting.

The question was put to the Senate and agreed to.

INTRODUCTION OF BUSINESS

SENATOR the Hon. E. R. GRIFFITH: Mr. President, I beg

to give notice of the following Resolutions:

1. Resolution to take note of and approve the Draft "National Strategic Plan of Barbados, 2005-2025: Global Excellence, Barbadian Tradition";

2. Resolution to approve the compulsory acquisition by the Crown of parcels of land, situate at Friendship and Waterford, in the parish of St. Michael, in this island for the public purposes of the development of a National Botanical Garden.

OBITUARY SPEECHES

SENATOR the Hon. E. R. GRIFFITH: Mr. President, before we proceed with Public Business, I crave the indulgence of this Honourable Senate to pay tribute to Ruby Ellen Stuart, mother of Senator Stuart, who passed away during the time this Honourable Chamber was on recess.

The late Ruby Eileen Stuart, of Marchfield, St. Philip, lived to what we would describe as a ripe old age, the age of 83 years. I happen to have had the privilege of knowing the deceased, having myself grown up

in Marchfield and because in those days, we not only knew every person in our immediate community but we got to know persons from the adjoining communities because we had to travel by foot and would have therefore had the privilege and opportunity to interact with people, unlike today where everybody travels by vehicle and have no time to even notice persons as one passes by.

Mr. President, to all of us who knew the late Ruby Eileen Stuart, she was a woman who was well-respected in her community and well-known for her devotion and strong christian faith. She was always seen making her way to Church, giving thanks to the Almighty for the strength which enabled her to meet the challenges of her time.

Mr. President, like persons of her era, she was a humble person and was faced with many trials and tribulations but it was that deep Christian faith that enabled her to withstand and indeed overcome many of those challenges, especially after she lost her husband and by the strength of the Almighty, she was able to take care of her children and to work hard to make sure that they benefited from her sacrifices and that they could rise above her situation of the time.

Mr. President, I know that Senator Stuart, will miss her dearly because we had many discussions, as we reflected on the good old days, he has told me on several occasions about many of the sacrifices which his mother made, in order to ensure that he and his sister were able to see their way through to university and to the point where they can now take care of themselves.

I am sure that she too had the pleasure of looking back to see her children grown into adults and to acknowledge to herself that to a large extent it was through her sacrifice and hard work that they were committed to reach that stage.

Mr. President, on the behalf of my family, the Honourable Senators on this side. I would like to extend our condolences to Senator Stuart, and to assure him that we will remember him in his struggles.

I am quite confident that as he reflects on the strength that his mother exhibited, as she faced the various challenges of her life, that he too will be emboldened to ride out this particular storm in his life. He will certainly remember that even this too will past.

I thank you, Mr. President.

Her Honour SENATOR DAME PATRICIA SYMMONDS: Mr. President, I did not have the honour and pleasure of knowing Mrs. Ruby Stuart, but I did attend the funeral and heard her son, Senator Stuart, give a very moving and as expected, eloquent eulogy. Sir, I sat there and learnt, in that short time, a great deal about Mrs. Stuart.

I gathered that she was a caring, sensible person; one of character and strength; a devout Christian and that she loved reading passionately, obviously a passion which she passed on to her son. Sir, like many Barbadians of her generation, she saw the importance of education as the avenue to knowledge and advancement. Also like a good firm parent, she also helped to decide her son's future, by insisting that he goes to the school, which she thought, he should attend.

11.30 a.m.

Wednesday, November 8, 2006

HER HONOUR SENATOR DAME PATRICIA SYMMONDS: In so many ways as he spoke, I thought of my own mother. She instilled in her children - I am speaking of Mr. Stuart now - those time-honoured values, sometimes, by way of good, old Bajan proverbs and local sayings, which were the hallmark for generations and, which assisted in the upbringing of children and the moral lessons which they were taught.

One can say from that short acquaintance with her that she was obviously someone to be admired, someone to be respected, one of those parents who, in her time, helped to make Barbados what it is, even today, stable and with those Christian values, which have made us what we are.

Therefore, I can say to Senator Stuart, and I think he would appreciate this quotation, that there is no room for

tears. Her life was well-spent and in a life so noble, one can only say, may she rest in peace.

MR. PRESIDENT: Senator Dean Crichlow.

SENATOR the Very Reverend H.E. CRICHLOW: Thank you, Mr. President. I was shocked to hear the Minister say that Mrs. Stuart had died. I must have been away in the United States of America and I am sorry to hear that. When I was doing a six-month stint at Christ Church Parish Church, I administered Holy Communion to her at home and I was very impressed with her. Of course, since I have joined the Senate, I met her son and I have been even more impressed because to have a son like Senator Stuart means that he must have had very good parents especially a good mother. Like Senator Dame Patricia, when the Minister spoke, I was thinking of my own mother who seems to be very much like Mrs. Stuart.

On behalf of the Independent Senators, I beg to express our deepest sympathy to Senator Stuart and the Stuart family and pray that the soul of his dear mother rest in peace.

Mr. President, thank you very much.

MR. PRESIDENT: I should like to associate the Chair with the remarks made in tribute to the late Mrs. Ruby Stuart. I had the privilege, with the Deputy President of attending the funeral of Mrs. Stuart in Marchfield, St. Philip. Although I did not have the privilege of knowing her, there were very great tributes paid to her and it gave me an appreciation of the kind of person she was. She was much like the parents of her generation, strong commitment to God, to her children and to her family, generally, particularly following the tragic loss of her husband in an accident when the children were not quite teenagers. She has, we learnt, a tremendous love of people and was well-respected in the neighbourhood and, certainly, by all people who came into contact with her.

Senator Stuart, as Senator Dame Patricia has said, made a very impressive contribution to the many eulogies, which were delivered on that occasion. In it, he acknowledged her contribution to the development of his love of language, a fact with which all Honourable Senators are very much aware. Clearly, she had a profound influence on him and so, I would like to extend once again, my deepest condolences to Senator Stuart, his sister and to his relatives. May she rest in peace.

SENATOR F.J. STUART: Mr. President, ever since I came to this Chamber, I have had on occasions to deliver obituaries speeches and, like St. Paul, could only see through a glass darkly how those persons affected by the passing of love ones might have been feeling. Sir, today, I am wearing slightly different shoes. I am at the receiving end today of obituary speeches and I should like make public, quite frankly, that wearing the shoe is not nearly as easy as speaking in tribute to the passing of the relatives of other Honourable Senators.

Mr. President, I should like to thank all Honourable Senators for the very generous sentiments expressed here today and the very moving and humane expressions of sympathy communicated to me, once it became known that my mother had passed. I do not think that there is a lot more I can say about her. She made a very profund impression on my life. It has been acknowledged that my father died when I was just nine years old and when my sister was just two years old. He died on the very last day of the sugar crop in 1960 and, whenever I tell this little story, it impacts on me even more. Sir, just after having a conversation with the Manager of the factory and to him, thanking God that they had made it through the crop without any accidents, and after the conversation, he said he was going to turn off some machines and call it that for the year and he walked right back to his death. The machine broke and he was knocked unconscious at Three Houses Factory and that was the end of him. Sir, from that year, my mother fitted into the famous title of Edith Clarke's Book, "My Mother Who Fathered Me" and, what an outstanding job she did! She has influenced my life in may ways. Your Honour is quite right in saying that my love of language, traceable to school, yes, but long before I got to school...

S57/11:40

Sequence 4

Tuesday, November 8, 2006

SENATOR F.J. STUART: ... she had emitted the first rays of affection for language, and I was lit up by those rays and have never lost that love.

Sir, I remember, when I was in law school in Trinidad, receiving a telephone call from her one night. I was not at home when the call came through, so when I got home I was told my mother had called. I assumed that something was wrong, so I returned the call, quite cautiously. Sir, all she had to ask me was, whether I had heard a speech delivered by the late Forbes Burnham, in Trinidad, whether it had been broadcast in Trinidad, as it was in Barbados. Sir, when I said no, and I reminded her that Trinidad did not have to follow Barbados in what it broadcast, she just insisted that whenever I got a chance, I should familiarise myself with it, and I would be better able to understand how the English Language should be used, and went on to make the point that it was not only how the language was used, but how he was carrying himself that completed the impact. Sir, she was that kind of person, and impacted on my life profoundly and that of my sister.

Sir, I feel no sense of guilt in relation to her because everything that I wanted to do for her, I was able to do. God was very good to me in that regard. So that when I was forced to say goodbye to her, I did that with a very clear conscience and, as I said in the eulogy, I can now pray for the unceasing refreshment of her soul in paradise.

Mr. President, let me conclude by thanking all Honourable Senators for the many ways in which they reinforced me during what has been, perhaps, the most difficult experience of my life, and to indicate that these expressions of sympathy and support, will long preempt a special place in my treasured memories.

I am obliged to you.

PUBLIC BUSINESS

ORDER NO. 2 – THE RESUMPTION OF THE SECOND READING OF THE DEPOSIT INSURANCE BILL, 2006

SENATOR HON. E.R. GRIFFITH: Mr. President, I beg to move that we now resume discussion on the Deposit Insurance Bill.

The question was put to the Senate and agreed to without division.

Mr. PRESIDENT: Senator Dr. Chandler.

SENATOR Dr. F. L. CHANDLER: Mr. President, I wholeheartedly support the Deposit Insurance Bill, 2006, especially bearing in mind past events which wreaked havoc with people's lives, some of them losing all of their life's savings. The Government must be lauded for taking this step.

Sir, I, like many others, question the $25 000 ceiling, although this will protect the smaller investors, who can least afford to lose his savings. Also, I do not see the rationale for not including the credit unions in this legislation. The Honourable Minister mentioned that they have their own arrangement, but who polices this arrangement and are all the credit unions covered?

Sir, the Honourable Minister also mentioned that financial institutions, other than banks, are included in this Bill, but I would like him to clarify whether this means financial institutions which...

SENATOR HON. E.R. GRIFFITH: Sir, on a point of clarification. I said those institutions which are covered under the Financial Institutions Act. That is what I said.

SENATOR Dr. F. L. CHANDLER: Mr. President, the Minister also mentioned that financial institutions, other than banks, are included in this Bill, but I would like him to clarify whether this means, institutions covered by the Financial Institutions Act only, or does it include other businesses, well-known companies, with which deposits are made from the public. Sir, we may feel that these businesses are strong, but many of us will remember the saga of the Barbados Cotton Factory and the Plantation Limited.

Mr. President, with regard to the Bill to amend the Central Bank Act, to provide for the changes resulting from the introduction of the deposit insurance, these amendments are, of course, necessary, but I think that the amendments need to go even further in the interest of protecting the consumer, especially since there is no strong consumer organisation. I do not believe that the Fair Trading Commission covers these matters.

Sir, I think that the legislation should be amended to allow the Central Bank to intervene where necessary, in the banking system, to protect consumers against what I would consider to be the most unfair banking practices conducted by most banks.

Sir, one of these unfair practices, I have been told by someone who has worked in the system for a long time and there are many more, is that of using the minimum quarterly balance, for the calculation of interest on savings. The losses to customers, as a result of this method of calculation, when combined with a relatively low interest rate, have a severe affect on the depositor. In my opinion, this amounts to stealing from the customer, as the bank has access to a customer's funds for considerable periods without paying any interest, depending on the point in the quarter when the customer withdraws the funds.

Mr. President, one glaring example, which I can cite, is a deposit of $475 000 which earned exactly no interest whatsoever, although it was deposited for a full two months, because it was withdrawn during the third month of that quarter. Sir, another worrying thing is, if you ask six staff members of a bank how interest on savings is calculated, you will get six different answers, which does not exactly inspire any confidence.

Mr. President, consumers do not seem to be aware of the consequences of this practice. I feel that the fair way is to base interest, on either an average monthly balance, or a daily balance, as at least one bank is now doing.

Sir, I think it is well-known that I am not an advocate of bureaucracy and red tape, but I think that the Central Bank needs to be given the power to intervene in such matters. Under the present legislation, they are powerless to use any measures other than moral suasion in such circumstances.

Mr. President, I have said this before, and I will say it again, that further amendments should be made to the Central Bank Act, in the interest of protecting the consumer. Once again I commend the Government on the introduction of these two Bills.

I thank you.

Mr. PRESIDENT: Senator Husbands.

SENATOR Mrs. S.C.V. HUSBANDS: Mr. President, I rise to support the Bill, which is before this Honourable Chamber, which is seeking to establish a Deposit Insurance Fund for the protection of insured depositors. I rise to speak on it, because I think Barbados is at a juncture, where the citizens now have to evolve a new mind set and attitude, to wealth and wealth creation. Mr. President, because we tend to be characterised as a risk-adverse society, in which Barbadians hesitate to invest and to look at more wealth creative instruments, beyond just the salary and savings, I think it is very important that this Government has made the step to try to ensure and build greater confidence by the creation of the Deposit Insurance Fund.

11.50 a.m.

Sequence 5

Wednesday, November 08, 2006

Senate 57, sequence 06, 11.50 a.m.

Senator Miss. S.C.V. HUSBANDS: Mr. President, one of the things that I have been very concerned about, as I look at the whole issue of investment in Barbados, is from a twofold area. I feel it is important that we do everything in our power to continue to build through education, and through instruments like this one, to help encourage people to have more confidence to put money to work for them.

Barbados is a changing society. We have to move beyond the concept that people can live merely on a wage. I think people have to begin to look at how they could increase their income, how they are going to put aside their savings, how they are going to take savings and invest them into instruments that will turn over money. This would allow for better distribution of wealth and better participation in the economic development of any country.

One of the fears that a lot of Barbadians have is that they are going to lose their savings. Certainly, the issues of the past, whether it has been Trade Confirmers or other institutions, have dealt a blow to those Barbadians who took the risk because they saw the opportunity to earn, and then found that these instruments did not carry the protection that they wanted to have. Sir, as a result, this helped to deflate the confidence of Barbadians.

I think that it is very important for a Government to take the lead in this area, primarily because if we are going to build a society where people are going to participate in any wealth that is created - whether or not we get growth in the energy sector and there are opportunities for investment there, if we want to build out more investment in tourism, if we want to grow the small business sector - it is important that the domestic capital of Barbadians be used effectively to help build and manage the economy. This can only occur, if we are able to give people the assurance and the confidence to begin to invest in instruments, over and beyond the savings, and over and beyond insurance.

Therefore, I am very happy that this particular Bill provides for the fact that all finance institutions, which are registered have to comply with this particular regulation and will be managed by this particular institution that is being created. I think that one of the things we need to do, along with the provision of greater protection, is to add more education among Barbadians.

Barbadians have reached a stage where people need more than a roof over their heads and more than just getting a belly full. They want to be able to live an enjoyable life now, so they want to be able to command the type of lifestyle that they see on television now. At the same time, we are a society that is evolving in a way where our community structures and our old family structures are changing. Therefore, the provision for retirement is a critical issue for Barbadians.

A lot of Barbadians need to look at how they are going to build sufficient money to be able to take care of themselves, as they get older. Therefore, they need to be more investment oriented and come away from the high levels of spending, in terms consumption.

I am pleased to see that over the past couple of years, we have seen an increase in domestic assets, and an increase in the deposits that Barbadians are making. This step in terms of saving is very important. As of March of this year, it stood at something like $6.7 billions. This is a good trend but I feel that it is very important that we encourage them to go beyond that and get into mutual funds and other instruments that will help create the returns on investment, which people will be looking for, to help support their lifestyle, when they retire, as they get older.

There are too many older people in our country who are experiencing a lot of lean times. Funds are so neat in their retirement because they did not have the opportunity or knowledge of how to create an investment portfolio. The only way we are going to build that confidence and help Barbadians to shift onto that type of investment behaviour,

where they begin to slow down some of their dead end consumption at the moment, and begin to take that money and put it into instruments, is by building their confidence so that when they put their money into these instruments, at least there is some sort of cushion or protection. Sir, that is why I feel that this particular Bill is very important.

I would like to also state that I think if we are going to help Barbadians to turn the corner in terms of building investment portfolios, one of the things we need to do is to accompany these types of instruments also with a full educational programme.

I know that there are various institutions trying to do education, in terms of investment, and helping Barbadians to understand the different instruments over and above savings and insurance. I would like to see us begin to develop that type of programme in schools, so that children learn from early what are some of the things they need to do, and begin to understand that life is changing.

Today, an older relative cannot always rely on children being in a position to be able to take care of them or to include them within the households, in the way that was so easy years ago, and that provision has to be made. I think that we need to start early. Therefore, I would want to encourage us to look at our education and training practices to reach young people today, along with the protections that we are providing by putting this particular piece of legislation in place to give people the confidence to invest.

I want to congratulate the Government, and I trust in the future we will see more instruments, programmes and initiatives to help encourage and build out investment in Barbados, so that more and more Barbadians participate in wealth creation.

I am obliged to you, Mr. President.

Mr. PRESIDENT: Senator Nicholls.

Senator G.P.B. NICHOLLS: Mr. President, I am obliged to you for providing me with an opportunity to contribute on the debate on the Deposit Insurance Bill. I want to say from the outset, Sir, that there has been, in spite of Senator Griffith's erudite contribution on this debate last week and in other places, some confusion as to why certain institutions in Barbados are not being brought under the ambit of the regulatory environment being set up, in the context of this Bill.

Senator Dr. Chandler who spoke earlier, queried the exclusion of the Credit Unions. Sir, I believe that it would be remiss of me, if I were not to lend my voice to this debate, particularly to establish that there is a difference between a bank and a financial institution, and a credit union, in relation to what we are trying to establish with the Deposit Insurance Bill.

A credit union is not a deposit-taking institution. It is an institution which takes savings from its members who are allowed to borrow in proportion to their savings, as fundamentally different from a commercial bank or a commercial entity, which is allowed to take deposits and lend in a different regime, as opposed to a savings institution like credit union.

The truth is, Sir, that the Credit Union Movement in Barbados is very well regulated and managed by the Office of the Registrar of Cooperatives in Barbados. It is the policy of this Government, as I understand it to review the operations of the Credit Union Movement in Barbados. I know for a fact that the Ministry of Commerce, Consumer Affairs and Business Development, which has the responsibility for managing the relationship between the Office of the Registrar of Cooperatives, and the Credit Union Movement, has been working towards ensuring that the reforms required and insisted upon by the Credit Union Movement, be put in place within a regime that suits the members who invest or save with the Credit Union Movement. I want to establish that clearly.

Mr. President, the deposit insurance is slightly different, as the Honourable Members who spoke before me, mentioned that this is really a measure taken by many countries to allow the banks to protect the client's deposits in the institutions. This Bill proposes to create the Deposit Insurance Fund, as well as to establish a corporation to manage the insurance fund.

Barbados is following the trend, Sir, of The Bahamas, Trinidad and Tobago, and Jamaica in the Caribbean and, Indeed, many other countries in the world which have established Deposit Insurance Funds in that regard.

Senate 57, sequence 06, 12:00:14

Wednesday, November 08, 2006

SENATOR G. P. B. NICHOLLS: We have a stable financial climate in Barbados that augurs well for what we are doing here. We are implementing this deposit insurance scheme at a time when we are experiencing record levels of economic growth in Barbados. We have seen a situation where we have had successive quarters of economic growth in Barbados which has resulted in increased levels of deposits, the highest level in recent times and the lowest level of unemployment, the highest level of investments in the Barbadian economy, and we have seen the future development of the Barbados financial services sector.

Sir, the point must be made that while all of this is going on, the regulatory framework in relation to the international business financial services sector seems to be more progressive and more sophisticated than our domestic financial services sector, and there seems to be a considerable lag. These are the things that the Government has recognised and this Bill purports to deal with some of those gaps or the perception of the gaps between what the domestic financial system is about as opposed to the international business financial sector.

Sir, notwithstanding the strength of our financial sector in Barbados, we must be cognisant that institutions and financial institutions can fail. Sir, it is within that context that this Bill is being considered and being brought to this Honourable Chamber.

Sir, we have a stable macroeconomic environment in Barbados and we have a regulatory environment that is highly effective - I do not think that anybody can doubt the bona fide of the words of the Central Bank of Barbados - and we have had quality governance in the financial sector in Barbados despite one or two examples of financial failure. However, overall, the balance sheet would be in the positive when we are assessing the structure and the framework in which Barbados' domestic financial services sector is measured.

Sir, we know that there can be challenges, that is why this Bill is being implemented. Sir, I must make the point that despite how we might feel about this Bill, the point must be made that other countries, particularly Jamaica, which implemented the identical insurance scheme, did so on the back of a financial crisis resulting from their move to liberalise the financial services sector in line with the modality suggested by international lending institutions, such as the International Monetary Fund and the World Bank, and the Washington consensus that we speak about so much in relation to the liberalisation of the financial services sector.

Mr. President, there were challenges there and the Jamaican economy had a crisis in the mid-1990s, which saw the collapse of almost all of the indigenous financial institutions in Jamaica. Reports suggest they were about 60 per cent of the total deposits in all of Jamaica and each indigenous bank failed and a number of the life insurance companies failed in Jamaica as a result of they not being able to handle the pace of liberalisation.

Sir, I have said it before, and so I want to say it here in this debate again, that we cannot sit idly by and allow the international environment to take shape and not seek to participate in it. Sir, if we do not organise our financial affairs and incorporate them into the global environment in an orderly way, the global environment would probably do it in a way that suits them. Sir, this Bill purports to provide that structure to our financial systems in Barbados.

Sir, the Rules of financial globalisation and liberalisation have been changing rapidly. The financial liberalisation that is being promoted or has been promoted by the international lending institutions suggests that the Central Banks, as monetary authorities, should remove the ceilings on interest rates and abolish exchange controls. They have also proposed that you open up your capital markets to unfettered flows of direct investments and portfolio investments. They have created this mystique that if you optimally allocate your financial resources by allowing this capital to come in and out of your country, that the best projects that require financial assistance would utilise these resources in a more efficient manner, so you must open up and relax the control of the central monetary authority. Sir, these are things that we are looking at as a Government.

Sir, in the Economic Consultations held a couple weeks ago, one of the issues was how Barbados, as a country, could relate to its commitments to open up its financial services sector to more liberal thinking. Indeed, there is a commitment in Barbados, as a member of the Caribbean Single Economy and Single Market, to liberalise our financial sector at the level of CARICOM to facilitate the movement of capital in CARICOM and to facilitate our own infrastructural development and the development of our own financial system. These are the things that we must not shy away from. Sir, it is because of the deposit insurance system that we are creating in Barbados at a time when our financial sector is strong, that we can feel comforted in the fact that the regulatory environment is being enhanced in the context of the developments that we incorporate into our own financial systems.

Mr. President, to my mind this Bill has three main purposes because it is intended to give comfort to those small depositors, the average working class people in Barbados, an opportunity to have some sense of protection because the average working man and woman in Barbados would not have the skills to make an assessment as to the ability of a deposit-taking institution in Barbados to be available to meet its commitment toward them.

Sir, what this Bill does, and what the Act would do, is to make sure that the small depositors in Barbados would have a system which would protect their interest in deposit institutions. Sir, the deposit insurance scheme would assist in the restoration and the maintenance of confidence in the stability of our financial system. Why do I say restoration, Sir? Sir, if there were a financial crisis in Barbados, before what the deposit system in Barbados would do is to make sure that persons do not have to go and take their moneys out of deposit institutions because there is a perception of a

crisis, because a system is in place to ensure the protection of their deposits.

Sir, that is important because in Jamaica the concept of a deposit run in which people go to the financial institutions simultaneously and say they want their deposits right now because there is a threat looming of a financial crisis, the banking system cannot handle it. Sir, that would be obvious because not every bank can meet the commitment of paying out every single cent to a depositor, upon request, at the same time.

Mr. President, what they had in Jamaica was a situation where a number of the banks assets and the financial institutions assets had to be sold off in order to meet the commitments of the depositors who demanded their deposits back from the banking institutions. Sir, a number of time these assets were sold at less than their book value in order to meet the urgent demands of the depositors who were responding to a crisis.

Mr. President, in this regard, this Deposit Insurance Bill would lend some kind of confidence to the financial sector where depositors will not have to go to the banking institutions in Barbados and ask for their money because they are not secured and they do not believe that they would be able to meet their commitments to them because of a pending financial crisis.

Sir, this scheme being established under the Bill, will allow the Government and the regulatory environment being set up under the management of the Deposit Insurance Corporation and the role of the Central Bank under the Financial Institutions Act in Barbados will allow for a more formal mechanism in relation to dealing with the problems faced by financial institutions with a view to protecting the depositors.

Senate 57 Sequence 7

12.10 p.m.

Wednesday, November 08, 2006

SENATOR G. P. B. NICHOLLS: Mr. President, we have at Part V of the Bill, beginning in Clause 38, provision for the liquidation and reorganisation of member institutions. Again, what this Bill does is to create a system in which the regulatory institutions in term of who are charged with the responsibility under the Financial Institutions Act, to manage financial institutions, now have a more elaborate and sophisticated scheme in relation to dealing with the claims of depositors if the unfortunate occasion arises that a financial institution should fail. Mr. President, these are all things that are important to the confidence level that people in a country must have, in relation to the financial system.

Mr. President, the real test is whether these institutional changes and structural changes in the domestic financial system would contribute to a faster rate of economic growth. Sir, there is a traditional view that if you do not have a well-regulated environment, the economy cannot grow. Some people counter that view by saying that if the environment is too regulated, you crowd out the flexibility that institutions will have, to be able to make an inroad into the concept of economic growth and development. Sir, but Barbados is a very small country, and we have to make sure that our regulatory framework has the right mix and the right balance within the context of our own system.

Mr. President, as I have said before, while we have not had massive bank failure in Barbados, it does not mean that we are not supposed to create this kind of institution to regulate, in a more effective and wholesome way, the banking system in Barbados. Sir, as I said, the test is how do we monitor these developments within the context of our own economic growth.

Mr. President, some people have said that the financial sector is the handmaiden of industry and entrepreneurship. The financial development will follow, and it does not lead economic growth. In other words, it is all good and well, as they say, to talk about deposit insurance and other regulatory schemes, to protect the financial sector but you must allow entrepreneurship and business and industry to flourish in an environment, which will create economic fortunes for more people, so that you would have something to protect.

Mr. Speaker, in my view, the Government is taking the right position on this issue. We would regulate the institutions that take depositors' monies in Barbados and we would do so within the context of an environment in which a transparent organisation or institution, such as the Barbados Deposit Insurance Corp., managed under the law, would relate to this institutions in a manner in which transparent principles are used, in order to deal with the event of crisis when it occurs.

Mr. President, the banking sector in Barbados is the dominant sector in the financial system in this country. Our capital market is not a very sophisticated or well-developed capital market in Barbados. Very few of our corporate entities are listed on the Stock Exchange and while there has been, in recent times, the raising of capital on our own local Stock Exchange, in relation to a parent company within a Pan-African company, or the first genuine Pan-Caribbean company that has evolved in recent times, our exchange does not have the usual day-to-day activity that is associated with a well- sophisticated capital market structure.

Mr. President, it means therefore, in relation to the banking system, as it relates to our own economic developmental goals and objectives, being a globally competitive society, a fear and balanced society, that controls must be put in place by the Government, in order to ensure that all those persons who participate in international activities in the country, without any undue influence or doing so, on a very even play field.

Sir, the concern in relation to the banking sector and how it operates within the context of development, is in relation to the cost and availability of credit and the quality of services, some of which Senator Dr. Chandler alluded to, but the cost and the availability of credit and the cost and facilities provided by the banks, will, in a large measure, determine the levels of economic growth that we achieve in the country and the way in which the financial sector is able to contribute to that whole national development framework.

Mr. President, with those words, I want to welcome this Bill as a necessary reform to our own domestic financial architecture; it would enhance our regulatory framework; it would enhance greater confidence in our banking system and afford a measure of protection to those persons who otherwise would not have had protection before. I think it is a sensible manoeuvre; one that is worthy of our commendation.

Mr. President, I am obliged to you.

SENATOR I. St.C. LINTON: Mr. President, I would like to make two points. The first one is this: leave the credit unions alone. I am saying that from the point of view, according to Barbadian traditions, which would be discussed in another Bill, on another occasion.

Mr. President, this tradition of the credit union came out of the 'su-su' or 'meeting turn' situation, and I can speak to that. Sir, it was only in June this year that I had to wind up a 'meeting turn' which I had carried on for almost 50 years. Sir, out of this 'meeting turn' there were others, like myself, who were able to organise ourselves in such a way for short-term financing and development in relation to our families.

Mr. President, what I would say about credit unions is that we should strengthen them in their own sphere. It is my view that the credit unions should never become a banking institution in itself. It should be left to remain that of a Barbadian tradition, strengthening the

protection of monies and finances in the credit union, but let it remain in its traditional way as an institution in its own right.

Mr. President, the other point I want to strengthen, and I would want to support Honourable Senators, including Senator Husbands, that in relation to the deposits in banking institutions, we should have some means of educating our Barbadian people, how to use the banking system to advance their own finances, and to be aware of the opportunities that avail us in the system. I have done this particularly during retirement from my public service post, to a great extend, in looking at what are the possibilities of Government papers, such as bonds, et cetera. Sir, I have done some investments in this area.

12.20 p.m.

Wednesday, November 8, 2006

SENATOR I. St.C. LINTON: Just a week ago, I went to my bank, the Barbados National Bank and I enquired what was available since I have a reasonable knowledge in these banking institutions and things like that, so I asked a question. I was looking at a particular offer in which to put a few dollars and I was told that there something coming on Monday next week. This is the one they called "The Major League" for those 49 and over at a reasonable interest of 5.5 per cent, I immediately said that I wanted to get into it and a few days ago I put a few dollars there.

Asides.

SENATOR I. St.C. LINTON: Mr. President, I am simply saying that what we need is some organisation within the banking community, they themselves should do it, to educate Barbadians. We talk about having over $6 billion in savings in Barbados and this tells you the kind of savings acumen which Barbadians have. I think that the banking system should use the opportunity to set up a system to educate Barbadians on what is offered and the benefits they can offer to enhance the savings capacity of Barbadians.

Mr. President, I am calling on the banking institutions not to wait a moment longer. Sir, they should establish a system to make us aware of the opportunities available to us, which would benefit them and the savings capacity of Barbados.

Mr. President, my support for this Deposit Insurance Bill is based really on what we as Barbadians must be aware of developing our own financial ability and capacity to develop ourselves and our own country. Sir, I am just saying in my presentation to leave the credit unions alone, to open opportunities to inform Barbadians of what is offered in the banking system so that persons like myself will get into the business, put in a few dollars and keep something there for our future years.

Mr. President, I thank you.

MR. PRESIDENT: Senator Eastmond.

SENATOR the Hon. Miss LYNETTE EASTMOND: Mr. President, I rise in support of this Bill, the Deposit Insurance Bill, 2006, and just to make a few comments. First, to make the point that this particular piece of legislation falls within the context of this administration's policy with respect to strengthening the financial services sector in Barbados. It has been a long ongoing process, which started in 1994, where a number of initiatives have been taken because, at that time, the new Barbados Labour Party Administration recognised the importance of a strong financial sector within the country. Sir, a number of initiatives have been taken in terms of new legislation and also in terms of new institutions. This deposit insurance legislation is just another piece of legislation added to strengthen the environment in Barbados with respect to financial institutions and financial regulations.

Briefly, I would just remind you that since 1994, we have engaged in amending the Financial Institutions Act, the Insurance Act and we have amended all the legislation dealing with the international business sector, including the International Insurance Act and the International Financial Services Act. We have also put in place new regulations with respect to securities administration and we have established the Securities Commission. In addition to that, even though the Stock Exchange is a private sector driven entity, Government expended significant resources in order to upgrade that institution in order to develop the capital markets in Barbados, so this is an ongoing process.

Mr. President, we understand two things (1) that the financial services sector is critical to the continued development of the country and (2) it is important that financial institution regulation is strong because of the dangers that could face a country if their financial services sector could be impinge upon by external forces, whether there be issues such as money laundering that would affect the system. Sir, in that regard, I would point out as well that a number of amendments were made to existing legislation and also new legislation was put in place with respect to strengthening the anti-moneylaundering framework in Barbados. Sir, all of that is part of the exercise.

Mr. President, if you remember, a Financial Intelligence Unit was also set up in Barbados and legislation established in order to govern these institutions as well. Really, a considerable amount of work has been done in terms of strengthening the financial services sector in Barbados. Often, what happens is that because the legislation will come before us in a piecemeal fashion, we tend not to see the overarching framework in terms of what Government has been doing.

There certainly has not been a major call from the public with respect to this piece of legislation. This is a piece of legislation that the Government understood that it had to put in place whether or not there was a call from the private sector or a call from the public, we recognised that this is something that we had to do.

Secondly, I would wish to make a point about the credit unions in Barbados. The call that Senator Linton made in terms of ensuring that credit unions are not treated as banks, is a call, which we have heard from the credit union community loudly and clearly. We have heard this call also repeated by other members when it suits the particular circumstance but I want to make the point that you cannot blow hot and cold. You cannot on one hand, in terms of regulations, which were are seeking to put in place, say to us that you must understand that the credit unions are different from banks when it suits you and then, in a circumstance when it does not suit you, say that you should deal with them as if though they are banks.

Mr. President, the regulatory regime for credit unions is different in terms of ensuring that certain assets are assigned to maintaining the stability of the institution and also in terms of the liquidity of the institution so that members can gain access to funds in the institution, that is different from how a bank is established. The fundamental difference and point, which Senator Nicholls made, which often eludes us, is that credit unions are owned by their members but banks are not owned by customers. They are owned by a few people, probably a few multinationals abroad and they are not owned by membership.

S57/12:30

Sequence 9

Tuesday, November 8, 2007

SENATOR the Hon. Miss L. V. EASTMOND: They are not owned by the membership. The credit union is a fundamentally different institution. Sir, in terms of safeguarding or assisting the members in safeguarding their own interest, the regulations under the legislation, that is used specifically with credit unions, deals with that in that particular context.

Mr. President, I believe that it is always important for us to be consistent and think things through logically. If we do not do that, we tend to put bad law in place with good intentions, but at the end of day it worked out to be bad law, then you cannot implement or police it properly. I would always advise that if an institution is setup to be treated in particular way, like a credit union, it should be treated in that way, and the regulations have to be designed in order to ensure that you maintain the integrity of the

institution in the way that it was set up in the first place. Therefore, that is what I would urge.

In terms of strengthening the regulation of the credit union movement, this is what we have been seeking to do in the new piece of legislation, which we hope that at some point in time we would be able to bring to this Honourable Chamber.

Sir, we have also been seeking to strengthen the administration of the regulation of the credit unions. I must say, to the great credit of the credit union movement in Barbados, they have engaged in a large significant programme with the IDB and have signed a Memorandum of Understanding in order to strengthen the Credit Union League in Barbados and to ensure that before they even reach the level of regulation by the Registrar of Cooperatives, that all of their credit unions are managed and regulated properly.

Mr. President, that is a tier of regulation that we do not even have in the banking community. So you actually have two tiers. You will eventually have a very strong tier, which the credit unions will administer, and then at the second tier, you will have government regulation, so that the safety of the savings of the members of the credit union, that own the credit union, and I want to emphasis that, that would be safeguarded. That is what Government is pursuing in conjunction with the Credit Union Movement.

Mr. President, I would also wish to make the point that in terms of financial regulation as a broader topic, we, the Government, have also engaged in a process where we have been reviewing the regulation of the entire financial services sector in Barbados. Sir, what had been happening in the past is, there are a number of new financial instruments being created every day. There are called Complex Financial Instruments and there has also been a difficulty in determining, are these Complex Financial Instruments insurance or banking products? Are they equity products? Are they loan products? How do you tax them? How do you regulate them? How do you administer them?

Sir, what this Government is now seeking to do is to have a broad regulatory framework to ensure that the emphasis would be whether it is insurance, banking, securities, equities or whatever it is, as long as it is a financial instrument, it would be captured by the new financial legislation that we would put in place and the new institutions we would put in place.

Mr. President, the point I started out by making at the outset, this has been a long process that we have been engaged in. Sir, financial services regulation is extremely complex, but we recognise that this is an issue that we had to pursue for the stability of Barbados, as well as to the continued economic development of Barbados.

Sir, with those word, I wish to support this Bill and I am obliged to you.

SENATOR HON. E.R. GRIFFITH: Mr. Speaker, I beg to move that this Bill be read a second time.

The question was put to the Senate and agreed to without division.

On the motion of SENATOR HON. E.R. GRIFFITH, the Senate resolved itself into Committee on the Bill, SENATOR THE HON. DAME PATRICIA SYMMONDS in the Chair.

COMMITTEE

Madam CHAIRMAN: The Senate is in Committee.

Clauses 1 and 2 inclusive, were called and passed.

Part 1, Clauses 3 to 16 inclusive, were called and passed. Part 11, Clauses 17 to 29 inclusive, were called and passed. Part 111, Clause 30 was called and part. Part IV, Clauses 31 to 37 inclusive, were called and passed.

Part V, Clauses 38 to 42 inclusive, were called and passed.

Part VI, Clauses 43 t 52 inclusive, were called and passed.

SENATOR HON. E.R. GRIFFITH: I beg to move that the Schedule to the Bill.

The question was put to the Senate and agreed to without division.

On the motion of SENATOR HON. E.R. GRIFFITH, MADAM CHAIRMAN reported His Honour, the PRESIDENT, the passing of one Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR HON. E.R. GRIFFITH, the Bill was read a third time and passed and cited as the Deposit Insurance Act, 2006.

12.40 p.m.

Sequence 10

Wednesday, November 08, 2006

Senate 57, sequence 11, 12.40 a.m.

Senator the Hon. E.R. GRIFFITH: Mr. President, I beg to move that this Senate be suspended until 1.45 p.m. today.

The question that the Senate be now suspended until 1.45 p.m. was put to the Senate and agreed to and Mr. PRESIDENT suspended the Senate accordingly.

Senate 57, sequence 11, 12:40:07

Wednesday, November 08, 2006

RESUMPTION

Mr. PRESIDENT: This Sitting is resumed.

ORDER No. 3

FINANCIAL INSTITUTIONS (AMENDMENT) BILL, 2006

Senator the Hon. E. R. GRIFFITH: Mr. President, both this Bill and the one to follow are being amended as a result of the establishment of the Insurance Deposit Fund, therefore there is really no need for us to engage in any discussion on this matter in view of the fact that it is as a result of the changes in the Bill which we just approved.

I therefore beg to move that this Bill be read a second time.

On the motion of SENATOR the Hon. E. R. GRIFFITH, the Senate resolved itself into Committee, Her Honour Senator Dame Patricia SYMMONDS in the Chair.

COMMITTEE

MADAM CHAIRMAN: The Senate is in Committee.

Clauses 1 to 19 inclusive were called and passed.

Senate 57 Sequence 12

1.50 p.m.

Wednesday, November 08, 2006

On the motion of SENATOR the Hon. E. R. GRIFFITH, MADAM DEPUTY PRESIDENT reported to His HONOUR the PRESIDENT, the passing of Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR the Hon. E. R. GRIFFITH, the Bill was read a third time and passed and cited as the Financial (Amendment) Act, 2006.

ORDER NO. 4 – SECOND READING OF THE CENTRAL BANK (AMENDMENT) BILL, 2006.

Mr. President, I beg to move that this Bill be read a second time.

The question was put to the Senate and agreed to.

On the motion of SENATOR the Hon. E. R. GRIFFITH the Senate resolved itself into Committee on the Bill. Her Honour Senator Dame Patricia Symmonds in the Chair.

COMMITTEE

MADAM DEPUTY PRESIDENT: This Senate is now in Committee.

Clauses 1 - 5, inclusive, were called and passed.

On the motion of SENATOR the Hon. E. R. GRIFFITH, MADAM DEPUTY PRESIDENT reported to His HONOUR the PRESIDENT, the passing of Bill in Committee and Mr. PRESIDENT resumed the Chair and reported accordingly.

On the separate motions of SENATOR the Hon. E. R. GRIFFITH, the Bill was read a third time and passed and cited as the Central Bank (Amendment) Act, 2006.

ADJOURNMENT

SENATOR the Hon. E. R. GRIFFITH: Mr. President, I beg to move that this Honourable Senate do now adjourn until Wednesday, 15th November, 2006, at 11.00 a.m.

The question that the Honourable Senate do now adjourn until Wednesday, 15th November, 2006, at 11.00 a.m. was put to the Senate and agreed to and MR. PRESIDENT adjourned the Senate accordingly.

2.00 p.m.

CONTENTS

PAPERS

SENATOR the Hon. E. R. GRIFFITH.....1

1. Value-Added Tax Refund (F.A.C. Collymore Scholarship Fund) (No.2) Order, 2006;
2. Annual Report and Financial Statements of the Securities Commission for the Financial Year ended March 31, 2006.

SUSPENSION OF STANDING ORDERS

SENATOR the Hon. E. R. GRIFFITH.....1

INTRODUCTION OF BUSINESS

SENATOR the Hon. E. R. GRIFFITH.....1

OBITUARY SPEECHES

SENATOR the Hon. E. R. GRIFFITH.....2

Her Honour Senator Dame Patricia Symmonds, 2; Senator the Very Reverend H.E. Crichlow, 3; Senator F.J. Stuart, 3.

PUBLIC BUSINESS

ORDER NO. 2 – THE RESUMPTION OF THE SECOND READING OF THE DEPOSIT INSURANCE BILL, 2006.....4

Senator the Hon. E. R. Griffith, 4, 11, 12; Senator Dr. F. L. Chandler, 4; Senator Mrs. S.C.V. Husbands, 5; Senator G. P. B. Nicholls, 6, 8; Senator I. St.C. Linton, 9; Senator the Hon. Miss Lynette Eastmond, 10.

RESUMPTION

ORDER NO. 2 (resumed)

FINANCIAL INSTITUTIONS (AMENDMENT) BILL, 2006

SENATOR the Hon. E. R. GRIFFITH.....12

ORDER NO. 4 – SECOND READING OF THE CENTRAL BANK (AMENDMENT) BILL, 2006.. 12

ADJOURNMENT.....12

Senator the Hon. E. R. Griffith, 12.

SPEAKERS IN THIS ISSUE

CHANDLER, Senator Dr. F. L.
CRICHLOW, Senator the Very Reverend H.E.
EASTMOND, Senator the Hon. Miss LYNETTE
GRIFFITH, Senator the Hon. E. R.
HUSBANDS, Senator Mrs. S.C.V.
LINTON, Senator I. St.C.
NICHOLLS, Senator G. P. B.
STUART, Senator F.J.
SYMMONDS, Her Honour SENATOR DAME PATRICIA

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EDITORIAL NOTES — NOT PART OF THE REPORT

Prepared with the transcript; for checking against the recording and the Minutes.

EDITORIAL QUERIES

Points noted while preparing this report from the edited transcript. The text has not been altered except where stated.

Q1. *Masthead.* The session is not stated in the source, so no session line is printed.

Q2. *Dates in the text.* The source gives 'Tuesday, November 8, 2006' (8 November 2006 was a Wednesday); 'Tuesday, November 8, 2007' (8 November 2007 was a Thursday). The weekday and date do not agree; printed as in the source.

Q3. *Obituary speeches.* The Leader of the Senate gives the name of the deceased first as 'Ruby Ellen Stuart' and then as 'Ruby Eileen Stuart'. Printed as in the source.

Q4. *Order No. 2, Committee.* The Committee record reads 'Part 111, Clause 30 was called and part', 'Clauses 43 t 52' and 'I beg to move that the Schedule to the Bill.', with the Parts numbered 'Part 1', 'Part 11' and 'Part 111'. Printed as in the source.

Q5. *Take-slip about 12.40 p.m.*. One take-slip reads 'Senate 57, sequence 11, 12.40 a.m.'; the neighbouring take-slips give 12.40 p.m. Printed as in the source.

Q6. *Order No. 3.* No question on the second reading of the Financial Institutions (Amendment) Bill, 2006 is recorded before the Senate went into Committee, and on third reading the Bill is cited as the 'Financial (Amendment) Act, 2006'. The Leader of the Senate also refers to the 'Insurance Deposit Fund'. Printed as in the source.

Q7. *Order No. 4.* The motion 'Mr. President, I beg to move that this Bill be read a second time.' appears in the source without a speaker label. Printed as in the source.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The Senate met at 11.25 a.m. on Wednesday, 8th November, 2006, with the President, His Honour Senator Sir Fred Gollop, in the Chair; prayers were led by Father E. Massiah. The Leader of the Senate, Senator the Hon. E. R. Griffith, laid the Value-Added Tax Refund (F.A.C. Collymore Scholarship Fund) (No.2) Order, 2006 and the Annual Report and Financial Statements of the Securities Commission for the year ended March 31, 2006. Standing Order No. 22(1) was suspended, and Senator Griffith gave notice of Resolutions to approve the Draft 'National Strategic Plan of Barbados, 2005-2025: Global Excellence, Barbadian Tradition' and the compulsory acquisition of land at Friendship and Waterford, St. Michael, for a National Botanical Garden.

Senator Griffith then paid tribute to Mrs. Ruby Stuart of Marchfield, St. Philip, mother of Senator F. J. Stuart, who had died aged 83 during the recess, recalling her Christian faith and the sacrifices she made for her children's education. Her Honour Senator Dame Patricia Symmonds, Senator the Very Reverend H. E. Crichlow, on behalf of the Independent Senators, and Mr. President, who had attended the funeral, added their tributes. Senator Stuart thanked the Senate, saying his mother had made a profound impression on his life and that his father had died when he was nine.

The Senate resumed the second reading of the Deposit Insurance Bill, 2006. Senator Dr. F. L. Chandler supported it but questioned the $25 000 ceiling and the exclusion of credit unions, and asked whether institutions other than those under the Financial Institutions Act were covered; Senator Griffith clarified that only those under the Act were included. Senator Chandler also urged that the Central Bank be empowered to protect consumers against unfair banking practices. Senator Mrs. S. C. V. Husbands said Barbadians needed a new attitude to saving and investment, and Senator G. P. B. Nicholls explained the difference between banks and credit unions, the stable climate of record deposits, and the provisions for liquidation and reorganisation in Part V from clause 38.

Senator I. St.C. Linton urged that the credit unions be left alone as a Barbadian tradition growing out of the 'meeting turn', which he had run himself for almost 50 years, and called on the banks to educate Barbadians about their savings, which he put at over $6 billion. Senator the Hon. Miss L. V. Eastmond placed the Bill within the strengthening of financial regulation since 1994, including the establishment of the Securities Commission, and said credit unions were a fundamentally different institution to be regulated under their own new legislation. The Bill was read a second time, passed through Committee with Senator Dame Patricia Symmonds in the Chair, and was read a third time as the Deposit Insurance Act, 2006.

After a suspension until 1.45 p.m., Senator Griffith explained that the Financial Institutions (Amendment) Bill, 2006 and the Central Bank (Amendment) Bill, 2006 were consequential on the Deposit Insurance Bill and needed no debate. Both passed through Committee, clauses 1 to 19 and clauses 1 to 5 respectively, and were read a third time.

On Senator Griffith's motion the Senate was adjourned until Wednesday, 15th November, 2006 at 11.00 a.m.