FINANCIAL SERVICES COMMISSION

Domestic Financial Institutions Conference

Opening Remarks

Delivered by

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(Lloyd Erskine Sandiford Centre – June 14, 2018)

This conference – the Domestic Financial Institutions Conference – is now in its 9th year and remains a vital meeting point where primary financial regulators and key stakeholders collaborate on emerging matters that affect us all.

I must thank the Governor of the Central Bank of Barbados who continues to spearhead this initiative and carve out the space to engage our stakeholders in this way, despite the ever increasing demands. I also wish to recognise the dedication and professionalism of the group of persons that worked tirelessly behind the scenes to ensure today's event is consistent with the high quality that has become the norm; this we do not take for granted.

As I reflect on the 12 months since our last setting, it has become more apparent that financial systems are morphing into a dynamic that is different from what we have been accustomed. Whether the regulator chooses to respond, or has the capacity to respond, does not alter the transformation that is occurring before our eyes.

Innovation, technology, global standards, cross border access, the state of the economy, and stakeholder demands are some of the examples that have introduced new risks for financial regulators to consider. We have sent signals of regulatory engagement for many years, as is the case now, and certainly this forum is such a form. It, therefore, implies that we cannot ignore the issues highlighted earlier. While the reality is that we have not ignored the issues, the regulatory non-responsiveness at times may be because:

- we are trying to grapple with, or simply understand, the issues
- we are looking at how the regulatory toolkit may be appropriately tweaked (including legislative matters)
- we need to thoroughly examine the issues to minimise the costs associated with regulatory errors

These considerations are important for securing the resiliency of our financial architecture. *(Resiliency - our keynote speaker will address this topic)*

What is the objective of financial regulation in this era? What is it that we are really trying to achieve?

I am aware of the specific objectives in the respective enactments, but when I think about the macro-perspective, my thoughts resonate on:

- the impact of financial sector development of growth
- financial inclusion
- financial stability and contagion
- smart regulation

- ***The impact of financial sector development on growth***

  Indeed, the literature on this subject is vast, including contributions from Barbadian economists.

  As a regulator is there a specific role to be undertaken to ensure that regulatory frameworks are growth enhancing?

  My personal perspective is yes. We must remove the impediments that limit growth and development within the financial space. At the same time we must enhance our risk-based toolkit to ensure the appropriate mechanisms are in place to support the types of risks being undertaken.

- ***Financial Inclusion***

  This is about access to financial services that meet the needs of individuals – be they transactions, payments, savings, credit or insurance. According to the World Bank, financial inclusion is woven into seven of the 17 sustainable development goals.

  Are the innovations that we see providing solutions to some of these issues? I think so.

  Another reality is that some financial service providers remain outside the perimeter of the pure financial regulator. In my view these institutions may impact the resiliency and the reputation of our financial landscape, particularly through the hundreds or perhaps thousands of individuals who utilise their services.

- ***Financial Stability and Contagion***

  This subject remains a priority for both the Central Bank and FSC. Our joint work on the Financial Stability Report will be presented in the next session by my colleague. There is still much work to be done and the considerations are also changing as new technologies are introduced to this space. Tracing the financial linkages, including cross-border linkages, in a systematic way and building an effective crisis management framework are examples of immediate next steps.

- ***Smart Regulation***

  It is simply impossible for any single regulator to cover all matters on its own. While we may boast of having a strong working relationship, perhaps there are areas in which we may improve. Addressing the matter of financial technology is one that I can think of immediately, and FSC remains committed to working with the Bank and our stakeholders in this area.

  Cooperation and interdependence are the primary watchwords that emerge when I think of smart regulation. This is not limited to the boundaries within Barbados, but is also necessary for strengthening regulatory engagement with our neighbours, especially in jurisdictions where our entities operate.

The demand for information sharing across countries is being reemphasised under Financial Action Task Force (FATF) standards, International Organization of Securities Commissions (IOSCO), and many other bodies. The work seems onerous and sometimes the demands overlap, but can we develop a smart system to meet the competing objectives?

A rethought on financial regulation for a modern generation is necessary. We need a framework that will facilitate trade-offs among competing ends; innovations and technologies that are developing; nimbleness to changing dynamics, and responsiveness to litigating matters across jurisdictions, while at the same time supporting stability and resiliency. Perhaps these oxymoronic objectives are not possible, but I submit them for consideration by legal luminaries who will help us chart the path for the future.

Ladies and Gentlemen, I thank you for your attention and wish you productive deliberations on the subject matters.

Thank You.