



# Introductory Comments

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Domestic Financial Institutions Conference 2018


## Pleasant Morning and a Special Welcome

This conference – the Domestic Financial Institutions Conference – is now in its 9<sup>th</sup> 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 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 recognize the dedication and professionalism of the group of persons that worked tirelessly behind the scene to ensure that today's event is consistent with the high quality that has become the norm. And this we do not take for granted.

As I reflect on the twelve 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 to. 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 might be because:

1. We ourselves are trying to grapple with or simply understand the issues,
  2. We are looking at how the regulatory toolkit can be appropriately tweaked (including legislative matters)
  3. The need to thoroughly examine the issues to minimize the costs associated with regulatory errors.
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These considerations are important for securing the resiliency of our financial architecture. (Resiliency - our keynote speaker will address this topic)

But 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:

1. The impact of financial sector development on growth
2. Financial inclusion
3. Financial stability and contagion
4. 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 it transactions, payments, savings, credit or insurance. According to the World Bank financial inclusion is woven into 7 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 can impact the resiliency and the reputation of our financial landscape, particularly through the hundreds or perhaps thousands of individuals that utilize their services.

### **Financial Stability and Contagion**

This subject remains a priority for both the Central Bank and the Commission. Our joint work on the Financial Stability Report would 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 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 can boast of a strong working relationship perhaps there are areas that we can improve on. Addressing the matter of Financial Technology is one that I can immediately think of. And the Commission 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 also to strengthen the regulatory engagements with our neighbours, especially in jurisdictions where operate. The demands for information sharing across countries is being reemphasized 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 can facilitate:

1. Trade-offs among competing ends
2. Innovations and technologies that are developing
3. Nimbleness to changing dynamics
4. 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.

