

## **Rasheed Mohammed Al Maraj: Rebuilding confidence in the financial sector**

Introductory remarks by HE Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, at the Chartered Institute for Securities and Investment (CISI) event “Rebuilding confidence in the financial sector”, organized in conjunction with the Bahrain Institute of Banking and Finance, Manama, 4 October 2011.

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Distinguished Guests, Ladies and Gentlemen:

It gives me great pleasure to be here at the first of the Continuing Professional Development events being arranged by the Chartered Institute for Securities and Investment in conjunction with the Bahrain Institute of Banking and Finance.

I am sure that many of you here this evening are already familiar with the CISI’s work. For almost 20 years, the CISI has been recognised as the leading professional body for the investment industry in the UK. It now has over 40,000 members in 89 countries. Bahrain is on course to have the largest membership outside the UK, due in part to the success of the BIBF’s Financial Advisor Programme, which allows successful candidates to become affiliate members of the Institute.

Membership of the Chartered Institute is recognition that an individual has achieved not only a high standard of technical competence, but also displays the ethical judgement and personal integrity necessary if confidence in the financial system is to be maintained.

Confidence and integrity are, without a doubt, the foundation of the financial system. All financial firms – whether they are banks, investment managers, insurance companies, or securities brokers – are alike to the extent that they make a promise to the customer.

Similarly, customers have to believe that the people working in the industry are placing their interests first. If they doubt that the firm or its employees are truly interested in making the customer’s money grow, rather than claiming as much of it as possible in the form of fees and bonuses, they will be reluctant to deal with financial firms.

These are just two examples of the way in which consumers’ trust in financial firms can break down. In the last few years we have seen plenty of examples around the world of financial firms that have lost the trust of their customers and have paid a heavy price. The recent allegations that the employees of some large investment banks deliberately created financial products that would fail, imposing large losses on customers so their own firms could benefit, are simply the most high profile of many such allegations that have been unearthed following the financial crisis.

Regulators have an important role to play in ensuring that customers can trust the financial institutions that they deal with. We can set entry and licensing conditions to make it difficult for those who are dishonest or incompetent to set up firms or to work in the industry. We can require firms to have adequate financial resources to back the promises that they make, and adequate control systems to ensure that they can properly identify and manage the risks that they are taking. We can also mandate training and competency requirements for staff who deal directly with a firm’s customers.

However, a regulator cannot be everywhere at once. Nor should we aim to be. To a very large extent, maintaining public confidence in financial firms is the job of the firms themselves and their employees. As regulators we cannot set rules that ensure that people will behave honestly and with integrity. Those are values that must come from within, they must be part of a firm’s culture. Only an industry that takes seriously the need for ethical standards will be able to grow and prosper and to offer its customers the services they require.

For this reason, I am very pleased that the CISI has chosen the subject of “Integrity at Work” for its first interactive seminar in Bahrain. By encouraging participants to debate real life case studies, to consider their responses to them, and to suggest ways to deal with these problems, this learning environment will encourage participants to think more deeply about the ethical implications of their work place actions.

As I mentioned earlier, Bahrain is on course to have the largest CISI membership outside the UK. This fact demonstrates the already strong emphasis that firms in Bahrain place on the importance of integrity and trust. It also illustrates one of Bahrain’s many continuing strengths as a financial centre, our deep pool of qualified and experienced financial sector professionals. Factors such as these will ensure that we can move on from recent events and remain at the forefront of financial centres in the MENA region.

Thank you for your attention.