

Anselmo L S Teng: Corporate governance in the financial sector

Welcome speech by Mr Anselmo L S Teng, Chairman of the Monetary Authority of Macao, at the FSI-SEANZA regional seminar on corporate governance for banks, Macao, 22 April 2008.

* * *

Distinguished Guests, Dear Delegates, Ladies and Gentlemen,

Good morning, I would like to extend my warmest welcome to all of you, on behalf of the Monetary Authority of Macao, for attending the FSI-SEANZA regional seminar in the next three days. It is our honour that FSI and SEANZA hold this prestigious seminar in Macao, a fascinating city of a unique mix of Eastern and Western heritage and recreation, featured by various historical and nostalgic constructions as well as gigantic entertainment complexes.

I am very pleased to have the privilege to make an opening remark in this occasion and to share with you some of my views on corporate governance in the financial sector. Undoubtedly, this is a prominent topic drawing extensive discussion amongst regulators and entrepreneurs in developed and developing countries at all times.

To put the discussion in a nutshell, I would like to start with a study of the idea enshrined in the term “corporate governance” which is a legacy of our ancient wisdom. The word “corporate” comes from Latin, meaning the formation of a body, and the word “governance” originates from Greek, implying to steer a vessel across the sea. These concepts of ancient wisdom is still relevant nowadays, since the protection of shareholders’ or stakeholders’ interests as well as the board’s role to lead an institution to sail through uncertainties and challenges is the essence of modern corporate governance.

In the context of the financial sector, effective corporate governance practices are indispensable to maintaining trust and security and critical to the proper functioning of economic and social system as a whole. Poor corporate governance may lead to loss of public confidence in the ability of a financial institution to manage its assets and liabilities in a prudent manner, trigger more serious impacts on the financial sector through contagion effects and may even end in systemic crises. Different from other sectors, financial institutions, particularly credit institutions, have “duties of care” not only to their shareholders but also their stakeholders, namely, depositors and customers.

As the sole regulator of the financial sector of the Macao Special Administrative Region, the Monetary Authority of Macao has exerted a lot of efforts to strengthen corporate governance in order to cope with the ever changing economic and financial environment. The level of corporate governance of Macao banks remains sound in general, as evidenced by their ability to survive the various economic downturns and financial crises in the past decades, and the results of past assessments initiated by international regulatory bodies, such as the International Monetary Fund (IMF). The Macao Financial System Act, promulgated in 1993, established the essential elements of corporate governance for credit institutions. Among all these requirements, fit and proper reviews of shareholders and managers, preventive procedures for conflicts of interests and restrictions on exposures to shareholders and managers form the framework of proper standards of ethical conduct. In the Internal Control Guideline introduced by the Monetary Authority of Macao in 2002, a benchmark of best practices was suggested to promote corporate governance for all credit institutions, including the emphasis of high moral and integrity standards to be applied to the board of directors and senior management, appropriate measures for checks and balances as well as segregation of duties, in line with the corporate governance principles promoted by the Organization for Economic Cooperation and Development (OECD) as well as the Basel Committee on Banking Supervision (BCBS).

Corporate Governance is not a new issue at all. The Asian Financial Crisis exposed the long-term consequences of incompetent corporate governance. The recent fiascos of some major international financial institutions arising from subprime fallout again signify the importance of maintaining high standard of corporate governance. This seminar is both timely and relevant against contemporary global economic and financial backdrop. In the coming three days, I hope that experts and delegates could make use of this opportunity to exchange their precious experiences and views on this topic.

In conclusion, I wish this seminar a tremendous success and may all of you have good health and enjoy a pleasant stay in Macao.

Thank you!