

## L Wilson Kamit: Financial sector improvements in Papua New Guinea

Speech by Mr L Wilson Kamit, CBE, Governor of the Bank of Papua New Guinea, at the official opening of the Nambawan Super' Member Services Centre, Port Moresby, 11 July 2008.

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Distinguished guests, ladies and gentlemen.

I am pleased to be able to address you this afternoon, on this special occasion for Nambawan Super.

Since the commencement of the financial sector Reforms including the superannuation industry through the *Superannuation (General Provisions) Act 2000*, we have seen many improvements in the financial sector and within the Superannuation industry.

Some of the significant changes include:

- The appointment of the Bank of Papua New Guinea as the Regulator of the Superannuation Industry ,
- The separation of functions of the Authorised Super Funds (ASFs) from the Trustees, Investment Managers and Fund Administrators; and
- The introduction of Fit and Proper Person's Test requirements for the Board and Senior Management of the licence holders

Under these reforms the improved performance of the whole financial system has seen growth in assets of banks, finance companies, savings and loan societies and life insurance companies. The growth in the superannuation funds has been particularly remarkable, and this has translated to high rates of returns to the members over the last few years.

For example, the industry's total assets have more than doubled since 2002 from K1,273 million in 2002 to K4,086 million in 2007.

### Total Assets of the superannuation industry – K'million

	2007	2006	2005	2004	2003	2002
<b>Total</b>	<b>4,087</b>	<b>2,837</b>	<b>2,584</b>	<b>1,882</b>	<b>1,577</b>	<b>1,273</b>

We have also seen significant improvements in governance, as well as operational effectiveness in the delivery of superannuation services for the benefit of the members. While making this remark, I should stress that there lies ahead a lot of challenges to further improve and enhance their operational capacities in order to provide the best superannuation service for all stakeholders.

This reform process has however brought with it other challenges and responsibilities that the ASFs will need to manage and address going forward. One challenge facing us in this reform process is the issue of financial inclusion and financial literacy (financial education). This is a subject many Central Bank Governors and regulators have discussed in various forums. Let me elaborate:

The high rates of return on members' savings will have had the impact of raising members' expectations of receiving high return all the time and the ASFs have a duty of care to educate their members about the investments realities so that they can better understand such issues.

I dare add that this is not the only subject of financial inclusion and financial education that has to be addressed.

The matter also involves educating the non membership general public in financial matters including the dangers and pitfalls of fast money schemes which have a tendency to “play hide and seek”. They disappear and re-emerge in one form or another. Your members can assist by spreading the word about the risks and pitfalls of fast money schemes.

Through your various points of representation, such as this service centre, your membership can also assist with educating each other and others on other financial matters including the clean banknote Policy. For us to be aware when to return or exchange an old bank note for a new one and not wait for the note to be torn and faded. For the public to have and enjoy the benefit of using clean notes.

The rate of growth of the major Super Fund's also increases the scope and magnitude for the areas of responsibility and accountability requiring prudential management of members' funds. As such the ASFs Trustees must always ensure that their investment decisions are made in a sound and prudent fashion in accordance with the Act and prudential standards set by the Bank as the Trustee is entrusted with the responsibility of ensuring that members' superannuation savings are preserved and secured at all times for their future retirement benefit.

I see the new Nambawan Super' Member Services Centre here in Port Moresby as another positive initiative in enhancing effective delivery of superannuation products and services to the members and I would like to encourage Nambawan Super and other ASFs to continue such enhancement exercises into other regions or provinces of the country in a commercially responsible manner where the members are also located so that the members can be better served.

With the current and potential growth in the economy of Papua New Guinea, this will see more employment opportunities and increased demand for banking, finance and superannuation products and services throughout the country. It is therefore good to see that the superannuation industry is moving in this direction to better serve the needs of its members throughout Papua New Guinea.

I now have the pleasure of declaring this new Nambawan Super Member Services Centre officially opened.