

## **DeLisle Worrell: General financial sector issues and policies**

Opening remarks by Dr DeLisle Worrell, Governor of the Central Bank of Barbados, at the Financial Institutions Conference “General Financial Sector Issues and Policies”, Bridgetown, 3 November 2011.

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This is our second annual conference for all financial institutions. We have a full day of discussion, which allows us to study current issues of the financial sector in depth. With the participation of all financial institutions, and with the collaboration of the Financial Services Commission, we are able to take a comprehensive view of the financial system, including banks, finance companies, insurance, pensions, mutual funds, credit unions and securities. This conference deals with financial institutions that do domestic business; in March this year we held a conference for financial institutions in our international financial centre, and that is also intended to be an annual event.

Since last year we have taken important steps to further strengthen financial oversight, and to increase the efficiency of the delivery of financial services. The most important of these was the establishment of the FSC, with responsibility for the supervision of non deposit takers. The FSC is in the process of recruiting staff and setting up systems, and Central Bank is lending its expertise wherever we can be helpful. This morning you will hear more about its activities from the FSC themselves.

We have also been strengthening cooperation with banks which have domestic retail operations, through regular quarterly meetings, as well as ad hoc meetings when we need to make policy changes, such as the change in our foreign exchange margins.

We are constantly strengthening cooperation with Canadian and other overseas regulators, with the Bank of Canada and with the Head Offices of banks operating in Barbados. We do consolidated supervision of all the operations of multinational banks, together with the regulators of all the countries in which these banks operate, through a variety of channels and mechanisms, including collective overview by the regulators and discussion with the banks in meetings which have come to be known as “colleges”. Regulators also arrange conference calls and have informal contact, as well as more formal arrangements such as information-sharing memoranda of understanding. Two weeks ago I led a team of my colleagues on a most successful visit to Toronto and Ottawa, where we had discussions with the major Canadian banks, including those active in our international financial centre, with the Office of Supervisor of Financial Institutions (OSFI), the Bank of Canada and the Financial Institutions Supervisory Committee, which also includes their deposit insurance corporation, their consumer protection agency and the Treasury Department. We took the opportunity to meet with the newly established Toronto chapter of BIBA, and our High Commission in Ottawa arranged a reception for potential investors in Barbados.

As we all know, the largest of our financial institutions operate at a regional level, and therefore as supervisors we need to be concerned about risks that arise from regional linkages. A project for the publication of a regional Financial Stability Report got underway last month. The target for publication of the first regional financial stability report is December 2012. In the meanwhile preparation work on Barbados’ own financial stability report is advanced, and publication is slated for end-December this year.

Together with our regional partners, Barbados has sought to have a voice in the ongoing efforts for reform of the international financial system. We have been invited to join the Regional Consultative Group for the Americas, set up by the Financial Stability Board, the body established by the Group of 20 countries to oversee the process of international financial reform. Shane Lowe and I are preparing a paper on Caribbean perspectives on international financial reform for presentation at the inaugural meeting of the Regional

Consultative Group, on December 2 in Mexico City. This year at the time of the Annual Meetings of the World Bank and IMF, the Caribbean countries were invited to a breakfast meeting with the Managing Director of the IMF to offer our perspective on the Fund's work and to share our concerns. This is the second year that we had such a meeting.

On the Clico matter, we have had very encouraging cooperation with OECS countries through the Advisory Group which has been established by the Judicial Managers, and which I co-chair with my friend and colleague Timothy Antoine, the Permanent Secretary of Finance of Grenada. The Judicial Managers have done an outstanding job in providing a comprehensive menu of options for the resolution of the Clico insolvency, from which the option which is in the best interests of policy holders may be chosen.

The topics we will cover today are:

- The impact of the global crisis
- The Role of the FSC
- Financial institutions and the financing of government
- Things that affect credit quality
- Changes in the operation of the FX market; and
- Considerations for interest rate policy

Today's sessions are not for decision making; their value is in the discussion of the issues. If we are to make good policy, we must be fully informed and the issues must be fully ventilated. Today we will share information, and there is an opportunity for everyone to contribute their views on the issues presented. Half the time allotted to each session is intended for Q and A. Presenters are asked to keep their eyes on the clock, to ensure that you do not erode the audience's time.

We look forward to your active engagement in today's activities. Our philosophy of regulation has always been cooperative, never coercive or confrontational. It is an approach which works very well, because it recognizes the interests of everyone, in a context where we all agree that we must, in the end, do what is in the best interests of the country.