

Lawrence Williams: An evolving financial services landscape in the Caribbean

Welcome remarks by Mr Lawrence Williams, Governor of the Bank of Guyana, at the 30th Annual Conference of the Caribbean Group of Banking Supervisors, hosted by the Bank of Guyana, Georgetown, 24 May 2012.

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Chairman, Caribbean Group of Banking Supervisors, Mr. Ramnarine Lal

Hon. Minister of Finance, Dr. Ashni Singh, M.P.

Hon. Minister within the Ministry of Finance, Bishop Juan Edghill, M.P.

Deputy Governor Bank of Guyana, Dr. Gobind Ganga

Banking Manager, Mr. Leslie Glen

Conference Delegates

Special Invitees

Members of the Media

It is indeed an honour for the Bank of Guyana to host the 30th annual conference of the Caribbean Group of Banking Supervisors under the theme “Regional supervisory imperatives in an evolving financial services landscape”.

I wish to welcome all of the visiting delegates to our shores. I acknowledge the presence of the delegates from thirteen of the sixteen CGBS membership. Though our region is small, we are geographically dispersed and travelling to some territories can be a bit of a challenge. I am therefore pleased at the representation and sincerely hope that your stay will be pleasant and memorable.

I am also delighted to welcome to our shores and the conference the Secretary General of ASBA, Mr. Rudy Araujo, the Chief Representative of the BIS Office of the Americas, Mr. Gregor Heinrick, the Senior International Adviser of the Comptroller of the Currency, Mr. Lester Miller and Advisor on Economic Crimes in the US Treasury Department, Mr. Thomas Noller. I have no doubt that your considerable experiences will add value to this conference.

It is also fitting that I welcome the Hon. Minister of Finance, Dr. Ashni Singh and the Hon. Minister within the Ministry of Finance, Bishop Juan Edghill. The importance of this Conference is underscored by the fact that both Ministers enthusiastically agreed to adjust their work schedules to be present at this opening ceremony with Dr. Singh consenting to deliver the feature address. Delegates and invitees can expect a very insightful presentation by the Minister.

Ladies and gentlemen, the theme of the Conference refers to the evolving financial landscape which is quite evident in many tangible forms though not always easily manageable. As a matter of fact, the changing financial landscape has brought challenges almost every step of the way. It is a testimony to the quality of our regional banking supervisors and the support and nurturing provided by the Caribbean Group of Banking Supervisors over the years that our region met the challenges posed by the changing landscape and has remained safe and sound.

A lot has changed in terms of the regulatory environment and the range of financial services demanded and offered as well as the organizational structure and management practices of financial institutions.

Thirty years ago commercial banks were primarily and basically anchored in intermediation – garnering deposits and making loans. Gradually product innovations, new distribution channels, advances in technology, deregulation on the one hand and tightening of regulations on the other hand and emerging new competitors have dramatically changed the way banks now do business.

Banks have now not only grown larger but have become much more complex and now span across the globe. The advancements in information technology in particular have allowed banks to handle a phenomenal amount of data at alarming speed thus propelling the introduction of new products and services.

Three decades ago, bank failure was not a frequently mentioned financial jargon unlike today where bank failure is discussed at almost every financial fora and where the collapse of one bank could trigger a domino effect across many countries simultaneously. The rapid demise of banks which were thought of being too big to fail given the unquestionable caliber of those at helm are now tumbling, and with every failure, regulators are forced to revisit regulations that were thought to provide adequate safeguards.

The burgeoning of the non-banking financial institutions which have now become full fledged, brought with it increasing competition to the banking sector and unique products some of which cannot be clearly defined or very often understood by only a few.

It also allowed for the exploitation of arbitrage and has contributed to the erosion of the orthodox predictability of the financial services industry. Regulators have had to realign their mindset to regulate and supervise these non-traditional institutions.

As the financial services landscape continues to evolve, it is imperative that regulators adapt an anticipatory and proactive demeanour to address the inevitable challenges. The current world financial crises and the continuing economic uncertainties have shown us how fragile and interconnected is the global financial system. Careful attention needs to be paid to what is taking place in the major financial centres because of the contagion effect. Additionally, careful attention needs to be given to the new standards being promulgated by rule setting bodies which have profound effects on the way financial institutions are required to operate.

Today every supervisory action has to be risk skewed. We have long moved away from the traditional transaction-oriented approach to supervision and as we move further away, cooperation among the regulatory bodies will become even more important given the home/host relationship and the magnitude of the risk that is inherent in such relationships.

I have noted that over the last thirty years, the CGBS has endeavoured to strengthen its supervisory and regulatory framework of the regional central banks and monetary authorities. It has established technical working groups to address *inter alia* consolidated supervision, crisis management and Basle requirements and has put in place the requisite instrument to facilitate information sharing and cooperation with foreign regulatory bodies. Your members are also active participants in supervisory colleges where banks span several countries and I am aware that yesterday three supervisory colleges were held.

Much emphasis has been placed on ensuring that the banking sector remains safe and sound, however, there are non-bank institutions that could severely threaten such safety and soundness and consequently the same level of attention/emphasis should also be directed to those institutions. Perhaps, CGBS could consider expanding its conference scope in the future to include regional non-bank regulators with whom your constituents interface. Both banks and non-bank financial institutions are integral to the safety and soundness of the financial system.

Ladies and gentlemen, let me conclude by saying that our approaches to supervision and the depth of our regulation would continue to require proactivity and enhancement as the financial landscape continues to change. The Central Bank Governors of the region will continue to rely on the CGBS to provide the advice and guidance needed to keep our region safe. Success in this regards depend on the thoroughness and robustness of your work and

the reliability and efficacy of the methods you employ. You must continue to organize and support the necessary training and mentoring of supervisors so that a pool of capable and technically sound personnel is always available and that greater reliability may be placed on their output.

During today and tomorrow several papers will be presented on a variety of sub themes and I anticipate that at the end of this conference some critical imperatives would have been identified to steer us through the current challenges and others looming on the horizon. Our confidence in the role of the CGBS has never been misplaced.

I wish you all successful deliberations and trust that your stay here will afford you the opportunity to discover for yourself the beauty of our country and the warmth of the Guyanese people.

Welcome once again to all.