

**DEPUTY GOVERNOR'S SPEECH**



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**Deputy Governor** : Jameel Ahmad  
**Title** : **CFA Society Pakistan: 14th Annual Excellence Awards 2017**  
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**Speech of DG SBP as Chief Guest**

**CFA Society Pakistan: 14<sup>th</sup> Annual Excellence Awards 2017**

**30 August 2017**

Ladies and Gentlemen,

Assalam-o-Alaikum and Good evening,

I am grateful to the CFA Society, Pakistan for inviting me to the 14<sup>th</sup> Annual Excellence Awards ceremony. It is indeed a matter of great honor for me to address this auspicious gathering of financial analysts and industry professionals. I hope that today's session, apart from being a celebration of achievements, will provide the participants an opportunity to exchange views and share ideas on issues of professional interest.

CFA Society Pakistan deserves appreciation for organizing such events to reward the high achievers and bring together the stakeholders. The role that CFA Society Pakistan has played, in terms of providing a platform for industry professionals to connect with each other and

exchange views, is laudable. With initiatives like “Putting Investors First” the CFA Society has put in commendable efforts, in collaboration with SECP, to inculcate awareness about investor rights and to establish the standards of professional excellence. This is in line with CFA’s focus on promoting high ethical standards and fair market practices. I am delighted to know that the society’s contribution to our financial markets and industry has been continuously growing.

The role of CFA in capacity building of organizations is globally acknowledged. Despite, primarily, focusing on investment decisions, CFA is highly useful for other market participants including the regulators (such as SBP) for deep financial analysis, proactive monitoring and effective policy formulation. These wide-spread benefits are due to CFA’s broad coverage encompassing important dimensions such as ethical standards and business conduct, portfolio management strategies, fixed income world, risk management tools (e.g. hedging strategies) and analysis of economic environment, etc.

SBP in its role of regulator and supervisor of banks, financial institutions and financial markets, values qualified human resource. International certifications, such as CFA, provide opportunity to harness necessary skills. SBP, therefore, encourages the promotion of CFA culture and it has developed strong relations with the CFA institute. SBP has signed MoU with the CFA institute, through which, a specific number of SBP employees can enroll in CFA program at a discount. As a result of these incentives, SBP now holds a decent number of CFA charter holders and expects the numbers to grow as more and more SBP officers pursue CFA certification.

Ladies and Gentlemen, let me now shed some light on why it is necessary for all of us to equip ourselves with advance knowledge and tools proactively. The Global Financial Crises (GFC) has aptly demonstrated the havoc that can be caused when profit taking motive combines with lack of transparency and disclosure standards, inadequate awareness of sophisticated financial products, optimistic expectations about asset pricing and lax regulatory standards. The Global Financial Crisis forced the regulatory attention towards containing systemic risk and ensuring financial stability through strong capital and liquidity standards (such as Basel III), more stringent regulations, and introduction of macro prudential policy toolkit. Financial stability demands timely identification of systemic vulnerabilities along with mitigating measures to limit

the spillovers and keep the public confidence intact. Appreciably, CFA institute has updated its curriculum to address the key lessons learnt from the global crisis.

**Ladies and Gentlemen;**

Not surprisingly, ensuring financial stability has now become the number one priority of many of the central banks around the world. SBP is also playing a pivotal role in ensuring stability of the financial sector in Pakistan. In line with its Vision 2020's focus on strengthening the financial stability regime in Pakistan, SBP has established a separate Financial Stability Department (FSD). An executive level Financial Stability Executive Committee (FSEC) has also been constituted within SBP which is entrusted with the responsibility of discussing and monitoring financial stability issues. Further, SBP and SECP have formed a Council of Regulators, which will act as a forum for deliberating issues related to systemic risk, particularly those having cross market stability implications. Work is also underway to form a National Level Financial Stability Council (NFSC) involving other stake holders such as Ministry of Finance.

It is no secret that developed financial institutions act as a catalyst for enhancing financial intermediation, reduce information asymmetries and allow central banks to implement and achieve policy objectives. Monetary policy is, generally, implemented through money and foreign exchange markets where financial institutions, particularly the banks, play a pivotal role. If financial institutions are fairly mature, markets are efficient and there is low uncertainty, the effectiveness of monetary policy increases as the monetary signals are smoothly transmitted to the entire spectrum of the yield curve. SBP, through its various policies and initiatives, has been endeavoring to create an enabling environment for the financial institutions as well as the markets.

Besides well functioning and stable financial system, SBP is striving to broaden the base of financial landscape through enhanced financial outreach. SBP has been driving "Financial Inclusion" as a strategic goal through a dynamic regulatory framework, development of market information and infrastructure, and capacity building of service providers and clients. The SBP

strategy is particularly focusing on promoting Agriculture, Micro and SME Financing, and Islamic Banking. I am quite confident that these measures will lead to product diversification, while enhancing efficiency through competition.

Though our regulatory framework is well structured and able to contain the systemic risk so far, the financial sector of Pakistan requires further improvement in few areas. For example, (a) debt market activities are still limited, (b) financial penetration is quite low and corporate sector is not adequately tapping the capital market, (c) equity market, perhaps, needs more diversification and depth, (d) investor awareness needs to be further enhanced. Moreover, savings to GDP ratio – which act as a catalyst to spur investment growth - is considerably low in Pakistan if compared to its peer countries. To address all these issues, joint efforts are required from regulators, industry and government.

SBP is well aware of these challenges. Within its supervisory and regulatory domain, it has taken several initiatives to remove market frictions, enlarge financial landscape and bring more transparency and efficiency in the financial system of Pakistan. The list may be quite exhaustive but in the interest of time I would like to mention few key developments related to financial markets such as (a) introduction of interest rate corridor and SBP target rate, (b) strengthening of FX reserves and deepening of FX markets, (d) broadening the scope of money market to include Islamic Financial Institutions, (e) diversifying the investor base for government securities and (f) strengthening of primary dealers.

Further, SBP is always trying to align itself with international guidelines and best practices. Within the supervisory landscape, regulators around the globe are gradually shifting their focus from compliance based supervision to forward looking risk based supervision (RBS). RBS focuses on continuous identification and mitigation of key risks associated with financial institutions, while helping the regulators to allocate their supervisory resources optimally and effectively. SBP has also initiated work on migrating to RBS in order to advance its current supervisory regime and improve its supervisory efficiency. RBS would help SBP in prioritizing supervisory resources and articulating responses to financial stress besides more structured profiling of

financial institutions. It will also help SBP to identify the problem and institute corrective action on proactive basis.

I would like to stress here that achieving high level goals such as strengthening and deepening of financial markets, ensuring financial stability, and bringing more efficiency and transparency in the financial sector will be possible only through our collaborative efforts and supportive role of the industry. We at the SBP are making continuous efforts to adopt international standards and best practices, which are well suited to our domestic financial structure and needs. SBP is also closely coordinating with the banking industry and other market players for seeking their input on new regulatory initiatives and aligning the existing regulatory framework with international standards. Obviously, effective implementation of global standards and best practices would not be possible without qualified people, both, within regulatory bodies and the industry. I am quite hopeful that professional capacity building through globally recognized certifications, such as CFA, will enable us to achieve these goals.

At the end, I would like to offer my heartiest congratulations to the winners of the Excellence Awards today. I wish them all the best for their future accomplishments. I am, once again, grateful to you for providing me the opportunity to share my thoughts with you.

Thank you for your attention.

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