

**BRIEF REMARKS BY CBSI GOVERNOR, DENTON RARAWA
AT THE OPENING OF THE ASSOCIATION OF FINANCIAL SUPERVISORS OF
PACIFIC COUNTRIES [AFSPC] AT THE HERITAGE PARK HOTEL, HONIARA,
24TH AUGUST 2015.**

PFTAC officials;

Resource persons;

Heads of PIC Supervisory agencies & staff;

Media representatives;

Ladies and Gentlemen

Good morning and welcome to Solomon Islands.

I remember that the last time the Central Bank of Solomon Islands (CBSI) hosted an AFSPC annual meeting and workshop was five or six years ago. Some of you here this morning attended that meeting. So I am delighted to see a lot of familiar faces still attending these meetings. This is a good thing for the Association and for our region for one fundamental reason: financial sector supervision is a technical area and we need a stable pool of regulators and supervisors in our region. This shows that AFSPC still has experienced regulators and supervisors around that our young regulators and supervisors in our region can learn from.

The AFSPC annual workshop and meeting is an important event in the calendar of Pacific Island Supervisors. Our coming here together this week mirrors that importance. We all come here I believe for two specific reasons: to update our fellow AFSPC members on what is happening in our respective jurisdictions after the AFSPC meeting last year in Port Moresby and to share and discuss various constraints and challenges that we encounter in our respective jurisdictions. Hopefully by sharing and discussing our challenges, we can look for and come up with the solutions for these challenges.

I note from the last AFSPC meeting that the financial sector of the AFSPC region is growing. In particular we have witnessed new financial institutions being issued licences in four member countries. In two other member countries the role of development banks have either been altered or expanded to take in public deposits or deliver commercial banking activities. In other member countries appropriate steps are being taken to have credit unions and financial inclusion activities come under supervision. These developments are putting enormous pressure on our existing resources but, at the same time, we should welcome these developments because they are a testament of the confidence our respective authorities have in our supervision capabilities and their desire to minimize institutional failures occurring in our respective jurisdictions.

The AFSPC region is not isolated even if we choose to. It will always be part of the global community. This means any shocks affecting the global economy and the stability of the global financial system, is certainly going to have a ripple effect on the AFSPC region. For this reason, I urge all AFSPC members to share their experiences so that we can put in

place appropriate safeguards to enhance our risk management practices to foster financial stability in our respective jurisdictions and in the AFSPC region.

A clear message from the latest global financial crisis has taught us an important lesson of not to be complacent. According to the IMF's April 2015 Global Financial Report (GFR), risks have become increasingly sophisticated and difficult to mitigate. Developments over the past six months have potentially increased global financial stability risks and it goes on to say that risks have now shifted from advanced economies to emerging economies, from banks to shadow banks and from solvency to liquidity risks.

Because risks have no borders, the messages from the GFR are a reminder to us, the supervisors and the regulators in the region, to become more vigilant in our regulatory and supervisory roles; and to foster a deeper regional cooperation in terms of supervision networking based on mutual sharing of experiences, norms and standards among AFSPC jurisdictions in order to counter these impending threats.

Financial crises are inevitable as cyclical instability has become a permanent feature of financial markets. There is a saying that goes like this and I quote "even the best juggler sometimes drops a ball, and even the best singer sometimes misses a note". In the same vein, even the well-managed and well-regulated financial systems will sometimes experience problems and crisis.

However, as regulators and supervisors in the AFSPC region, though crisis may be inevitable, this does not mean that we have to become hopeless or become light touch regulators. We have to constantly remind ourselves that crises are partially predictable and, therefore, are partially avoidable and manageable.

To this end, I would like to recall the words of the then Executive General Manager of the Australian Prudential Regulation Authority (APRA), Mr Charles Littrel, during the *APEC Regional Symposium: Enhancing financial policy and regulatory Co-operation, in March 2011*, where he stated and I quote: "There is no guaranteed program for avoiding financial crises, but there are several strategies and tactics which will help in averting or minimising such crises" (end of quote). This morning, I firmly believe that, as a group of regulators and supervisors, we are here to once again reinforce that notion as we discuss and share ideas on strategies and tactics to avert and minimise crises in our region.

I understand that, as part of this regional get together, a meeting is also scheduled for Heads of Supervision. I believe that the key objective of that meeting is for the AFSPC members to determine how the AFSPC is to be effective going forward, and provide advice on a clear roadmap in terms of improving the supervision skills and enhancing supervision capacity for the region. This is a forum where collective resolution on supervision issues or concerns can be agreed to and elevated to the Pacific Central Bank Governors meetings held every year.

In this context I note from the Apia and Port Moresby AFSPC meetings that we still have some unresolved issues on the table. These include: (i) the issue of licences for money remittances and money transfer operations in our countries; (ii) the issue of finding a common solution to Financial Sector Information System for member countries and; (iii) the issue of members not updating their FSI data on PFTAC's website on time. I encourage all AFSPC members to strategize and find a common solution to these issues.

And I would like to put another issue on the table for you to consider. This issue has become topical in recent months. This is the issue of natural disasters and their potential to create financial instability in our financial systems. In recent years, natural disasters in our region

have become more frequent with severe intensity and consequences. As regulators and supervisors, we need to come up with strategies and mechanisms to build resilience to protect our financial systems against natural disasters.

I have no doubt that the annual AFSPC workshop and meeting is the forum to discuss such issues. It is also a valuable partnership that must continue and made even stronger.

With that in mind, I would like to take this opportunity to encourage us at the central banks, the regulatory authorities and the stakeholders to note that we have reached a defining cross-road in this undertaking. We are all aware that hosting and scheduling this event requires significant amount of financial and technical resources, but this should not deter our commitment towards the future of this event. We must continue to recognise the merits of this undertaking and continue to provide strong support to AFSPC going forward.

I am sure all of us are thankful that the AFSPC has received tremendous support from donor countries and agencies such as the IMF through PFTAC towards this program; and we are sincerely grateful for their solidarity and for partaking with the AFSPC supervisors their resources and experiences. I believe this will continue into the future.

Finally, let me register my sincerely appreciation to all the Heads of Supervision agencies in our region who are here for the AFSPC annual meeting. I strongly encourage all of you to exchange and debate the supervision issues at hand constructively to ensure that the best possible outcomes on the way forward for our region are reached.

On that note, I wish you well in your discussions and deliberations this week. The Pacific Central Bank Governors look forward to receiving a report on the outcomes of this meeting at their conference in New Zealand later in December.

Thank you tumas

24th August 2015