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**Governor's Opening Speech**  
**Annual Meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC)**  
**30 October - 1 November 2013**  
**Central Bank of Samoa**  
**Apia, Samoa.**

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Mr Scott Roger, PFTAC Coordinator  
Mr Pierre Seguin, Regional Banking Supervision Advisor of PFTAC  
Fellow Deputy Governors  
Heads of Financial Supervision from member participants  
Observers; Distinguished delegates  
Ladies and Gentlemen

Talofa Lava and good morning to you all.

As co-host for this year's Regional Annual Meeting, I extend to you all a very warm welcome to our shores and to the Central Bank of Samoa. We are indeed honored and very grateful for the opportunity to co-host with PFTAC this year's Annual Meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC).

Let me also take this opportunity to welcome PFTAC's new regional advisor in financial supervision, Mr Pierre Seguin. I understand that Mr Seguin took over from his predecessor, Mr John Vaught during the early part of this year. We look forward to your assistance and sharing with us your expertise and guidance in further enhancing appropriate supervisory developments and capacity building for our members to effectively undertake their supervisory and regulatory roles, so as to ensure the maintenance of financial soundness and stability, not only, in our respective financial sectors, but the region as a whole.

On that note, I would also like to acknowledge, with sincere appreciation, the invaluable contribution by Mr John Vaught during his time in office in providing useful advices to our members and coordinating several technical assistance and training programs, essential for the development of financial supervision skills and knowledge in the region.

We wish Mr Vaught and his family all the best in his future endeavors.

I would also like to take this opportunity to acknowledge the contribution and assistance of our international partners and donors thru PFTAC, namely; the Government of Korea, the European Union, IMF, ADB, AUSAID and NZAID, in providing ongoing financial support for the activities of our members in the area of financial supervision and regulation.

Ladies and gentlemen, this is a timely opportunity for members of our Association to come together to discuss and share issues of common interest and current developments in the area of financial supervision in the region. Moreover, it is an excellent occasion for the Association to reflect upon and take stock of the various financial issues and developments that have greater influence in our respective

financial system, both at national and international level and how financial supervision has evolved over the years as a result of such changes and developments.

As you all know, banks and non-bank financial institutions in general, play a vital role in economic development of any country. Therefore, there is strong public interest in maintaining the stability and financial soundness of these institutions. And, recognizing such importance, the financial regulators/supervisors have been entrusted with the responsibility of licensing and supervising them.

The recent global financial crisis had, to a large extent, tested the resilience and the quality of financial regulations and supervision in both developing and developed jurisdictions and hence, the role of prudential standards and supervision in detecting and managing the various risks within a financial system has again come under scrutiny by the international community.

I would like to share with you some of the key findings of the financial crisis which in general, showed clearly that the quantification of risks were overly optimistic; that internal models were inadequate to gauge market developments; the focus on capital standard was not sufficient to avoid disruption; and liquidity problems were a major driver of the crisis. In brief, it indicated that despite all the legal powers and supervisory arrangements countries put in place, banks and other key financial institutions all over the world have failed.

For the region, we have all been affected by the crisis, in one way or another. Some have faced more significant issues than others. Nevertheless, I think our small economies and financial systems have stood the test of time and have emerged with some resilience in maintaining stable financial systems. Hence, one can conclude that, among others, we must be doing something right.

In fact, Samoa has had its fair share of financial distress, especially with the devastation of its economy caused by natural disasters over the past three years; recovery has been rather gradual but somewhat more focused in ensuring that the key pillars of financial developments and economic sustainability are properly assessed and taken into account.

In any event, it is important for us financial supervisors to learn from such experience and how we can capitalize on lessons learnt to further strengthen our respective financial system for sound and sustainable economic developments.

In my view, the approach to bank and financial supervision are still at a stage of evolution. Countries and key supervisory authorities are now looking at the effective integration of both macro and micro prudential analysis in order to ascertain a more in depth view and analysis of the health of a financial system, both at a national and internationally level. Another important issue relates to changes in the financial markets and information technology, which means that the methods of ensuring safety of banks will also change. Already the rules relating to banking operations are changing in many parts of the world. This means that the way banks are supervised also need to be changed. And, as part of the global financial system, we all need, to some extent, adapt to such changes.

Although some of these changes may not directly affect us due to our narrow market base, others do impact directly, for instance, corresponding banking; subsidiaries versus branches of foreign banks; the effect of changes in international standards and legislation, the rapid use of banking technologies and innovations, to name a few.

Thus, the underlying principle of banking supervision is conducted in the interest of everyone because the cost of a banking crisis can be enormous. And certainly, the cost of a banking crisis will be unbearable for our relatively small size economies around the region.

The supervision of banks and key financial institutions does not, and probably cannot, guarantee against failures. However, it can facilitate assurance for banks in managing their risks and taking appropriate measures and precautions. As such, financial supervision helps promote and maintain confidence for the public to deposit funds and create savings for investments. That said, it is the ultimate responsibility of the management of banks to ensure that inherent and associated financial risks of banks are properly managed.

I have no doubt that the topics and issues that you will be discussing in the next couple of days should add value for our members in undertaking their supervisory roles more effectively and efficiently.

To conclude, let me say that we all face enormous resources and capacity constraints in coping with our existing supervisory responsibilities, let alone these new challenges. Hence, the value of coming together to share experience and plan regional initiatives (including trainings) for our members is crucially important for all of us, going forward. Through these gatherings, we can learn together and maintain strong networking which should enhance our efforts in capacity building of financial supervision in the Pacific countries.

Ladies and gentlemen, it gives me great pleasure to officially open the AFSPC Annual Meeting and I wish you all a safe and enjoyable stay in our island.

Thank you for your attention.

Soifua.]