

ASSOCIATION OF FINANCIAL SUPERVISORS IN PACIFIC COUNTRIES (AFSPC)
17TH ANNUAL MEETING

NRBT Conference Centre, 2 September 2019

Governor's Welcoming Remarks

Distinguished Heads of Financial Sector Supervisions, Commissioners, Commission Board Members and Delegates from the 14 Pacific countries represented here;

Mr. David Kloeden, Benjamin Stefanou and Nina Samuela from the Pacific Financial Technical Assistance Centre (PFTAC);

Ladies and Gentlemen

Malo e lelei, and a very good morning to you all.

It is an honour and great pleasure for me to welcome you financial supervisors back to Tonga to another annual meeting of the AFSPC and, this time, to its 17th Annual meeting.

I would like to acknowledge the Pacific Financial Technical Assistance Centre (PFTAC) and the National Reserve Bank of Tonga for co-hosting this two-day meeting to be followed by a three day workshop.

It is important at the beginning of our regional annual meetings to remind us of the national financial statutory objectives, and they are, to ensure:

- i. That the confidence in the financial markets is maintained;
- ii. That the most suitable level of customer protection is ensured;
- iii. That public awareness about the financial market, through imparting educational programs; is encouraged; and
- iv. That financial crimes and frauds are reduced.

Furthermore to those, there are certain regulatory principles that must be in place in our national financial systems:-

- i. Senior management of all financial institutions (banks and non-banks) must be regulated so that they do not make decisions that are detrimental to the financial system;
- ii. International financial standards must be maintained;
- iii. Our respective country's financial resources should be used in the most prudent and effective way;
- iv. Financial regulations should be proportional to the advantages that are anticipated from them; and
- v. Innovation should be facilitated with restriction so that the financial products and services launched are compliant to the rules and regulations;
- vi. There should be strict supervision on the financial market, for the purpose of minimizing harmful effects of competition.

Coming back to our gathering, our objectives as a regional group are:-

- To facilitate the sharing and coordination of matters relating to supervision and regulation of financial institutions in our region;
- To strengthen strong regional cooperation in the area of financial regulation and supervision;
- To facilitate the development of a common set of prudential indicators for our members, consistent with work being done by the IMF in relation to Financial Soundness Indicators.

From our last annual meeting, hosted by Vanuatu last year, the common key risks across the region that were discussed include:-

- the supervision of non-banks and the informal sector financial institutions;
- the lack of prudential regulatory requirements for valuations of collaterals;
- the cyber risks regulation and supervision;
- the adoption of International Financial Reporting Standard 9 (IFRS9); and
- the importance for PFTAC to follow up and review the jurisdictions' implementation of the Supervision Framework Enhancement Program (SFEP).

The workshop to be followed after the two day annual meeting will cover some of the common issues identified last year:-

- i. the regulation and supervision of the non-bank financial institutions such as the insurance companies, retirement funds, money lenders, microfinance, credit unions, cooperative societies, money transfer operators, foreign exchange dealers and non-bank credit providers.
- ii. the financial sector architecture in the Pacific, such as:-
 - credit bureaus;
 - personal property securities legislation;
 - performance of government-owned banks; and
 - the importance of retirement funds to our various jurisdiction's financial system.
- iii. National payment system is very important but it must be:-
 - demand driven and not supply driven,
 - practical to our specific domestic circumstances, and the different state of the financial institutions; and
 - safe and secure to protect the identities of customers; and
 - affordable - there is no point in buying a bus if you only need a small car.
- iv. There will be sessions for participants to learn from each other on:-
 - AML/CFT Supervision;
 - cross-border banking and consolidated supervision.

The workshop agenda appears to be very full-on and busy, and I believe this is the right opportunity to utilise the wealth of knowledge in this room to enhance supervisory skills and build capacities in our region.

However, some of you have come a long way and this maybe your first visit to Tonga, and I beg the organisers, to please, please be kind to give visitors some time to visit the tourist and historical attractions here in Tongatapu before they leave our shores.

To conclude, it is with great anticipation that we all work together during this annual meeting and the workshop that will follow, to ensure that the stability and soundness of our financial systems throughout the region is strengthened and maintained. This can only be achieved if we ensure that we share our knowledge, experience, information and approaches in addressing common and emerging financial risks, both from banks and non-bank financial institutions in the region and abroad.

Last but certainly not the least, I would like to wish you all a productive and interactive meeting and workshop and I do hope that you will find your stay in Tonga an enjoyable and pleasant one.

On that note, I am extremely honoured to now declare this meeting open.

Thank you and Malo 'Aupito