

GOVERNOR'S REMARKS

"STIMULATING AND SUSTAING GROWTH IN FINANCIAL SERVICES

THE BAHAMAS INSTITUTE OF FINANCIAL SERVICES
ANNUAL WEEK OF SEMINARS 2007
14 May, 2007

MR. NATHANIEL BENEBY, PRESIDENT OF THE BAHAMAS INSTITUTE OF
FINANCIAL SERVICES,

MEMBERS OF THE COUNCIL,

STAFF OF THE INSTITUTE,

DISTINGUISHED SEMINAR PARTICIPANTS,

GOOD AFTERNOON:

ALTHOUGH I WAS NOT ORIGINALLY SLATED TO SPEAK ON THIS
OCCASION, IT IS A PLEASURE TO BE HERE WITH YOU TODAY AND TO
SHARE WITH YOU SOME PERSPECTIVES ON THE TOPIC STIMULATING AND
SUSTAINING GROWTH IN FINANCIAL SERVICES.

FOR THOSE OF YOU WHO NORMALLY HAVE DIFFICULTY CONCENTRATING
AFTER A FULL MEAL, I CAN ASSURE YOU THAT WHAT I HAVE TO SAY IS
QUITE DIGESTIBLE AND NOT AT ALL UNFAMILIAR. BUT SUCH REPETITION
MAY PROVE BENEFICIAL AS WE FOCUS ON THOSE ISSUES WHICH, GOING
FORWARD, WILL ENHANCE THE COMPETITIVENESS OF OUR FINANCIAL
SERVICES SECTOR.

ALL OF US PRESENT TODAY WOULD AGREE ABOUT THE IMPORTANCE AND
SUCCESS OF THE FINANCIAL SERVICES SECTOR FOR THE BAHAMAS.
TRADITIONALLY, BANKING AND TRUST ACTIVITIES ACCOUNT FOR THE
LARGEST SHARE OF THE SECTOR, WITH SOME 248 INSTITUTIONS HAVING A
RELATIVELY STABLE ASSET BASE OF APPROXIMATELY \$340 BILLION;
THERE ARE SOME 99 INSURANCE COMPANIES; 725 COLLECTIVE AND
INVESTMENT SCHEMES WITH ASSETS UNDER MANAGEMENT

APPROACHING \$210 BILLION; AND 441 FINANCIAL AND CORPORATE SERVICE PROVIDERS.

AS THE SECOND PILLAR OF OUR ECONOMY, FINANCIAL SERVICES-BY RECENT ESTIMATES-ADDING UPWARDS OF 15% TO ANNUAL GDP-THAT'S SOME \$444 MILLION FOR THE BANKING SECTOR ALONE, WHICH LAST YEAR EMPLOYED MORE THAN 4,600 PERSONS.

THESE STATISTICS SPEAK TO THE BAHAMAS'SUCCESS AS ONE OF THE MOST IMPORTANT FINANCIAL SERVICES JURISDICTIONS IN THE WORLD, AND CLEARLY ILLUSTRATE HOW THESE ACTIVITIES HAVE BECOME INTEGRAL TO OUR OVERALL STRATEGY TO PROMOTE ECONOMIC GROWTH AND DEVELOPMENT.

AND SO, BY EXTENSION, THEY REINFORCE THE VERY REASON WHY WE SHOULD HAVE A KEEN INTEREST AND, I DARE SAY, RESPONSIBILITY TO STIMULATE AND SUSTAIN GROWTH IN FINANCIAL SERVICES.

HAVING A PERSPECTIVE ON INDUSTRY DYNAMICS IS VERY IMPORTANT TO BUILDING AN APPROPRIATE STRATEGY FOR GROWING THE FINANCIAL SERVICES SECTOR.

THE REALITY IS THAT COMPETITIVE PRESSURES WITHIN THE GLOBAL FINANCIAL INDUSTRY HAVE INTENSIFIED. FOR ONE, THE INDUSTRY CONTINUES TO UNDERGO RAPID CHANGE-RANGING FROM THE CONSOLIDATION AND INCREASING GEOGRAPHIC SCOPE OF THE BANKING INDUSTRY; A BLURRING OF THE DISTINCTION BETWEEN VARIOUS FINANCIAL INSTITUTIONS, GIVEN THE RISE OF CONGLOMERATES, AND THE ADOPTION OF NEW FINANCIAL STRATEGIES AND PRODUCTS. NOTED FACTORS UNDERLYING THESE CHANGES INCLUDE TECHNOLOGICAL

ADVANCES, COMPETITION, AND DEREGULATION AND LIBERALIZATION OF FINANCIAL MARKETS.

TO SAY THE LEAST, GLOBAL ECONOMIC GROWTH HAS CREATED UNPRECEDENTED LEVELS OF INDIVIDUAL AND CORPORATE WEALTH WHICH, BY EXTENSION, TRANSLATE INTO GREATER OPPORTUNITIES FOR FINANCIAL CENTRES LIKE THE BAHAMAS.

ACCORDING TO THE WORLD WEALTH REPORT 2006, PRODUCED BY CAPGEMINI/MERRILL LYNCH, HIGH NET WORTH INDIVIDUALS WEALTH TOTALLED US\$33.3 TRILLION IN 2005, FOR A GAIN OF 8.5%, AND IS EXPECTED TO REACH US\$44.6 TRILLION BY 2010-GROWING AT AN ANNUAL RATE OF 6.0%.

THE SUCCESS OF THE INDUSTRY AND IN TURN ITS CONTINUED CONTRIBUTION TO THE BAHAMIAN ECONOMY WILL THEREFORE ULTIMATELY DEPEND ON THE MEASURES WE TAKE TO MAKE THE SECTOR STRONGER AND MORE DYNAMIC-GENERALLY WHAT WE DO TO INSPIRE CONFIDENCE, AND SUPPORT COMPETITION AND INNOVATION.

I WOULD LIKE TO ENCAPSULATE AND SUBMIT FOR YOUR CONSIDERATION FOUR KEY POINTS ON WHICH WE WILL NEED TO FOCUS OUR RESOURCES, IF WE ARE TO STIMULATE AND SUSTAIN THE BAHAMAS' REPUTATION AS A PREMIER CENTRE FOR GLOBAL FINANCIAL SERVICES.

1. REGULATORY FRAMEWORK

THE FIRST OF THESE HAS TO DO WITH INFRASTRUCTURE FROM THE STANDPOINT OF THE QUALITY OF THE REGULATORY AND SUPERVISORY FRAMEWORK-WHICH IS AN ESSENTIAL CENTERPIECE TO INSPIRING CONFIDENCE IN ONES'REGIME.

I BELIEVE THAT THE LEGISLATIVE ENVIRONMENT WILL CONTINUE TO PLAY AN IMPORTANT ROLE IN SUSTAINING AND SAFEGUARDING THE PROGRESS ACHIEVED OVER THE YEARS, AND IN BUILDING THE COMPETITIVENESS OF THE FINANCIAL SERVICES SECTOR.

SINCE 2000, THE BAHAMAS HAS SUCCESSFULLY INTRODUCED A WIDE MENU OF MEASURES TO ENSURE THAT WE ARE A WELL-REGULATED REGIME, WITH ROBUST LEGISLATIVE FRAMEWORK. YOU ARE ALL FAMILIAR WITH THE NEW LAWS PLACED ON THE BOOKS, THE CHANGES IN REGULATORY STRUCTURE, WHICH WERE RECENTLY ENHANCED BY REFINEMENTS TO ENSURE THAT OUR REGULATORS CAN COOPERATE WITH EACH OTHER TO PREVENT ANY GAPS.

BUT ONE THEME, WHICH HAS PERHAPS HAD THE MOST SIGNIFICANT IMPACT ON THE ARCHITECTURE OF FINANCIAL SERVICES SUPERVISION AND REGULATION IN THE LAST SIX YEARS, HAS BEEN THAT OF ANTI-MONEY LAUNDERING AND TERRORIST FINANCING.

FOR US, REGULATION IS LARGELY DETERMINED AT THE INTERNATIONAL LEVEL, AND SO WE HAD TO CONFORM TO INTERNATIONAL STANDARDS AND COOPERATE WITH INTERNATIONAL BODIES IN THE FIGHT AGAINST MONEY LAUNDERING AND THE FINANCING OF TERRORISM.

HOWEVER, AS WE ALL KNOW, MONEY LAUNDERING IS NOT A STATIC BUSINESS, AND SO WE WILL NEED TO CONTINUE TO UPDATE OUR DEFENCES. THE BENEFIT OF SUCH VIGILANCE IS TO UNDERPIN THE SECURITY AND REPUTATION OF OUR REGIME-WHICH ARE ALL INGREDIENTS THAT ARE VITAL TO INSPIRING INVESTOR CONFIDENCE.

2. INNOVATION

IN OUR JOBS AS REGULATORS, IT IS IMPORTANT THAT WE STRIKE THE RIGHT BALANCE BETWEEN THE NEED FOR A COST EFFECTIVE AND RESPONSIVE REGULATORY REGIME AND ONE WHICH AT THE SAME TIME ALLOWS THE SECTOR THE FLEXIBILITY TO INNOVATE AND ADAPT AS NEW MARKETS EMERGE AND EXISTING MARKETS CHANGE.

CLEARLY, OUR REPUTATION AS A JURISDICTION HINGES, NOT ONLY ON THE QUALITY OF SUPERVISION OR THE LEGAL FRAMEWORK, BUT ALSO ON THE VARIOUS PRODUCTS AND SERVICES THAT ARE OFFERED FROM THIS JURISDICTION.

SO THE ABILITY TO INNOVATE IS CRITICAL TO SUSTAINING AND INCREASING MARKET SHARE IN GLOBAL FINANCIAL SERVICES.

IN RECENT YEARS, WE HAVE MADE IMPORTANT LEGISLATIVE CHANGES TO INTRODUCE NEW PRODUCT OFFERINGS SUCH AS FOUNDATIONS, PURPOSE TRUSTS, SEGREGATED ACCOUNTS, STANDARD, PROFESSIONAL AND SMART FUNDS, AND MORE RECENTLY PRIVATE TRUST COMPANIES- ALL OF WHICH ARE DESIGNED TO ENHANCE OUR COMPETITIVENESS BY PROVIDING THE SECTOR WITH THE ABILITY TO EXPLOIT NEW MARKET OPPORTUNITIES.

TO MAINTAIN THE MOMENTUM OF GROWTH IN OUR CENTRE, WE WILL BE FURTHER CHALLENGED TO FOCUS ON ANCHORING MORE ACTIVITIES IN OUR JURISDICTION- WHICH SPEAKS TO DEVISING NEW VEHICLES TO TAKE ADVANTAGE OF UNTAPPED OPPORTUNITIES IN PRIVATE WEALTH MANAGEMENT.

WORKFORCE

I COME TO THE NEXT ISSUE, THAT OF THE WORKFORCE-WHICH MAY BE REGARDED AS OUR KNOWLEDGE INFRASTRUCTURE.

WORKFORCE DEVELOPMENT IS EXTREMELY IMPORTANT AS PEOPLE ARE.THE INDUSTRY'S MOST IMPORTANT RESOURCE. BY AND LARGE, ACCELERATED TECHNOLOGY, ORGANIZATIONAL CHANGES AND COMPETITION HAVE ELEVATED THE PREMIUM ON SKILLS FOR ALL WORKERS, AND THIS UNDERLIES THE IMPORTANCE OF HAVING A QUALITY EDUCATION, IN GENERAL.

WE KNOW THAT JOBS IN THE FINANCIAL SERVICES SECTOR ARE, BY AND LARGE, HIGH WAGE, HIGH VALUE ADDED POSITIONS, AND THE SUCCESS OF BUSINESS DEPENDS ON THE SKILLS OF EMPLOYEES.

PRELIMINARY DATA FROM THE 2006 SURVEY OF THE BANKING SECTOR CONDUCTED BY THE CENTRAL BANK REVEALED THAT THE AVERAGE ANNUAL SALARY OF SOME 4,368 BAHAMIANS EMPLOYED IN THE BANKING SECTOR APPROACHED \$45,000 FOR AND WAS EVEN HIGHER FOR THE 869 EMPLOYEES IN THE OFFSHORE BANKING SECTOR, AT NEARLY \$58,000. [[When you consider that we are a \$4.6 billion economy, with a per capita GDP of \$18,752, this is very significant]

THIS UNDERLINES THE STRONG POTENTIAL FOR IMPORTANT WELFARE ENHANCEMENTS IF WE ARE ABLE TO SECURE EVEN GREATER GROWTH IN THE FINANCIAL SERVICES SECTOR.

TO BE SURE, OUR ABILITY TO TAKE ADVANTAGE OF THE NEW OPPORTUNITIES AS THEY PRESENT THEMSELVES WILL REQUIRE US TO DEVELOP A STEADY POOL OF PROSPECTIVE WORKERS FOR THE FINANCIAL SERVICES SECTOR. AND THIS IN ITSELF IS A MULTIFACETED

TASK, FOCUSING, ON THE ONE HAND ON ENHANCING THE SKILL LEVELS OF NEW ENTRANTS TO THE SECTOR, AND THEN PROVIDING ONGOING TRAINING OPPORTUNITIES FOR PERSONS WORKING IN THE INDUSTRY.

AS AN ESTABLISHED CENTRE FACING INCREASING COMPETITION, WE WILL BE CHALLENGED TO TAKE EXTRA MEASURES TO ADVANCE OUR SKILLS BASE, IF WE ARE TO RETAIN AND ATTRACT NEW BUSINESS IN THE BAHAMAS.

WE KNOW FROM THE INDUSTRY THAT CHIEF AMONG ITS WORKFORCE DEVELOPMENT CONCERNS IS THE NEED FOR FOREIGN LANGUAGE SKILLS. OVER THE YEARS, WE HAVE MADE SOME PROGRESS IN THIS AREA, BUT A MORE DEFINITIVE PLAN AND STRATEGY IS REQUIRED TO SUCCESSFULLY ADDRESS THIS CONCERN.

AND THE UPSKILLING OF OUR RESOURCES CAN ONLY BE ACHIEVED THROUGH A PARTNERSHIP, WITH THE PUBLIC SECTOR HAVING A CENTRAL ROLE.

IN THIS REGARD, I WOULD LIKE TO COMMEND THE ONGOING COMMITMENT AND ROLE PLAYED BY THE BAHAMAS INSTITUTE OF FINANCIAL SERVICES TO WORKFORCE DEVELOPMENT. THE PROGRAMMES YOU OFFER, THE BANKING CERTIFICATE PROGRAMME, TRUSTEE DIPLOMA, CERTIFIED FINANCIAL

PLANNER, CERTIFIED WEALTH MANAGR AND THE INTERNATIONAL DIPLOMA IN ANTI-MONEY LAUNDERING AND COMPLIANCE-ARE INVALUABLE IN BUILDING CAPACITY AND ELEVATING THE PERFORMANCE LEVEL IN THE SECTOR.

AGAIN, WHILE WE HAVE DONE MUCH TO TRAIN OUR PEOPLE, WE MUST TRANSFORM OURSELVES INTO A CENTRE OF EXCELLENCE FOR SKILLS DEVELOPMENT, WHICH WILL TRANSLATE INTO ADDITIONAL BENEFITS FOR THE SECTOR.

PUBLIC/PRIVATE PARTNERSHIP

LASTLY, THERE IS THE IMPORTANT ROLE OF PUBLIC PRIVATE PARTNERSHIP.

A SIGNIFICANT KEY TO THE FUTURE SUCCESS OF THE SERVICES SECTOR WILL CONTINUE TO BE A CLOSE PUBLIC PRIVATE PARTNERSHIP-ALL INDUSTRY STAKEHOLDERS WORKING HAND IN HAND IN DEVELOPING STRATEGIES TO CONFRONT THE CHALLENGES THAT LIE AHEAD OF US.

THE STRATEGY MUST TAKE INTO CONSIDERATION THE INDUSTRY'S LONGTERM POTENTIAL AND DEVELOPMENT NEEDS AND THE DEVELOPMENT OF AN ACTION PLAN TO HELP ACHIEVE THE DESIRED OBJECTIVES AND THERE HAS TO BE A SHARED UNDERSTANDING AND OWNERSHIP OF THESE OBJECTIVES.

I BELIEVE THAT USING THIS PLATFORM, WE CAN TOGETHER IDENTIFY THE STRENGTHS AND WEAKNESSES OF OUR REGIME AND DEVELOP APPROACHES TO ENHANCE COMPETITIVENESS; HAVE ONGOING DIALOGUE TO MONITOR PROGRESS OF STRATEGIC INITIATIVES; HAVE A COLLECTIVE VOICE TO

INFORM THE WORK OF REGULATORS; AND DEVELOP AND DELIVER CLEAR CONSISTENT MESSAGES IN PROMOTING THE BAHAMAS' FINANCIAL SERVICES SECTOR-GETTING THE MESSAGE OUT THERE THAT WE ARE A WELL REGULATED CENTRE, WITH INNOVATIVE PRODUCTS AND SERVICES AND A SKILLED WORKFORCE.

IN AN IMPORTANT WAY, THIS PARTNERSHIP CAN CONTINUE TO BUILD UPON THE SUCCESS ACHIEVED BY INDUSTRY AND THE PUBLIC SECTOR IN SUPPORTING AND ENCOURAGING INNOVATION WITHIN THE INDUSTRY, AND ELEVATING THE INDUSTRY'S PROFILE WITHIN THE INTERNATIONAL FINANCIAL COMMUNITY.

CONCLUSION

TO CONCLUDE, SUSTAINING GROWTH IN THE FINANCIAL SERVICES SECTOR COMPLEMENTS THE OVERARCHING FRAMEWORK FOR ECONOMIC GROWTH AND DEVELOPMENT IN THE BAHAMAS, AND IS CONSISTENT WITH THE SHARED VISION OF THE BAHAMAS AS A MODERN, HIGHLY-SKILLED AND COMPETITIVE JURISDICTION FOR BUSINESS.

THE GLOBAL FINANCIAL SERVICES MARKET HAS TREMENDOUS PROSPECTS FOR FUTURE GROWTH, AND THE BAHAMAS CERTAINLY HAS THE POTENTIAL TO TAKE A LARGER SHARE OF THIS MARKET.

I BELIEVE AN APPROACH THAT EMPHASIZES REGULATORY INFRASTRUCTURE, PEOPLE, INNOVATION, AND PUBLIC/PRIVATE PARTNERSHIP, WILL ALLOW US

TO CONTINUE TO BUILD OUR REPUTATION AS A CENTRE FOR GLOBAL FINANCIAL SERVICES IN THE YEARS AHEAD.

THANK YOU FOR YOUR ATTENTION.