



HARMONIZING THE REGULATORS AND THE POWER TO WORK TOGETHER

Presentation by

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The Bahamas currently has five financial sector regulators:

- **The Central Bank of The Bahamas;**
- **The Securities Commission of the Bahamas;**
- **The Registrar of Insurance;**
- **The Inspector of Financial and Corporate Service Providers; and**
- **The Compliance Commission;**

CRITICISMS

The International Monetary Fund, in its 2002 Report on The Bahamas' supervision and regulation of the Financial Sector cited

- the risk of duplication of process**
- unnecessary strain on limited resources**

OTHER CONCERNS

- **Overlap and duplication in on-site examinations;**
- **inability of financial sector regulators to share information; and**
- **increase of foreign and domestic financial conglomerates.**

ACTIONS TAKEN TO DATE

- **Group of Financial Sector Regulators established in 2002;**
- **Central Bank undertook a proactive role to fill gaps in information sharing matters;**
- **In 2005 the Government established the Financial Services Regulatory Reform Commission.**

PROGRESS

- **In 2007 amendments were made to the governing legislation of financial sector regulators giving them all power to share information with each other.**

FORWARD –UPWARD – ONWARD

Decisions have to be made as to:

- **The model the Bahamas will adopt for integrated regulation.**
- **The timetable for moving toward more integrated supervision.**
- **How the new entity(s) will be funded.**

SUPERVISORY MODELS

Fully Integrated Supervisors

- **These regulators supervise at least three sectors of the financial service industry: banking, insurance and securities markets.**

SUPERVISORY MODELS

Continued...

The Twin Peaks Model

- **One regulator is responsible for prudential supervision of three sectors but another entity is responsible for market conduct, consumer protection and corporate governance.**

SUPERVISORY MODELS

Continued...

Partly Integrated

- **These supervisory agencies provide prudential supervision to two of the three sectors**

Sectoral Supervision

- **Each sector has a separate regulator – (as in The Bahamas.**

WHAT ROLE SHOULD THE CENTRAL BANK PLAY?

Should the Bank continue to be responsible for banking supervision or should this function be transferred to a new agency?



PROS & CONS

- **Arguments supporting separation rely on inter alia moral hazard issues – which would include the possibility for example that where a central bank is responsible for monetary policy and bank supervision this may lead to implementation of weak monetary policies if the Bank has concerns that robust monetary conditions (e.g. tight liquidity policies) may lead to bank failures.**

PROS & CONS

- **Arguments against separation rely on the traditional strength of Central Banks in terms of ability to obtain information on the financial soundness of licensees and the creditworthiness of participant's in the payments system, autonomy and the ability to attract and retain skilled professional staff, particularly where banking is the primary sector of the economy.**

A MODEL SUPERVISOR



- **Independence**
- **Accountability**
- **Funding**
- **Skilled staff and strong management**
- **Robust legal framework**

A MODEL SUPERVISOR



Continued...

Independence

- **The new entity(s) should be free of overt political interference in the conduct of their duties.**

A MODEL SUPERVISOR

Accountability

- **Clear reporting lines to Parliament on regulatory initiatives;**
- **Production of audited accounts;**
- **Transparency in the creation and implementation of policies.**

A MODEL SUPERVISOR

Funding

- **Who should pay? The industry or the public treasury?**

Staffing

- **Adequate staff with relevant training and experience.**
- **Competitive remuneration packages will have to be offered to retain and attract the best persons for the jobs available.**

A MODEL SUPERVISOR

Continued...

Legislation should give integrated supervisor

- **Clear Mandate in regard to its powers, fee structure, licensing requirements, and enforcement powers.**
- **The legislation should provide the necessary framework for agencies that are brought together to operate as a single agency rather than continuing as separate agencies merely operating in the name of a new supervisor.**

WHAT IS THE TIMETABLE?

Continued...

Timing

- **The question here is whether jurisdictions should follow a phased approach to integrated supervision or a “one-fell swoop” approach.**

CONCLUSION

In the end each jurisdiction must decide for itself what approach in terms of structure and timing would best suit its needs.

The End

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