

Corporate Governance, E-Banking and Supervisory Structure

Address by Drs. A.G. Romero, Executive on the occasion of the opening of the Regional Workshop of the Financial Stability Institute for the Caribbean Group of Banking Supervisors hosted by the Bank van de Nederlandse Antillen on the subject of "Corporate Governance, E-Banking and Supervisory Structure" October 2001.

Distinguished lecturers, course participants, ladies and gentlemen: On behalf of the Central Bank of the Netherlands Antilles I welcome you to this conference and to our beautiful island by extending you a warm "Bon Bini." Our Bank is very pleased to host this conference on "Corporate Governance, E-banking, and Supervisory Structure" for the Caribbean Group of Banking Supervisors in cooperation with the Financial Stability Institute. Considering the rapidly changing financial world in which we live, we as supervisory authorities should constantly strive to remain abreast of developments in the financial sector and to undertake our responsibilities more efficiently and effectively.

In recent years, a great deal of attention has been given to the issue of corporate governance in financial institutions. Many supervisory authorities have devoted a significant amount of time and resources to the development of sound policies of corporate governance. In particular, the OECD issued a set of corporate governance standards and guidelines (June 21, 1999) to help governments "in their efforts to evaluate and improve the legal, institutional, and regulatory framework for corporate governance in their countries, and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance." In addition, the Basel Committee has been actively in drawing from the collective supervisory experience of its members and other supervisory authorities to issue supervisory guidance to foster safe and sound banking policies regarding corporate governance.

The Central Bank of the Netherlands Antilles, hereafter referred to as "the Bank", also has been very active promoting of sound corporate governance in the financial sector of the Netherlands Antilles. In August of 1996, the Bank issued Guidance Notes for the Board of Directors of Supervised Financial Institutions on Corporate Governance and a Summary of Best Practice Guidelines on Corporate Governance, both of which recently were revised. The guidance notes describe the general responsibilities of the Board, the legal obligations of directors, and the role of auditors; whereas the best practice guidelines contain a discussion and presentation of various systems, policies and measures potentially effective in dealing with corporate governance issues in financial institutions. To encourage the practical implementation of the guidelines, the Bank requires the Board of Directors of all supervised financial institutions to provide to the Bank on an annual basis a Statement of Compliance with the best practice guidelines on corporate governance reviewed by an accounting firm.

In addition to developments in the area of corporate governance, the financial sector also is experiencing the technological evolution of electronic commerce and banking. The rapid pace of technological advancement creates a new world of opportunities for financial institutions, and consequently, new challenges for supervisory authorities. As technologies for processing, analyzing, and transmitting vast quantities of data continue their development; consumer and banking practices are changing, in some cases dramatically. Nonetheless, significant efforts should be made to strengthen confidence in electronic transactions by enforcing the laws governing electronic transactions, by deploying encryption systems, and by ensuring privacy as an important commercial and legal issue.

Recent developments in the international financial sector imply that supervisors should now more than ever promote a sound and prudent supervisory structure that constantly anticipates and adapts to changes in the financial industry. Sound and prudent supervisory structure is effective only if financial institutions make meaningful disclosure of their activities and risk exposures. While significant progress has been made in recent years in the area of banking supervision, disclosure practices unfortunately have not kept pace with the rapid changes in the banks' activities and risk exposures and how these exposures are measured and managed.

To conclude, I would like to say that even though the financial services industry is evolving continuously, which in turn poses significant challenges to supervisors around the globe, as supervisors we should strive to promote a regulatory framework that ensures the soundness and stability of the financial system a regulatory framework that emphasizes on sound corporate governance, effective risk management, and a market discipline that encourages bank transparencies. Therefore, I hope that this conference will shed further light on the challenges and issues faced by supervisors with respect to "Corporate Governance, E-Banking, and Supervisory Structure." I wish you a fruitful conference and hope you have a pleasant stay on our island.