

## Opening of 7th Annual Meeting of the Offshore Group of Collective Investment Schemes (OGCISS)

*Opening Remarks by Dr. Emsley D. Tromp on the occasion of the opening of 7th Annual Meeting of the Offshore Group of Collective Investment Schemes (OGCISS) hosted by the Bank van de Nederlandse Antillen, June 2, 2004*

Distinguished delegates:

Good morning. On behalf of the Central Bank of the Netherlands Antilles I welcome each and every one of you to the 7th Annual Meeting of the Offshore Group of Collective Investment Schemes and to our island, by extending you a warm "Bon Bini" (meaning "welcome"). Our Bank is very pleased to host this meeting in cooperation with the Offshore Group of Collective Investment Schemes.

In a financial world characterized by dramatic changes, developments, and innovations, we as supervisors should constantly strive to remain abreast of the developments in the financial industry and discover ways of undertaking our responsibilities more efficiently and effectively. Our Bank applauds the efforts of the Offshore Group of Collective Investment Schemes to continuously provide a venue for supervisors from across jurisdictions to come together and share their ideas and experiences related to the regulation and supervision of collective investment schemes. These annual meetings also help us better understand each others' approach to the regulation and supervision of collective investment schemes.

Our Bank has always been very active in the promotion of financial stability and minimizing systemic risk through sound and prudential supervision, which has also contributed to the importance of the Netherlands Antilles as an international financial center in the region. With the supervision of credit institutions, insurance companies, pension funds, collective investment schemes, administrators, and trust service providers entrusted to it, our Bank is constantly striving for ways to strengthen the Netherlands Antillean financial sector by enhancing the quality of our supervision in an effort to promote sound macroeconomic developments. Accordingly, we promote high standards of integrity, competency and business conduct amongst all our supervised institutions.

The timing of this conference is needless to say very crucial. We are meeting at a time when the eyes of the world are more than ever focused on the international financial centers. International organizations, standard setting bodies, policymakers, legislators, and international media alike are intensively observing the activities of institutions operating in the international financial centers. The risks, particularly the reputational risks, that our various financial centers are exposed to, should make us realize our mutual dependence.

Therefore, as supervisors of the institutions operating within these tax havens, we should at all times promote a regime that foster sound, prudential supervision of these institutions. In doing so, we help promote investors' confidence in our various jurisdictions and in the international financial centers as a whole.

Today it seems more than ever that our domestic macroeconomic performance and policies are being dramatically affected by global developments. The financial markets around the world felt the effect of the latest tragedies and financial scandals, which further emphasize our interrelationship and mutual dependence. These tragedies and financial scandals have affected our domestic financial markets in such a way that financial institutions can no longer "think and act locally", but rather should "think and act globally." Furthermore, competition in the financial sector has become so intense that only the institutions that are able to predict and monitor changes in the financial industry will be able to obtain or maintain a competitive position in the industry.

The beginning of the twenty first century witnessed remarkable advances in financial engineering and innovation. These advances have resulted in an increased number of complex institutions. There are of course uncertainties and risks surrounding these advances. These uncertainties and risks will require careful monitoring and management by the supervised institutions. These institutions should have a comprehensive risk measurement approach accompanied by a strong management information system for controlling, monitoring and reporting the risks.

The financial and technological advances alluded to also pose significant challenges to supervisors, as they work to appropriately calibrate their supervisory programs to the challenges of the innovations in the operations of the supervised institutions. Supervisors must nonetheless implement supervisory policies and practices that conform to the scope and complexity of the supervised institutions to which they are applied.

The U.S. Securities and Exchange Commission (U.S. SEC), for example, has recently adopted a rule requiring mutual funds and their advisers to adopt policies and procedures reasonably designed to prevent securities law violations, including late trading, abusive market timing, and selective portfolio disclosure. These programs and procedures are designed to assist the mutual funds in their decision-making and monitoring rules.

The International Organization of Securities Commission (IOSCO) in its on-going efforts to address securities supervisory issues, has been active in drawing from the collective supervisory experience of its members and other supervisory authorities in issuing supervisory guidance to foster safe and sound policies to adapt to the changes in the financial industry. An example of such a supervisory guidance is the consultative document recently published by the Technical Committee of IOSCO addressing the elements of International Regulatory Standards on Fees and Expenses of Investment Funds.

As we as supervisors attempt to narrow the gap between our existing laws and regulations governing the supervision of collective investment schemes and the necessary update that is required to keep pace with a growing and constantly evolving industry, I am sure you would agree with me that our task as supervisor has only become more challenging. The challenges and threats that financial institutions face appear to be numerous. The size and complexity of the challenges always seems to grow at a faster rate than the resources assigned to it. Nonetheless, we as supervisors should have the right information in order to make the right choices in assessing the threats and challenges of the industry and keep abreast of the developments that are taking and will take place in our markets. In doing so we will contribute both to meeting our respective domestic objectives and to strengthening the global economy at a time of significant changes.

**Conclusion:**

The recent developments in the international financial sector imply that supervisors should more than ever promote a sound and prudent supervisory structure that is constantly anticipating and adapting to the changes in the financial industry. More than ever, it appears that sound and prudent supervisory structure is only effective 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 collective investment schemes' supervision, it unfortunately remains the case that disclosure practices have not kept pace with the rapid changes in the institutions' activities and risk exposures, and how these exposures are measured and managed.

Even though the financial services industry is continuously evolving, 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 places emphasis on sound corporate governance, effective risk management and a market discipline that encourages transparencies. Therefore, I hope that this conference will shed further light on these challenging issues faced by supervisors. I wish you a fruitful conference and hope you have a pleasant stay on our island.