STANDARDS FOR THE PROTECTION OF PUBLIC INTEREST AND THE PERFORMANCE OF SUPERVISORY INSTITUTION

1.0 It is my distinct pleasure to be here today as a discussant on the Plenary Session Paper 1 titled, STANDARDS FOR THE PROTECTION OF PUBLIC INTEREST AND THE PERFORMANCE OF SUPERVISORY INSTITUTION. I find this conference's theme of "Protecting the Public Interest: Enhancing Professionalism" to be quite fitting, given the current fiscal and regulatory efforts at enhancing the lives of Nigerians under such security and health challenges.

What are standards in the context of public interest?

2.0 Public interest can be defined as "the welfare of the general public (in contrast to the selfish interest of a person, group, or firm) in which the whole society has a stake and which warrants recognition, promotion, and protection by the government and its agencies.." Standards set out what are widely accepted as good principles, practices, or guidelines in a given area. The Government, through the establishment of regulatory bodies and policies as well as licensing and overseeing standard setting organisations, ensure the protection of public interest and conformity with approved standards.

Why are standards important?

3.0 Standards and their regulation exists in almost all areas of human activity including the environment, construction, hiring policy, health and safety standards, information disclosure, product pricing, banking, and hours worked. For most of the 20th century, government designed, administered and enforced formal rules, although private actors have typically played some role in this process. The past century has witnessed numerous international organisations and governments re-evaluate their regulatory strategy and establish standards in the best interest of the public.

4.0 The development and implementation of internationally accepted economic, financial and statistical standards can help promote sound domestic financial systems and international financial stability. The development, adoption, and successful implementation of international standards yields both national and international benefits. This includes a strong and virile economy that fosters economic development, job creation, establishment of robust public infrastructure and generally, a better life for the public.

What are the global standards setting institutions?

5.0 Globally, there are different Supervisory Institutions set-up for the purpose of monitoring and regulating different activities between countries. Some examples include United Nations (UN), European Union, Economic Community of West African States (ECOWAS) etc. However, the focus in this paper is on the standards for the protection of public interest in financial sector with a view to ensuring financial system stability that will support sustainable economic growth and development.

6.0 Some of the standard pace-setters in the global financial system are Basel Committee on Banking Supervision (BCBS), the International Association of Deposit Insurers (IADI), Financial Stability Board (FSB), the WorldBank and the International Monetary Fund (IMF). Others are International Accounting Standards Board (IASB), International Auditing and Assurance Standards Board (IAASB) and International Association of Insurance Supervisors (IAIS).

7.0 The BCBS was formed in 1974 by the central bank governors of the Group of 10 countries. Individual countries are represented by their central bank and also by the relevant authority with formal responsibility for prudential supervision of banking where that authority is not the central bank. The committee formulates broad supervisory standards and guidelines and recommends statements of best practices on a wide range of bank supervisory issues. The Financial Stability Board (FSB) was established to coordinate at the international level, the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability.

8.0 The International Association of Deposit Insurers (IADI) was formed in May 2002 to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation. Members of IADI conduct research and produce guidance for the benefit of those jurisdictions seeking to establish or improve a deposit insurance system. Members also share their knowledge and expertise through participation in international conferences and other forums. IADI currently represents 75 deposit insurers from 73 jurisdictions. Only deposit insurers can join IADI as Members. However, financial safety-net organizations–such as central banks, supervisors and regulators–can join IADI as Associates. Additionally, international organizations, financial institutions, professional firms, and other private sector organizations can join IADI as Partners or Observers.

9.0 The WorldBank develops international standards in areas of direct operational relevance to its mandate of promoting financial sector development. The IMF's mandate is the surveillance of its members' macroeconomic and financial policies, as well as of the international monetary system. The IMF develops and monitors international standards in areas relevant to this mandate. The International

Accounting Standards Board is an independent, privately-funded accounting standard setter based in London, UK. Board members come from nine countries and have a variety of functional backgrounds. The Board is committed to developing, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements.

10.0 Others are the professional global Association of Chartered Certified Accountants (ACCA) and the West African-based Institute of Chartered Accountants of Nigeria (ICAN) that "determine what standards of knowledge and skills are to be attained by persons seeking to become members of the accountancy profession and to raise those standards from time to time as circumstances may permit''. Professional Risk Managers' International Association (PRMIA) is a member-led and member-driven non-profit professional association that provides a free and open forum for the promotion of sound financial risk management standards and practices globally and "the integration of practice and theory". In Nigeria, the Council for the Regulation of Engineering in Nigeria, COREN, regulates the Practice of Engineering in all aspects and ramifications in Nigeria. There are several other professional but well-recognised standards setting organisations in the world and in Nigeria. These organisations help in ensuring the adhering to the highest possible standards of professional conduct, current state-of-the-art knowledge and relevant skill set with which to anticipate, respond and adapt to critical new issues in their respective fields.

What are the key standards established by the global standard pace-setters?

11.0 According to the FSB, some of the key standards issued by the IMF include Code of Good Practices on Transparency in Monetary and Financial Policies and General Data Dissemination System. Core Principles for Effective Banking Supervision, Insurance Core Principles and Core Principles for Effective Deposit Insurance Systems are the standards issued by the BCBS, IAIS and IADI, respectively. International Financial Reporting Standards (IFRS) was issued by the IASB while the FSB released Key Attributes of Effective Resolution Regimes for Financial Institutions.

12.0 A key standard that has revolutionized modern global banking is the regulatory Basel Accord that was first agreed in 1988 and released by the BCBS, but its simplicity encouraged rapid growth in products that avoided regulatory capital and has several other shortcomings. To accommodate these inadequacies and due to the changing world of banking, Basel II Accord was published in 2004. However, Basel II also had several inadequacies. Notably, the framework had no allowance for liquidity risk, too big to fail and systemic risks from large institutions were also not addressed. Indeed, Basel II has been severely criticised as one of the main reasons that led to the 2007 crisis. These and other shortcomings during the subprime crisis led to Basel III being outlined in December 2010. The objective of Basel III is to ensure that banks are better capitalised, more liquid and generally better 'behaved' than before. The new regulatory framework includes liquidity risk regulations and tighter supervision for systemically important financial institutions (SIFIs) and many other reforms. A similar risk-based regulatory framework applicable to the insurance and pensions industries is the Solvency/Solvency II standard.

What are the Nigerian institutions that ensure adaptation and enforcement of these standards in Nigeria?

13.0 These are several government institutions set-up to monitor the activities of private financial institutions and enforce all necessary standards in the public's interest. The CBN in April 1994 undertook to facilitate a formal framework for the co-ordination of regulatory and supervisory activities in the Nigerian financial sector by establishing the Financial Services Coordinating Committee (FSCC), renamed to Financial Services Regulation Coordinating Committee, FSRCC, to address more effectively, through consultations and regular inter-agency meetings, issues of common concern to regulatory and supervisory bodies and to enforce. The Committee was accorded legal status by the 1998 amendment to Section 38 of the CBN Act 1991 and formally inaugurated by the Governor of the CBN in May 1999.

14.0 The members of the FSRCC are the Central Bank of Nigeria (CBN), Corporate Affairs Commission (CAC), Federal Ministry of Finance (FMF), National Insurance Commission (NAICOM), National Pension Commission (PenCom) and Nigeria Deposit Insurance Corporation (NDIC). Others are Securities and Exchange Commission (SEC), Abuja Securities and Commodity Exchange Plc (ASCE), Nigerian Stock Exchange (NSE) and Federal Inland Revenue Service (FIRS).

15.0 Financial services are an essential part of everyday life. People who face difficulties accessing and using financial services experience real detriment in terms of the monetary costs of financial exclusion, social and psychological costs of feeling excluded from mainstream society. Financial exclusion plays a major role in trapping people in poverty. It is not possible to attain stability whether financial, economic, political or social without achieving appreciable level of financial inclusion. Financial inclusion promotes thrift and develops culture of saving, improves access to credit both entrepreneurial and emergency and also enables efficient payment mechanism, thus strengthening the resource base of the financial institution which benefits the whole economy. The FSRCC participants, under the leadership of the CBN, is in the process of ensuring the attainment of Rivera Maya, Mexico declaration, to decrease the level of financial exclusion in Nigeria from 46.3% in 2010 to 20% by the year 2020.

16.0 Other key laudable achievements of the supervisors include the establishment of the Financial Literacy Framework by the CBN in collaboration with other regulatory agencies, introduction of Regulatory Framework for Mobile Payments Services and Consumer Protection Framework to mention a few. The main objective of Financial Strategy and other related policies is to increase access to payments, savings, pension, insurance and credit at an affordable cost to consumers, especially the unbanked poor segment of the society, which is truly in the public's interest.

17.0 It is important to understand the significance of financial literacy and consumer protection in enhancing financial inclusion and protecting public interest. Financial literacy is required to increase awareness and understanding of the population on financial products and services so as to increase sustainable usage of formal financial services. Consumer Protection is necessary to safeguard the interest of clients and sustain confidence in the financial sector. In the case of consumers with bank accounts, deposit insurance provides guarantee of specified amount and in so doing enhances confidence in the banking system. This helps in attracting the unbanked to formal banking services and protects the public's interest.

18.0 In Nigeria, Consumer Protection Council, as a parastatal of the Federal Government, provides speedy redress to general Nigerian consumers' complaints through negotiation, mediation and conciliation. In addition, the various financial sector regulators individually cater to their respective sectors. A major effort to boost consumer protection is the establishment of CBN's Consumer Protection Department as well as the implementation of a comprehensive Consumer Protection Framework. Banks have also been mandated to establish Consumer Help Desks at their head offices and branches.

19.0 The Nigerian financial regulators proposed a law to establish a financial Ombudsman to help adjudicate on cases of disputes between customers and banks. This is a mechanism to help protect customer and hence further financial inclusion. The proposed Nigerian Financial Ombudsman is to be an independent body charged with the responsibility for resolving financial and related dispute in the Nigerian financial services sector and for related matters. The proposed law which seeks to establish a financial Ombudsman will help adjudicate on cases of disputes, between customers and banks, customers and insurance companies and customers and on pension matters.

20.0 Individually, all the members of the FSRCC have performed very well in drafting and enforcing standards in their respective sectors. Through the FSRCC, regulatory arbitrage through non-sharing of information and otherwise has been eliminated. The recent Nigeria's Financial System 2020 Strategy is also an achievement of the supervisors. Many more standards are on the way from the Nigerian financial sector supervisors.

21.0 The NDIC was established to be a risk minimizing deposit insurance agency with a broad mandate of insuring all deposit liabilities of licensed banks, bank supervision, bank failure resolution and liquidation. Banking supervision in Nigeria is the joint responsibility of the CBN and NDIC. The Corporation does not set standards but sets guidelines in respect of its core mandate areas such as deposit insurance premium pricing and coverage level of insured deposits, amongst others. The Corporation also assists monetary authorities in the formulation and implementation of policies so as to ensure sound banking practice and fair competition among insured institutions in the country. For instance, the NDIC recently collaborated with the CBN in 2013 to develop the Framework for Supervision of Domestic Systemically Important Banks in Nigeria (D-SIBs).

22.0 The NDIC recognises and supports the important functions provided by professional organisations like ICAN and Chartered Institute of Bankers (CIBN). Membership and certifications from such institutions are testaments of highest standards, professionalism and excellence in their respective fields. Members of staff in NDIC who are members of such professional bodies are accorded their well-deserved recognition. The Corporation sponsors its staff to partake in the mandatory continuous education programs of the organisations. The NDIC respects the opinions and suggestions of these organisations and honours their invitations to their activities with all the required financial and human resources.

23.0 In conclusion, there various economic and financial standards that are internationally accepted as important for sound, stable and well functioning financial systems. The global financial system standard pace-setters attach much importance to the adoption and implementation of these standards because of their beneficial effects on the stability of financial systems both at national level and globally. While the FSRCC provides a room for ensuring that information is shared, eliminates regulatory arbitrage and ensures a co-ordinated regulatory stance, its aim as a Committee can only be achieved if each agency ensures the adoption of important standards as recommended by the relevant global financial system standard pace-setter and from other standards setters that are the 'guardians' of professional fields like ICAN and PRMIA.