

**WELCOMING REMARKS**  
**MR. HOOKYU RHU**  
**EXECUTIVE DIRECTOR, THE SEACEN CENTRE**  
**FOR SEACEN-TORONTO CENTRE-CGAP COURSE ON SUPERVISION OF**  
**DEPOSIT TAKING MICROFINANCE INSTITUTIONS**  
*Kuala Lumpur, Malaysia, 14-19 April 2013*

Mr. Thomas Tan Koon Peng, Director, Human Capital & Development Centre,

Mr. Chris Cardoza, Program Director, Toronto Centre

Distinguished Resource Speakers

Officials of Bank Negara Malaysia

Course Participants

Ladies and Gentlemen

Good Morning!

On behalf of The SEACEN Centre, I would like to welcome all of you to the **SEACEN-Toronto Centre-CGAP Course on Supervision of Deposit Taking Microfinance Institutions**, organised in collaboration with the Toronto Centre, Consultative Group to Assist the Poor (CGAP), and hosted by Bank Negara Malaysia.

First of all, allow me to express our deepest appreciation to Mr. Thomas Tan Koon Peng, Director, Human Capital and Development Centre and Bank Negara Malaysia for hosting this learning event and for their continuing support of SEACEN activities. Our special thanks go to Bank Negara Malaysia's organising committee for working closely with The SEACEN Centre. Their dedication is made evident by the excellent arrangements and warm hospitality extended to all of us. I would also like to record my sincere thanks to the Toronto Centre and CGAP for collaborating with The SEACEN Centre in organizing this learning event.

My special thanks go to Mr. Chris Cardoza, Program Director, for his support to the collaboration between our two institutions and in particular for his contribution to this event. We are fortunate to have with us 5 other distinguished resource speakers in addition to Mr.

Cardoza, who have travelled from far and near to share their wealth of knowledge, expertise and experience with participants in this Course. They are, in the order of appearance:

- Ms. Denise Dias, Consultant
- Ms. Dolores M. Torres, President and CEO, CARD Bank, Inc.
- Ms. Serey Chea, Deputy Director General, Banking Supervision Department, National Bank of Cambodia
- Mr. Carlos Alba Prado, Consultant
- Mr. Eric Duflos, Regional Representative for East Asia and the Pacific, Consultative Group to Assist the Poor (CGAP)

With such a list of distinguished speakers, I am confident that our participants would learn much from this Course to enhance their supervision skills, specifically in the context of the microfinance industry.

Ladies and Gentlemen,

An estimated 1.29 billion people lived below \$1.25 a day in 2008. These extreme poor represents 22 percent of the developing world's population. If the poverty line is raised to \$2 per day, the number of poor people increased dramatically to a whopping 2.47 billion people or 43% of the developing world's population. While the latest World Bank statistics showed improvements in reducing poverty compared to nearly three decades ago, yet the fact remains that many people are continuously trapped in the vicious cycle of poverty – vulnerable to external threats and in dire need of financial assistance to alleviate themselves and their societies out of financial quagmire. In view of this, various microfinance activities, especially those transacted in deposit taking Microfinance Institutions (or MFIs), play crucial roles in positively impacting their lives. In a twist of circumstances, even European Union policymakers are recognizing the role of microfinance as a possible solution to the Euro-zone sovereign debt crisis as hard-hit Europeans seek financial aid in the face of record high unemployment, acute austerity measures and sudden loss of financial security.

Over the past few years, microfinance has undergone rapid transformation as its links to the formal financial system have been expanded through linkages to the capital markets and graduation of mature microfinance institutions into intermediaries that accent savings. MFIs have served low income people, promoting pro-poor growth. However, despite the rapid growth of microfinance over the past two decades, around 2.5 billion people – more than half

the world's adult population – still lack access to credit, insurance, saving accounts, and other formal financial services. There are still immense roles for MFIs to play and regulating and supervisory bodies should continue to motivate the robust and sound growth of MFIs in their countries.

Poverty eradication is certainly a noble mission, but MFIs, like every other financial institutions, are susceptible to risks, fraud and failures. The recent well known microfinance crises in Nicaragua (2009-2010) and Andhra Pradesh, India (2010) were stark reminders of such experience. Uncontrolled rapid growth and unhealthy competition in the microfinance industry with weak internal governance were coupled with unsustainable credit policies and recovery methods and eventually erupted into a full-blown crisis. Allegations of fraud, especially among unsupervised MFIs like those in Uganda a few years ago, also posed potential threat to the industry's sound growth. Technological advancements have, on one hand, allowed MFIs to be creative with their product offerings and service delivery to reach wider needy segments of society but on the other hand, it also poses new security concerns and other risks to providers and borrowers alike.

Looking at the SEACEN region, our financial systems as a whole have shown resilience during the recent global financial crisis. However, we cannot underestimate the impact of various risks posed by microfinance activities on the financial and social stability of our respective economies. Given that microfinance clients belong to an underprivileged group in society, it is vital that their rights are protected by regulatory and supervisory bodies. However, these bodies must also recognise that the regulation and supervision of MFIs require specific knowledge and skill sets that may be different from those for regulating or supervising commercial banks. This is because MFIs inherently exist for different purposes, targeting niche markets. In this regard, I am pleased to note that The SEACEN Centre, as the learning hub for central banks in this region, has taken the initiative to support our member banks by collaborating with world renowned institutions like the Toronto Centre and CGAP to share relevant knowledge and skills pertaining to this topic.

Ladies and Gentlemen,

It is the objective of this Course that participants will be able to evaluate key considerations in developing a supervisory framework governing deposit taking MFIs in emerging economies by using case studies and exercises in accordance with best practices. In achieving these objectives, the participant will learn to:

- 1) Describe the critical components of a sound regulatory framework toward effective supervision of MFIs;
- 2) Apply on and off-site supervisory tools and processes to enhance supervisory effectiveness of MFIs;
- 3) Analyse the issues and challenges for MFIs in developing economies;
- 4) Evaluate key considerations in developing a holistic on- and off-site supervisory framework governing MFIs in emerging economies

The importance and relevance of the topics in this Course is evident from the encouraging response we received to our invitation for nomination. It is our pleasure to inform that we have today a total of 24 well-qualified and suitable participants representing 11 institutions. I am confident that the next five days will be a highly intensive time of learning. The SEACEN Centre believes that the interactions between participants and speakers would enrich their learning experience in this area of supervision. Furthermore, this event also provides a regional platform for sharing of knowledge and experiences as well as fostering closer co-operation among central bankers and regulators.

Ladies and Gentlemen,

Allow me to say a few words about The SEACEN Centre. Our new vision is “**To be the Regional Learning Hub for Central Banks in the Asia-Pacific Region**“. As a Learning Hub, SEACEN aspires to drive central bank excellence in learning for the region, by being a platform for collaboration for members to synergise efforts in central bank learning among themselves, and across SEACEN’s network base. The vision would be achieved through SEACEN’s mission in building capacity in central banking and fostering networking and collaboration. With strong commitments from our stakeholders as seen in this Course, we are confident that our vision will become a reality.

Coming back to the Course, I hope that the participants will find it both fruitful and rewarding. Above all, the interaction among participants and with the resource speakers will provide an opportunity to learn from one another and strengthen the bond of friendship and cooperation. I also hope that you will be able to find the time to enjoy the culture and beauty of Malaysia, and Kuala Lumpur in particular.

Allow me to conclude by thanking once again Bank Negara Malaysia for hosting this event; organizing committee and the secretariat team of Bank Negara Malaysia for the excellent arrangements and warm hospitality; Toronto Centre, CGAP, resource speakers and their

respective institutions for the generosity and support; and finally to all our member central banks and associates for nominating suitable participants for this Course. I wish you a productive and rewarding learning experience.

Thank you.