

Governor Subbarao, Dr Jaime Caruana General Manager BIS , Dr Andrew Sheng Advisor China Banking Regulation Commission, Dr Stephany Griffith-Jones, Professor Columbia University, Dr John Lipsky, currently adviser to MD IMF and formerly First Deputy MD, Deputy Governors, Executive Directors, senior officials from central banks and regulators across the world including India, CEOs and other officials of banks and financial institutions, my present and former colleagues, representatives of the media , ladies and gentlemen

It gives me great pleasure to welcome you this morning for the inaugural session of the first international conference on “Financial Sector Regulation for Growth, Equity and Stability in the Post Crisis World” organised jointly by CAFRAL and BIS. I extend a special welcome to our foreign guests who have travelled long distances to come here. We deeply appreciate this and hope that at the end of this journey, you will feel that your effort has been worth the while – both in terms of food for thought and in forging new relationships that will strengthen and contribute to international cooperation in the days to come.

In organizing this Conference , we have received tremendous support from BIS This has given a big boost and enabled us to take this first big step in our journey in actualizing ourselves as a global centre of excellence for research and learning in banking and finance. CAFRAL was set up by RBI to meet this objective in the backdrop of India’s growing stature in the global economy. In his remarks at a CEOs forum held by us earlier this year the Governor said and I quote “It is not as if there are no issues or concerns relating to India or other emerging economies that need to be discussed at the global fora. But we are not able to raise them effectively because there is not enough research happening in emerging economies to concretize issues and concerns relevant to us. CAFRAL is best positioned to meet that need, to give us the intellectual backing to further our interests in international fora.” unquote

CAFRAL started its activities in January this year. Its research focus is on the financial sector, in particular, regulation and supervision, risk management, financial markets , financial stability and financial inclusion. Its learning activities target central bankers, regulators, policy makers, senior management and the Board level in the banks and other stake holders in the financial sector. The objective is to meet the knowledge and skill gaps required at these levels to meet

the challenges faced by them in their respective roles. CAFRAL also seeks to engage with academics, government, regulators and market practitioners by providing an independent platform for exploring issues of policy and strategic relevance. Finally, CAFRAL hopes to engage with these issues at the national , regional and global level through networks and collaborations with universities and institutions with mandates and objectives similar to its own.

Today regulation is on a journey of re-regulation. The fairly controlled environment of the early 80s was followed by an era of liberalization and deregulation facilitated by the revolution in communication and computing, which transformed the global financial system. The funding requirements of global trade, investment and output were met, in no small measure, by the financial system contributing to the steady growth and prosperity in the world. Regulation on its part, evolved and responded to the innovations and the developments in the financial sector. The philosophy underlying it increasingly moved towards deregulation and not stifling innovation as it was felt that the “invisible hand” and the markets knew best. But as innovation overtook itself and financial sector development became disproportionate to the real sector, we saw the metamorphosis of the excesses into a global crisis leading to a host of challenges for regulation. In responding to these challenges thrown up by the crisis, regulation had no option but to reevaluate and take a new path, in particular, by looking at systemic risk and systemic stability. This is what has been attempted over the last three years and the end is still not in sight. In the process, stability, rightfully so, has taken centre stage, for without stability, the other objectives of growth and equity cannot achieve full fruition. At the same time unless there is growth , it will not be possible at all to get out of the debt crisis, attain sustainability and ensure equity through employment generating growth-so important for social stability.

While this has been the Western Scenario or more specifically a North Atlantic scenario the issues for EME have been different. EMEs did not contribute to the crisis but had to bear its consequences. For them the imperatives of equitable growth continue to be real and strong. Consequently, regulation seeks to blend in their context the concerns of growth and equity with those of stability. The questions this conference seeks to debate are first, what are the

synergies and trade offs between the objectives of growth equity and stability and second Is regulation an instrument that can only be used for stability while growth and equity have to be achieved through other instruments of policy or whether regulation itself can also facilitate the objectives of growth and equity without compromising on stability. While debating this issue , we also need to bear in mind that the world is essentially an ecosystem and that the policies of the large and systemically important countries affect the rest of the world . This being the case , there is need for greater regulatory and policy sensitivity in regard to the impact of the national policies on the global economy.

The symbol for this conference-the tree of life –represents the global eco system with its interconnectedness and symbiotic relationship between the different parts particularly the real sector and the financial sector. In this sense the tree of life reflects the theme and aspiration of the conference that there can be equitable growth within overall stability, balanced in an optimal equilibrium through financial sector regulation.

I believe that this is the vision for regulation as it reinvents itself and goes back to the first principle which constitute its objective –common weal and welfare for all. I acknowledge that looking at the world today, the prospect seems arduous and the path long but I take heart in what Dr Sir Mohammad Iqbal, poet extraordinary of undivided India once said

“If for a moment all seems lost,

Despair not

For a thousand million stars must die each night,

Just so that a new dawn can be born.”

In the end I would like to thank the BIS, Jaime Caruana and his colleagues in particular Philip Turner for helping us put this conference together and the Governor for his constant encouragement. The Governor has been a source of great guidance for us, stood by us in all our endeavours and taken a personal interest in the organisation of this Conference. May I now request him to deliver the inaugural address?

Ladies and gentlemen, the Governor, RBI.