

The Speech to be delivered by Dr. R H S Samaratinga, Secretary Treasury and Ministry of Finance at the IBSL Convocation on 9th June, 2017 at BMICH 3.00pm

The Governor of the Central Bank of Sri Lanka

**The Chairman, Vice Chairman and Members of the Governing Board of the IBSL
Distinguished Invitees, All Award Recipients, Ladies and Gentlemen**

Good Evening to all of you

I am honoured to be here at this evening on the occasion of the 22nd Annual Convocation of the IBSL. I thank the IBSL for inviting me for the fourth time to attend its convocation which is the most important academic event of the IBSL.

As you all aware, provision of professional training and qualifications in the field of banking and finance is an essential element of financial system risk management. I am confident that the IBSL, being only the banking training institute during its past 53 years, has delivered an historic role in this regard. Today, with its new modern house, the IBSL is in much better and international position to fast-track this important role. As you heard from the Deputy Governor Samarasinghe, the IBSL has a clear vision and leadership to do it. I also wish to say few words to guide your future careers.

As you know, our day-to-day lives are immensely linked to the financial system in many ways. Money, financial institutions and financial markets are the major components of financial system of any country. We earn, pay, save, lend and invest money. We cannot live without transacting money. It is the financial system that provides the structure for our transactions in money.

We should always bear in mind that any transaction in money is not without risks. The risk is the possibility of losing money. Same time, money is an asset that gives you returns in various ways and various amounts. Same 100 rupees can earn different amounts of rupees from different transactions, say 10 rupees in one transaction and 20 rupees in another transaction. What would you select? Rs. 10 or Rs.20? As we all are competitively greedy by nature, we easily forget risks and always compete for high returns. The financial fact is the higher the return, the higher is the risk. I believe you all being IBSL award recipients know this fact in both theory and practice. But, majority public is not aware of this until they get into risks. The risk-

memory is also short-lived. That is why financial crises occur globally from time to time. In Sri Lanka also, we have been confronted a number of failures. We confronted a crisis in finance companies in 1988/89. After 20 years, we got it again in same fashion and we still struggle to resolve it. In addition, we have come across failures of a number of financial institutions. Such crises and failures can destroy your life-time-earned wealth overnight or in few days and make you suicide.

When there are failures, we blame the government and demand for bail-out by the government. Bail-out require money. The Government is not a god to create money. How does the government find money to bail-out losers? The money that the government has is the money that the public pay by way of tax. Therefore, if the government is to bail-out risk-takers when they lose, the rest of the public should be prepared to pay for in two ways; by paying additional tax or forgoing existing government services. We must bear in mind that the governments stand ready only to safeguard the greater stability of the financial systems, and not each and every individual's interest, irrespective of their mischievous conduct or imprudent risk-taking.

Therefore, we must be mindful of managing risks involved in our money at our risk appetite. Banks and financial institutions must be mindful of managing risks of their money put in their business affairs. Accordingly, all stakeholders of the financial system must play their roles to keep the system stable. The depositors, borrowers, investors, shareholders, Board of Directors, managers, employees, auditors and regulators are the stakeholders. They together have to keep the system stable assisted by the government's policy support. No governments will compromise the roles of those stakeholders.

As you know very well, fraud centers on money. All most all financial failures are connected with fraud. Fraud is more likely when someone manages others' money. In fact, good governance we are talking about and trying to practice is nothing but good governance in managing finance free of fraud.

Therefore, I wish to request all of you at today's convocation to be mindful of prudently discharge of your role in the stability of the financial system. That not only protects lives of the public, but also makes Governor's life and my life manageable because we both are accountable

to the public at last. I know, there are no easy answers for these as we are not divine. But, when the world' innovations and achievements so far are considered, our brains are powerful enough to safeguard the human-being against many risks of financial world. Therefore, I invite you all to put your brain to fulfill your role in the prudent conduct of banking and financial system in the public interest. The prudence of money should come first, and the greed for money be the last.

I wish all award-recipients success in all their future endeavors.

Thank you for taking your time to listen to me.