

CENTRAL BANK OF KENYA



Remarks by

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at the

**THE LAUNCH OF RISK CERTIFICATION PROGRAMME
CONDUCTED BY KSMS IN COLLABORATION WITH GLOBAL
ASSOCIATION OF RISK PROFESSIONALS (GARP)**

*Kenya School of Monetary Studies
Friday, November 8, 2013*

Distinguished Guests;

Ladies and Gentlemen:

1. It gives me great pleasure to be here today to officially welcome you all to the launch of the Risk Certification Programme conducted by the Kenya School of Monetary Studies in collaboration with the Global Association of Risk Professionals (GARP). On behalf of the Central Bank of Kenya (CBK), let me extend a very warm welcome to all the Organizations represented here today.

2. The School, through its international networks, has established a collaborative partnership with GARP to offer a Flagship Risk Management Certification Programme (RCP) that seeks to professionalize Risk Management in the financial sector in Kenya and the region. In this collaborative arrangement, KSMS is leveraging the expertise GARP has developed over the years in delivering globally recognized professional risk education and certification. This collaboration provides an opportunity for KSMS and participants to tap into a wide network of financial expertise on a global platform. As a sector, we sincerely appreciate GARP's initiative and mission to advance risk profession through education, training and

promotion of best practice and we are proud to be associated with GARP.

Further, colleagues, it is important to note that the RCP we are launching here today is a culmination of continuous efforts by Kenya School of Monetary Studies towards developing relevant and practical solutions for the region.

3. The launch of the “Risk Certification Programme” by GARP and KSMS comes at an opportune moment for the Financial Sector. Many of you would know and agree that we are increasingly progressing in various areas as a sector. Companies face risks every day; they are part of normal business life. In a climate where undesirable events and missed opportunities may impact on profits and shareholder value, it is crucial to strike the right balance between risk adversity and conscious risk-taking. To do this, it is essential to understand the complex picture of not only financial but also technological, environmental and social risks relevant to organizations we all work for.

4. Ladies and Gentlemen: The KSMS-GARP's curriculum we are launching here today is designed to give candidates a deeper understanding of why and how financial risks

impact financial assets, institutions and systems, and ultimately, the global financial infrastructure.

5. *Ladies and Gentlemen:* As Kenya and the region at large become an increasingly attractive destination for investments, the onus is on you, the financial industry players and financial institutions to tap into this tremendous potential of the Risk Certification program in growing the much needed technical capacity. The road won't be an easy one and the industry must overcome certain challenges which include lack of certified Risk Management professionals, emerging legal and regulatory frameworks and most importantly the lack of awareness by the majority of consumers.

6. GARP's academic partnerships with KSMS will play a critical role in educating the next generation of qualified risk managers. By working with KSMS to combine rigorous academic instruction with practitioner-driven insight and certification, students can be better prepared to succeed in the challenging field of risk management.

The KSMS-GARP's Academic Outreach team stands ready to:

- Develop and enhance undergraduate and graduate-level risk curricula
- Incorporate professional certification into academic programs
- Increase recognition and visibility of approved risk programs
- Provide opportunities to participate as a GARP Continuing Professional Education provider
- Promote risk management as a profession and an academic discipline

7. *Ladies and Gentlemen:* In accordance with the Basel Core Principles for Effective Banking Supervision, 'Risk Management Processes' require that banks and banking groups must have comprehensive risk management processes (including Board and senior management oversight) to identify, evaluate, monitor and control or mitigate all material risks and to assess their overall capital adequacy in relation to their risk profile. These processes should be commensurate with the size and complexity of the institution.

It is therefore a requirement that each institution prepare a comprehensive Risk Management Programme (RMP)

tailored to its needs and circumstances under which it operates and establish a Risk Management Function that supervises overall risk management. The function should be independent from those who take or accept risks on behalf of the institution and should report directly to the Board or a Committee of the Board.

The risk management function is responsible for ensuring that effective processes are in place for:

- i. Identifying current and emerging risks;
- ii. Developing risk assessment and measurement systems;
- iii. Establishing policies, practices and other control mechanisms to manage risks;
- iv. Developing risk tolerance limits for Senior Management and Board approval;
- v. Monitoring positions against approved risk tolerance limits; and
- vi. Reporting results of risk monitoring to Senior Management and the Board.

It is for this reason that I strongly recommend this programme for purposes of Banks institutionalizing strong risk management programs. One sure way of achieving this is through education and training of staff to upscale their knowledge and risk management skills in response to the

ever evolving demands. It is my sincere hope that this RCP Programme will create a culture of risk awareness, professionalize Risk Management and uplift banking systems in the financial sector.

8. *Ladies and Gentlemen:* Risk identification and assessment are critical ingredients for an effective operational risk management system. Effective risk identification considers both internal and external factors. Sound risk assessment allows the bank to better understand its risk profile and target risk management resources and strategies most effectively. Further Risk Management professionals continue to face rising expectations. Senior management, boards of directors, investors and internal stakeholders demand more information from Risk Management departments than ever before. Specifically, boards have increased their scrutiny of risk management, which has motivated Risk Management departments to contemplate best practices around quantifying financial risk and maintaining compliance.

Financial institutions that get their staff through this program will have the reward of employees who have an enterprise-wide understanding of risk with enhanced

ability to understand customer risk profiling and subsequent appropriate pricing of credit products and other financial services offered to specific clients. We anticipate that this approach will help lower the cost of credit and offer other financial services, improve access to banking services and ultimately contribute to the overall stability of the banking system.

9. *Ladies and Gentlemen:* Many of the current approaches to managing emerging risks do not provide companies with the information they need to act on insights from risk data. This is because many key decision makers receive information about emerging risks on an inconsistent basis that makes it difficult for them to evaluate changes that have occurred from one period of time to the next or to be informed of emerging external trends in the marketplace. Going forward, I hereby do challenge executives to focus on developing the analytical capacity and tools to understand the potential business impact of emerging risks on their corporate performance. At a time of systemic uncertainty and volatility, we hope this programme we are launching here today assists your management team in developing the

critical capability of transforming risk data into business insights for risk-adjusted decision making.

10. Ladies and Gentlemen, let me take this early opportunity to inform you of the Central Bank's strategic plan to take training and capacity building to the next level. Currently, the Central Bank of Kenya, in consultation with the KSMS is developing a framework that seeks to provide minimum standards of professional training and education for banking sector employees. It is anticipated that these guidelines will ensure that training and capacity building programs address specific knowledge and competency requirements in core areas of banking. Draft guidelines once ready, will be shared with industry stakeholders for appropriate comments before adoption.

11. With these few remarks, Ladies and Gentlemen, it is now my honour and pleasure to launch the Risk Certification Programme.

I wish all trainees success in your learning process towards Risk Management Certification.

Thank You and God bless you all