

CENTRAL BANK OF KENYA



Remarks by

**PROF. NJUGUNA NDUNG'U
GOVERNOR
CENTRAL BANK OF KENYA**

at

**A COCKTAIL HOSTED DURING THE SUPERVISORY COLLEGE
MEETINGS FOR KENYA COMMERCIAL BANK, EQUITY BANK AND
DIAMOND TRUST BANK**

*Hotel InterContinental Nairobi
Friday, 25th October 2013*

Chairmen and Board Members of Kenya Commercial Bank

Group, Equity Bank and Diamond Trust Bank;

The Chief Executives of Kenya Commercial Bank Group, Equity Bank and Diamond Trust Bank;

Heads of Bank Supervision from the EAC Central Banks and Bank of South Sudan;

Mr. Dirk Jan Grolleman, East AFRITAC's Bank Supervision Advisor;

Mr. Mike Andrews, East AFRITAC Consultant;

Distinguished Delegates;

Ladies and Gentlemen:

1. It is with great pleasure that I welcome you to this auspicious cocktail which marks the end of the Concurrent Supervisory College Meetings for three significant regional banking groups - Kenya Commercial Bank, Equity Bank and Diamond Trust Bank Limited. On behalf of the Central Bank of Kenya (CBK), I appreciate each one of you for your participation and contributions during the Supervisory College Meetings. I was not able to join you for the meetings, however, from the brief given to me, the meetings were very fruitful and I thank you all for your valuable participation.

2. *Ladies and Gentlemen:* The success of the three concurrent supervisory college meetings attests to the value of team spirit. The decision to consider concurrent supervisory college meetings, to optimise on time and other resources, was mooted during the inaugural supervisory college meeting for Kenya Commercial Bank in October 2012. In addition to the concurrent supervisory college meetings, CBK in conjunction with IMF's East AFRITAC organised a five day training on consolidated supervision for technical officers from all the six participating Central Banks.

It is only when information symmetry on regional banking groups exists among the regional regulators that effective supervision of the banking groups can be achieved. That is why supervisory colleges are necessary for knowledge and information sharing. To support and complement knowledge and information sharing, joint capacity building initiatives are necessary. In this regard, allow me to appreciate IMF's East AFRITAC and in particular, Mike Andrews who has unreservedly continued to impart knowledge to the EAC Central Bankers on consolidated supervision since 2006. I challenge the technical officers who have benefitted from East

AFRITAC's capacity building to start taking over the training and capacity building efforts as the partnership with East AFRITAC continues.

3. *Ladies and Gentlemen:* Supervisory colleges present valuable forums through which regulators (and the regulated) are able to compare notes on a continuous basis. The annual supervisory college meetings are just but part of the forum. The presence of 6 Central Banks here today reaffirms their commitment to the spirit of continued coordination and collaboration. With the continued regional expansion of our banks, no one regulator can be able to determine with certainty the compliance status of a banking group. That is why supervisory colleges are very valuable. Timely sharing of supervisory information can make a difference in deciding the relevant supervisory actions to be taken.

With the draft East African Monetary Union (EAMU) Protocol at its final stages of negotiation, our continued collaboration is a good stepping stone in readiness for a fully integrated financial sector for the region.

4. *Ladies and Gentlemen:* Let me now focus on the commercial banks present. As we appreciate the important role you play in mobilising and allocating resources across the region, the

prints of the 2007/2008 global financial crisis are still fresh. As you expand and innovate, it behoves you to ensure that adequate risk management is employed. It is with this in mind that the Central Banks have continuously adapted international best practices to ensure that financial stability is maintained.

The outcome of an effective partnership among the regulators and the regulated cannot be overemphasized. However, such a partnership should be within agreed boundaries. That is why I always emphasize the need to build strong partnerships and institutions. This will guard the rules of the game and avoid frequent alterations of the rules.

5. Finally, Ladies and Gentlemen, this cocktail presents an opportunity for you to unwind after three days of rigorous discussions. It also creates a conducive atmosphere for informal interactions between the supervisors and representatives of the banks. Without further ado therefore, I wish you an enjoyable evening.

Thank you for listening.