

# **CENTRAL BANK OF KENYA**



Remarks by

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

at the

**REGIONAL WORKSHOP ON CROSS-BORDER BANKING AND  
CONSOLIDATED SUPERVISION IN AFRICA**

*Kenya School of Monetary Studies*  
*Monday, December 6, 2010*

**Mr. Alex Rugamba, Director, African Development Bank Group, NEPAD,  
Regional Integration and Trade Department;**

**Mr. Ragna Gudmundsson, IMF Resident Representative;**

**Distinguished Guests;**

**Facilitators and Speakers;**

**Participants;**

**Ladies and Gentlemen:**

1. It gives me great pleasure to be here today to officially open this Regional Workshop on Cross-border Banking and Consolidated Supervision. On behalf of the Central Bank of Kenya, I wish to extend a warm welcome to you all to Nairobi.
2. At the outset, I would like to thank the African Development Bank and the International Monetary Fund for organizing this workshop and for partnering with the Central Bank of Kenya to host this event here at the Kenya School of Monetary Studies.
3. **Ladies and Gentlemen:** I thank you for taking time off to share your skills, views and experiences and look forward to a fruitful exchange which we expect will help in the development of a framework of cooperation to enhance effective cross-border banking and consolidated supervision in Africa.
4. Most African countries have undertaken financial sector reforms within the broader context of stabilization and structural adjustment programs. As part of these reforms, they have also focused on regional integration of their real sectors and financial sectors, on the premise that creating scale in production and financial markets helps to promote regional trade and accelerate growth and poverty reduction.
5. However, it has been noted that the real sector integration has proceeded at a sustainable pace among the various African regional economic communities whereas financial integration has progressed more slowly. The slow progress has been partly due to an underestimation of the importance of scale for

financial market development and the lack of the necessary institutions and policies to promote financial integration.

6. Notwithstanding the challenges faced by the banking sector in Africa, there are initiatives by banks to increasingly embark on international operations, primarily through subsidiary companies. Cross-border banks need effective regulation and supervision to operate optimally across various jurisdictions. Effective regulatory frameworks should level the playing field and eliminate obstacles to the effective functioning of bank groups.
7. The process of development of banking activities at regional and continental levels has brought home the need for harmonization of the different national banking regulations and cross-border banking and consolidated supervision in the different regions of Africa.
8. **Ladies and Gentlemen:** With the exception of most of the Francophone countries belonging to the Central African Economic and Monetary Community (CEMAC) and the West African Economic Monetary Union (UEMOA), in which banking supervision is carried out at a regional level by a single banking supervisory body, banking supervision and regulation frameworks vary across the African Anglophone and Arabic Countries.
9. Given your expertise and backgrounds, I need not overemphasize the importance of cross-border banking activities in Africa's development agenda. An effective cross-border banking and consolidated supervision framework in Africa can have a positive effect on financial sector development, stability and prevent transmission of potential contagion effects.
10. Given the challenges of successfully implementing plans for regional financial integration programs, the question is often raised as to how best to pursue cross-border banking and consolidated supervision in order to achieve the desired objectives. At the heart of it all is the company law or corporate image that holds the banking business. This goes beyond the specific banking sector legal framework. Perhaps it is time that policymakers started reflecting on whether we should have a standard way of looking at this.

11. A related issue concerns the strategic partnerships that are required to enhance progress and to identify how best international development partners and other players can assist in this process? These are issues that I expect you shall comprehensively address over the next few days.
12. In view of the intensive programme ahead of you, I shall not extend my remarks any further. It is my expectation that your discussions here today will provide inputs for a framework of cooperation among Development Partners, African central banks and other key players to strengthen cross-border banking and consolidated supervision in Africa. I therefore take this opportunity to wish you all a fruitful workshop and look forward to your recommendations.
13. With these remarks, **Ladies and Gentlemen**, it is now my pleasant duty to declare this workshop officially opened.

Thank you.