

CENTRAL BANK OF KENYA



Closing Remarks by

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

At the

**JOINT WORKSHOP FOR THE DOMESTIC FINANCIAL
SECTOR REGULATORS ON RISK CONTROL AND
COMPLIANCE**

*Great Rift Valley Lodge and Golf Resort, Naivasha
21st – 22nd October 2010*

Directors of Financial Sector Regulators present;

Mr. Sammy Makove, Chief Executive Officer, Insurance Regulatory Authority (IRA);

Facilitators from Quantum Global Wealth Management Ltd;

Participants;

Ladies and Gentlemen:

I am honoured to have been invited to give the closing remarks at this joint forum organised by the Financial Sector Regulators. This is yet another significant step in our collective efforts as domestic financial sector regulators to execute our respective mandates in a coordinated manner. Indeed, this workshop has offered us invaluable opportunities for further knowledge exchange and networking, which I believe will facilitate the necessary collaboration in our endeavours. At the outset, I would like to sincerely appreciate the efforts of all of those who have contributed towards making this workshop a success.

Ladies and Gentlemen: The focus of this workshop has been risk and its effects on the financial sector. I am informed that the facilitators have done a commendable job in detailing aspects of the different types of risks. In business, as in life itself, risk is a reality, an inescapable factor accompanying every productive endeavour. Fortunately, risk can be significantly reduced if well managed and also expected. For us as regulators, our task is then to ensure that risks in our daily operations and in the business of the institutions we regulate are identified, quantified and managed within safe limits.

The key to effective financial regulation, then, is in proper risk identification, measurement, assessment and mitigation. All types of risks will involve discernible relationships between various variables, and it is our duty as regulators to constantly monitor these variables, their trends and relationships over time. This makes our collection of quality data, its processing and reporting an indispensable function of our mandate. The availability of quality data makes it possible to generate appropriate information for effective regulation. One outcome of this course is also that we need to re-examine our database and its generation and processing to support effective management of risks.

Ladies and Gentlemen: As financial sector regulators, risk identification and monitoring is a critical mandate. Effective regulation entails keeping business risk

within acceptable limits, while simultaneously leaving service providers free to make their operational and investment choices as they deem fit. In other words, our role as regulators in a liberalized economy such as ours is to **facilitate**, not **stifle**, business innovations. We, however, must understand the business environment and risk management to be able to regulate.

In conclusion, **ladies and gentlemen**, our journey towards regulatory harmony, as envisaged in our signed MoU, continues. By our discussions here, I hope our understanding of risk as a business and regulatory concern has been renewed; enabling us carry out our responsibilities in a more informed manner. We should accordingly continue our information sharing, both at technical and board level, on risk and other areas of mutual concern as we strive towards regulatory and supervisory harmony. But more importantly, we should continue to search for courses that update our knowledge base and push us to the knowledge frontiers. This is the only sure road for our success as regulators. Remember we have a four-dimensional approach to our duty – always emphasized at the Domestic Regulators Platform: **Advice, Cultivate Partnership, Development the Market** and finally, **Regulate the Market**.

Thank you for your attention.