



CENTRAL BANK OF KENYA
KENYA INSTITUTE OF BANKERS (KIB)
ANNUAL DINNER, 2015

Panari Hotel, Nairobi, Friday, 20th November 2015

Mr. Mohammed Nyaoga, Chairman of Central Bank of Kenya

Mr. Reuben Mbindu, Chairman, Kenya Institute of Bankers;

Mr. Stephen Anjichi, Executive Director/Secretary, Kenya Institute of Bankers;

Chief Executive Officers of banking and other financial institutions here present;

Distinguished Guests;

Ladies and Gentlemen:

I am greatly honored to join you this evening for this auspicious annual dinner where we meet as representatives of the financial sector, academia and policy makers to take stock of the financial sector. At the onset, I wish to express my gratitude to the Kenya Institute of Bankers for organizing this dinner and for extending an invitation to the Central Bank of Kenya.

The theme of this dinner, *“Upholding Ethical Professionalism and Best Practice in Financial Services”* is timely given the critical role that ethics plays in guiding human behaviour. It’s notable that countries that engender a high level of ethical behavior generally have

- (i) well-defined and enforceable property rights,
- (ii) effective and
- (iii) fair justice systems, and
- (iv) controls to deter corruption.

Ladies and Gentlemen: Bankers occupy a special position in society that requires them to exercise high levels of professionalism and ethics. Members of the public literally trust bankers with their lives as they are trustees of their hard-earned savings and many years of toil and sweat. A banker’s position in society is bittersweet, in that whereas bankers are the envy of society for

being entrusted with people's money, it is a huge task to discharge as it is fraught with temptations and conflicts of interest. A very high degree of professionalism, ethics and integrity is therefore mandatory for a banker to ride the challenge.

Ladies and Gentlemen: In Kenya, the policy framework governing ethical behavior includes legal regulation, self-regulation and promotion of positive ethical culture. In particular, Banking laws, regulations and prudential guidelines provide for these virtues. The Central Bank vets shareholders, directors and senior officers of banks before they take up office to ascertain their moral and professional suitability for the office. Similarly, the Prudential Guidelines on Corporate Governance, 2013 outlines the expected ethical standards and internal controls required from banks. I believe the Kenya Bankers Association has a code of conduct for its members setting out the expected conduct. Yet, despite all these measures, we still find ourselves in situations where some reported fraud cases are orchestrated by insiders due to lack of integrity and ethical conduct.

Ladies and Gentlemen: Tonight, I wish to encourage the Kenya Institute of Banker's to include and/or strengthen courses on integrity and professionalism within its capacity building programs. Similarly, I wish to urge all the professional bodies including Kenya Bankers Association, Institute of Certified Public Accountants of Kenya and Institute of Certified Public Secretaries of Kenya to live to the expectation of promoting professionalism.

Ladies and Gentlemen: It is clear that written rules alone cannot effectively deliver professionalism and ethics to the banking industry. So, what constitutes integrity?

1. Integrity is inbuilt self-discipline. It starts from the individual banker's personal values of self-discipline which are then passed on to the institutions. If the directors or CEO in their individual capacities are honest, morally upright persons, then they will be able to pass on this virtue in the organization. A culture of professionalism and ethics will be built in the entire organization from the directors all the way down to the junior employees.

2. Integrity means being true to your profession as a banker. Your calling as a banker is being entrusted with customers' deposits and not to divert them for personal gain. Once you truly appreciate this calling then you should be able to discharge your office with a high level of professionalism and ethics. While earning high returns and accumulating wealth may be important, it should be incidental to your first and foremost fiduciary duty of taking care of other people's money. Out of the many people, you are among the chosen few entrusted with other people's money.
3. Integrity includes compliance with banking laws as well as other laws of the land. Banking laws are aimed at protecting depositors' funds. A banker who is true to his position as a custodian of depositors' funds should strive to comply with the laws that are geared towards protecting these funds instead of developing new and ingenious ways to circumvent them.
4. Integrity means putting the customers' interest first. Whereas it is not always the case that customers are always right, a bank should strive to treat them as such.

Ladies and Gentlemen: In today's dynamic world, only those entities with the highest levels of professionalism and ethics will be able to make great strides in growing their business. Integrity and professionalism improves the business brand and enhances both customers' experience and employees' job satisfaction. These in turn lead to higher returns for the institution.

Finally Ladies and Gentlemen: I have also noted that some financial institutions have increased lending rates significantly over the past couple of months. Indeed this has created a lot of concern from the Central Bank and the general public. I cannot overemphasize enough the need for you to charge reasonable interest rates so as to sustainably serve your customers. It is the Central Bank's expectation that the lending rates will decline in tandem with the general decline we have seen on interest rates in the recent past.

With these few remarks, I urge you to go out there and be true to your calling as bankers.

Thank you.