

Mary C Nkosi: Profile of the Reserve Bank of Malawi

Speech by Mrs Mary C Nkosi, Deputy Governor of the Reserve Bank of Malawi, during the African Bible College students' visit to the Reserve Bank of Malawi, Lilongwe, 4 May 2007.

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Mr. Jason Pink, Leader of Delegation, African Bible College
Mr Eckton Chinyanga, Member Staff
Students of African Bible College
The General Manager
Senior Management
Heads of Department
Members of Staff

I would like to welcome you Mr. Pink, staff and students to the Reserve Bank of Malawi. It is my pleasure to see you and your team, visit this institution today. Such visits accord the Bank an opportunity to explain to the public in general and to students in particular, the activities that take place at the institution. I am hoping that you will be able to relate what you learnt in class with what you are going to hear and see during your visit today.

Let me start by saying that the Reserve Bank of Malawi (RBM) is a central bank. As such it is charged with many responsibilities which include the attainment of price stability or low inflation and ensuring a sound financial system to facilitating economic growth and development.

The Reserve Bank of Malawi was established under an Act of Parliament in July 1964 (Caption 44:02) and started its operations in June 1965. In April 1989 the Reserve Bank of Malawi Act was revised stipulating the Bank's principal functions which are in the interest of the national economy and are in line with the economic policies of the government. The 1989 Act made the Reserve Bank independent from government under section 4.

At this juncture, let me touch on the functions and responsibilities of the Reserve Bank of Malawi. These can be split into 3 main parts:

- A. Main functions of the Bank
- B. Delegated functions of the Bank
- C. Other functions of the Bank

Departments in the Bank are set up in such a way so as to fulfill these functions and responsibilities.

A. Main functions of the Bank

1. *Formulation of monetary policies and maintenance of price stability*

The main function of the RBM is to maintain price stability in the economy so as to minimize inflation.

- It does this by controlling money supply growth using 4 major policy instruments: Open market operations, liquidity reserve requirement, the discount rate and repurchase arrangements.

2. *To issue legal tender currency in Malawi*

The RBM is the only institution that is legally authorised to produce statements that can be used as final means of payment for goods and services within the borders of the country.

3. *Preserving the value of the Kwacha both externally and internally*

The Reserve Bank ensures that the exchange rate is stable at all times. Thus it strives to ensure that:

- Money that is in circulation in the country should be backed by an equivalent level of foreign reserves.

4. *Banker and advisor to the government*

The Reserve Bank maintains government accounts and manages government domestic debt.

5. *Banker to other banks in Malawi*

The Reserve bank acts a banker to the commercial banks by keeping commercial banks deposits, which can be withdrawn by commercial banks when they run out of liquidity in their vaults.

6. *Acts as lender of last resort for financial institutions*

The RBM helps to alleviate liquidity pressure in the financial system. It does this by lending to banks through the Discount Window.

B. *Delegated functions*

On behalf of the Government of Malawi, the Reserve Bank of Malawi carries out the following delegated responsibilities:

1. *Establishment of money and capital market*

The RBM is the authority responsible for regulating and supervising the proper functioning of money and capital markets. It is responsible for the development of the capital market and for the provision of rules and regulations for fair and orderly market conditions.

2. *Supervision of financial institutions*

To promote financial sector development the Bank carries out orderly management and supervision of banks and other financial institutions to protect their liquidity, equity base and ensure their overall viability and stability.

3. *Issuing of government paper and Treasury Bills*

The RBM is vested with the responsibility of issuing Local Registered Stocks and Treasury Bills as a way of raising resources for Government to augment its revenues. The Bank also underwrites i.e. meets the difference in case of under subscriptions from the financial sector, the parastatals and the private sector.

4. *Administration of exchange control*

The administration of exchange control was delegated to the Reserve Bank by the Ministry of Finance on 2 June, 1965.

- Currently there are no restrictions on the Current Account. However, the Capital Account has not yet been liberalised.

C. *Other functions*

1. *To promote development and economic growth in Malawi*

The Reserve Bank of Malawi implements several measures designed to influence the money supply and availability of credit, interest rates and exchange rates with the view to promoting growth, employment, stability in prices and a sustainable balance of payments position.

2. Conducting research

Collecting and analysing economic data from the financial and other sectors for research and policy purposes.

Before I conclude, it is important to note that for the RBM to function effectively there are a number of departments that carry out several functions aimed at meeting the institutional objectives. The following are the departments; Research and Statistics, Treasury, Exchange Control and Debt Management, Banking and Payment Systems, Bank Supervision, Supervision of Non-Bank Financial Services, Currency Management, Legal Affairs, Administration, Information, Communication and Technology, Accounting and Finance, Internal Audit, Risk Management, Human Resource and Institutional Development, Protective Services and Public Relations. There will be brief presentations from some of the departments where most of what I have said will be clarified further. In addition, you will go around some of these departments to see what goes on there. I hope that we can have an exciting exchange of ideas after going through these departments.

Once again, we are pleased to have you here and please do take the opportunity to learn about this unique institution.

Lastly, let me take this opportunity to invite you back to this room where your burning questions should be asked and possible responses given.

Thank you for your attention.

MAY GOD BLESS YOU ALL.