

Njuguna Ndung'u: Cooperation between the Bank of Mauritius and the Central Bank of Kenya

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the signing ceremony of the Memorandum of Understanding between the Bank of Mauritius and the Central Bank of Kenya, Central Bank of Kenya, Nairobi, 8 August 2011.

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Mr. Rundheersing Bheenick, Governor of the Bank of Mauritius;
Members of the Press;
Colleagues;
Ladies and Gentlemen;

I am privileged to welcome Governor Rundheersing Bheenick of the Bank of Mauritius to Nairobi and to the Central Bank of Kenya.

Governor, we thank you for making the time to be here at this auspicious occasion and trust that you are having a pleasant stay so far.

Ladies and Gentlemen: Today's event is a monumental one in that it marks the establishment of formal supervisory relations between the Central Bank of Kenya and the Bank of Mauritius.

We began the process of establishing formal cooperation between the Bank of Mauritius and the Central Bank of Kenya in 2009 and today's signing of the Memorandum of Understanding between the Bank of Mauritius and the Central Bank of Kenya will be a culmination of that process. The MOU is premised on the need to enhance cooperation in the sharing of supervisory information between our two institutions. It will help define and guide our working relationships in addition to enabling the smooth exchange of supervisory information between us.

One Kenyan bank (I & M Bank) has already established a presence in Mauritius while other banks are also considering exploring opportunities in Mauritius. Similarly, banks from Mauritius have direct and indirect commercial relations with our Kenyan institutions.

Ladies and Gentlemen: The global financial crisis has reinforced the importance of effective dialogue and collaboration between banking supervisors. Indeed, one of the biggest lessons learnt from the financial crisis has been the need for better regulation of financial institutions. The crisis has also provided an abundance of examples highlighting the importance of supervisory cooperation. As a result, a key initiative of the Basel Committee on Banking Supervision has been to recommend enhanced promotion of cooperation between supervisors globally in order to facilitate an efficient exchange of information.

Such coordination and communication is the basis for promoting robust risk management practices and developing sound supervisory standards. Cross-border cooperation is a prerequisite for establishing effective resolution techniques for systemically important banks having cross-border operations.

It is therefore apparent that it is no longer possible for any one regulator to adequately supervise institutions that operate across the globe, hence cooperation among regulatory authorities is essential. As Regulators, we need to encourage and support transformation and innovation through better regulation instead of looking for avenues of more regulation. As per Sir Andrew Crockett, better regulation is a regime that:

- Can readily identify weaknesses and emerging vulnerabilities;
- Is capable of analyzing risks and adequately addressing pricing risks;

- Provides appropriate incentives (penalties) to induce prudent behavior in the market place;
- But also to add in our case, the regulator is an agent of market development.

Better regulation encourages innovation and strong institutions to develop in the economy.

Cross border banking has its opportunities and challenges. As regulators, it is in our mutual interest to ensure the soundness and stability of our respective financial sectors. We should therefore play our rightful role in ensuring effective supervision of banking entities operating in our respective jurisdictions. We should also ensure that any systemic risk that may be posed by one bank operating in another jurisdiction is mitigated and promptly brought to the attention of the home regulator. The MOU which we are signing today will thus enable us share a wide range of supervisory information on a more defined framework.

Ladies and Gentlemen; Both Mauritius and Kenya are leading international hubs. Mauritius is a renowned international financial centre for its offshore financial services. Likewise, Kenya, because of its leadership in mobile money transfer services, is now referred to as the Silicon Valley of Africa. We can both learn from each other and share our respective experiences so as to increase the competitiveness of our markets as well as our financial institutions. The signing of this MOU will therefore set forth a pragmatic approach for cooperation and the sharing of supervisory information. We accordingly look forward to building on the existing good relations between the Central Bank of Kenya and the Bank of Mauritius and to a future of enhanced supervisory cooperation. I now invite Governor Bheenick to make some remarks before we proceed to sign the MOU.

Thank you.