



MEFMI
Macroeconomic and Financial Management
Institute of Eastern and Southern Africa

SPEAKING NOTES

BY MEFMI EXECUTIVE DIRECTOR,

CALEB FUNDANGA

**OCCASION: OPENING A SEMINAR FOR A
RISK BASED SUPERVISION STUDY**

DATE: WEDNESDAY 30 MARCH 2016

TIME: 0900 HOURS

VENUE: RAINBOW TOURISM HOTEL

MEFMI Directors

Distinguished Consultants,

Invited Guests,

Participants,

MEFMI staff,

Ladies and Gentlemen,

On behalf of MEFMI and on my own behalf, I am pleased to welcome you today as we officially meet to discuss the first draft of the study to develop a comprehensive guideline on **Risk Based Supervision for Banks**. The document is the hallmark for risk based supervision (RBS) methodology implementation.

Risk Based Supervision is a very important subject in bank supervision and has remained one of the most topical subjects in our region. You may be aware that, over the years, MEFMI has been providing capacity building and development on risk based supervision principles to our member countries through regional workshops and in-country missions. Some of these events have involved MEFMI helping the respective countries to develop their own risk management guidelines, risk based supervision policy frameworks as well as implementing the practices in their day to day work.

These initiatives have seen an overwhelming improvement in our member countries'

compliance with the Basel Committee's Core Principles for Effective Banking Supervision as noted by Financial Sector Assessment Program (FSAP) reviews carried out by the World Bank.

Notwithstanding the aggregate success of our training initiatives in this area, we also note that our countries remain in different stages of development and implementation in risk based supervision principles with a few countries having fully implemented and even gone further to incorporate new supervisory developments; while others remain at entry level and the remainder only implementing partial provisions of the practice.

While we continue to offer training in these identified areas, we are also cognisant of the fact that central banks continue to lose trained staff to greener pastures. As a result, you often find that new staff is left to grapple without proper guidance. In most cases, when this happens; the supervisory practices implemented are abandoned and people revert to old ways of doing things which may be ineffective.

Another common challenge we find is that central banks are still not confident as to how to incorporate the new supervisory practices introduced after the global financial crisis into their already existing operations. Sections continue to work in silos without effective

coordination or integration. As a result, broad goals and objectives are not optimally achieved.

In initiating this study, we hoped to address some of these deficiencies by providing our member countries with tools that can capture and demonstrate how emerging issues in bank supervision such as Basel II/III, stress testing, macro-prudential surveillance and the Revised Core Principles of Effective Bank Supervision can be incorporated in the Risk Based Supervision approach.

I am excited that we have here today the first draft of the guideline which is a result of the comprehensive research on this topic undertaken to develop a tool for the region. Our

intention is to have the document developed from this study adopted by MEFMI member countries for use in their supervisory work as their own or as a guiding tool to develop or enhance or even update their risk based supervision guidelines.

Ladies and Gentlemen we have invited you to this seminar to help us put this draft document through a vigorous quality assurance standard so that at the end of this exercise MEFMI is able to put forth a **well-researched, well written and pertinent tool** that will not only stand the test of scrutiny anywhere in the world but also incorporates your needs and can serve as comprehensive guiding tool for our member

countries. I wish you all the best during the next one and a half days.

I also hope that you will take some time to visit some of the beautiful spots Harare has to offer before you travel back to your respective countries. Harare is at its best during this time of the year, some of the places you may go to that are close to the city are Mukuvisi Woodlands, Kuimba Shiri Bird Sanctuary, Heroes acre, National Gallery of Zimbabwe and Chapungu Sculpture park. If you prefer shopping, there is a number of shopping malls around here so you won't have to go too far.

Ladies and gentlemen, with these remarks I declare the seminar open.

I thank you.