

# **OFFICIAL LAUNCH OF THE FINANCIAL STABILITY COUNCIL AND SIGNING OF THE MEMORANDUM OF UNDERSTANDING**

Opening Remarks

by

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Good morning and welcome to the Signing Ceremony for launch of the Financial Stability Council.

Ladies and gentlemen, as I look back, the launch is the culmination of several significant steps and consultations. Among these are: first, the initial assessment by the Bank of the need and prospective role of a Financial Stability Council, articulated in the 2018 Monetary Policy Statement; second, consultations by officials within the auspices of the Bank of Botswana/Ministry of Finance and Economic Development Working Group, and also involving the Non-Bank Financial Institutions Regulatory Authority and the Financial Intelligence Agency; third, approval for establishment of the Council by the Honourable Minister of Finance and Economic Development obtained in April 2018; and fourth an inaugural meeting to consider an outline of the Macroprudential Policy Framework

and review of the draft Memorandum of Understanding in September 2018.

The Financial Stability Council comprises the leadership of the Ministry of Finance and Economic Development (MFED), the Bank of Botswana (the Bank), Non-Bank Financial Institutions Regulatory Authority (NBFIRA), and Financial Intelligence Agency (FIA), institutions that are involved in developing legislation and regulations, policymaking and supervision with respect to the whole or facets of the financial sector. It is acknowledged that the respective institutions have unique statutory mandates, objectives, oversight frameworks and operational spheres, albeit mostly related. In this regard, the Financial Stability Council is not established to usurp or dilute the role of the respective institutions, which is neither feasible nor desirable. Rather it is to share information and where, desirable, facilitate collective and coordinated approach to financial sector monitoring frameworks and crisis resolution.

Ladies and gentlemen, to reiterate, as indicated in the 2018 Monetary Policy Statement, coordinated oversight is necessary because while the relevant institutions are distinctly and individually supervised at a micro level, the financial system encompasses interconnected relationships and activities and is subject to common and transferable risks. Therefore, the Council is designed to foster collaboration and

coordination in the four areas of: sharing of data and information for purposes of monitoring and risk assessment; overseeing and guiding macro-prudential policy framework and implementation; regular briefings, consultations and policy review with respect to relevant developments; and structured and coordinated response to any financial system imbalances and resolution as may be necessary.

Today's signing of the Memorandum of Understanding by the respective institutions, therefore, represents an undertaking to collectively safeguard the continuing soundness and integrity of the financial system. Moreover, going forward, it also facilitates the development of mechanisms and channels for sharing of data and consultation. The thought process for establishment of a Financial Stability Council also involves consideration of a robust legislative backing for the work of the Council and this will accordingly be facilitated in the revised Bank of Botswana Act; consultations between the Bank and MFED on the review are at an advanced stage.

Colleagues, before concluding let me highlight the more urgent work programme for the Council in the short to medium term. First, is publication of the Financial Stability Report, as an anchor publication, providing accountability in the areas of assessment of financial stability risks and mitigation measures. Second is agreement on a Macroprudential Policy Framework that is relevant for Botswana, in terms of risk mitigation, as

well as recognising the gaps in financial inclusion and development.

Third, there is a specific need to address the challenges arising from implementation of the Anti-Money Laundering and Combatting the Financing of Terrorism protocols and requirements. Fourth and related, thereto, is the requirement to decisively address the incipient misconduct and governance challenges in the financial sector, deriving from greed and/or misunderstanding or incompetence with respect to fiduciary responsibilities, as well as opportunistic crime and fraud. Fifth, consultation during 2019 will also involve consideration of a deposit protection scheme for the country, to guarantee access to deposits up to a specified threshold, in the event of bank failure. Lastly, cooperation and collaboration among the Council members would be critical in the timely update and renewal of legislation and policies to retain and improve effectiveness of supervision, monitoring and guidance for the financial sector.

I thank you for your attention and I now call upon Council members to comment, before we proceed to sign the MoU.