



CENTRAL BANK OF ESWATINI

Umntsholi Wemaswati

Welcome and Opening Remarks

By

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on the occasion of the Workshop on “Crisis Binder and Deposit Guarantee”

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Bethel Court,

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1. Ladies and Gentleman, may I start by recognizing and appreciating the presence of:
 - Ms. Ivone Morais, **Program Director** of Toronto Centre,
 - Ms. Hooi Eng Phang, **Special Advisor** of Toronto Centre,
 - Mr. Greg Zimnicki, **Program Leader** from Toronto Centre,
 - Mr. Ernesto Aguirre, **Program Leader** from Toronto Centre, and
 - Last but not least, the **Participants** from the Central Bank of Eswatini (CBE), Financial Services Regulatory Authority (FSRA) and the Ministry of Finance.
2. It is a great pleasure and honour for me to officiate at this workshop on “**Crisis Binder and Deposit Guarantee**” organised by the CBE.
3. I would like to take this opportunity to welcome you all to Ezulwini, and to the Bethel Court Vineyard Hotel.
4. It is also a pleasure to welcome our distinguished facilitators from Toronto Centre present here today, and those who will join during the course of the workshop, and to thank them for accepting the invitations to facilitate at this workshop. I am confident that their input will enrich the deliberations of this workshop as well as enhance the knowledge of the participants.
5. Allow me, ladies and gentlemen, to express my profound gratitude to Toronto Centre for the support they have continued to render towards capacity building in our region. Let me also thank the **Ministry of Finance and the FSRA**, who kindly released their officials to participate by learning as they will share their knowledge and experiences with us.
6. The mission of the Bank is to foster financial sector stability conducive to economic development in Swaziland. The Bank defines financial stability as a condition in which the financial system- comprising of financial intermediaries, markets and market infrastructures- is capable of withstanding internal and external shocks such that participants have confidence in the system.
7. Withstanding shocks includes the effective resolution of financial institutions, markets or market infrastructures during a crisis. A crisis may be characterized by significant signs of distress in any part of the financial system which may disrupt the proper functioning of the financial system and real economy.
8. Therefore, a financial system should have an effective crisis management and resolution regime to ensure its stability.



9. The workshop is focused on building sustainable capacity for effective regulation and supervision of the financial sector in Eswatini. I have noted that the agenda of the workshop provides a comprehensive coverage of issues as well as laying a foundation for the development of an appropriate regulatory regime for Eswatini financial sector in line with international best practice.
10. In particular, the workshop covers critical issues such as Crisis Binder, Types and Triggers of Crisis, Deposit Insurance and Contingency Planning.
11. Lack of effective regulation and supervision can exacerbate the fragilities of the financial system. Given the foregoing, the need to continuously improve supervisory tools and techniques cannot be over-emphasised.
12. Eswatini is lacking an effective resolution regime. The objective of an effective resolution regime is to make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions through mechanisms, which make it possible for shareholders and unsecured and uninsured creditors to absorb losses in a manner that respects the hierarchy of claims in liquidation.
13. There are also no institutional arrangements in place amongst the safety-net players on how to manage and/or resolve a crisis. In the case of Eswatini, the safety-net players include the Central Bank, FSRA, and the Ministry of Finance.
14. Therefore, if a crisis were to occur, there is currently no clear structure/framework on how activities would be coordinated to facilitate the effective management and resolution of that crisis.
15. To foster financial sector stability, the Bank needs to develop a more effective resolution framework for addressing failures of banks and systemically important financial institutions (SIFIs) in a manner that minimizes spillover impact on the real economy.
16. A critical aspect of these frameworks is the protection of taxpayers from exposure to losses and containing the negative externalities posed by disruption in the financial system.
17. This is also to complement the work done under the Bank's Regulatory Reform Programme in trying to enhance legislation governing the financial sector.
18. Ladies and gentlemen, the IMF/World Bank in their annual meeting recently published the IMF Global Financial Stability Report for October 2018. The main findings of this report indicate that the global financial system continues to strengthen in response to

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extraordinary policy support, regulatory requirements, and the cyclical upturn in growth. This workshop presents an opportunity to deepen your understanding of the:

- purpose of a crisis binder and its users, defining the financial safety net and its players;
- laying the foundation for crisis preparedness;
- identifying the type of crisis;
- understanding powers, roles and responsibilities of the financial safety net players and coordinating activities;
- establishing decision-making process for responding to crisis; and
- planning for potential crisis responses.

19. Eswatini continues to experience a challenging fiscal crisis as the world is still recovering following the 2008 global financial crisis. The global financial system was more fragile than previously predicted. Some countries were hit harder than others and Eswatini was not spared. We, as a country learned quite an expensive lesson. Productivity plunged as industries suffered from negative spillovers, households suffered as interest rates rose, income stagnated while inflation reached new highs.

20. These highlighted risks and vulnerabilities were mitigated by policy directives. This in a sense calls for evidence-based policy recommendations, improved stakeholder engagement and a high level of consultations.

21. In conclusion, it is evident that the financial sector landscape is constantly changing. Most of the developments that are happening are driven by innovation, as such, a macro-prudential perspective is necessary to understand and maintain financial stability. I hope the deliberations will go a long way in enhancing our understanding of the financial stability concept.

12. I also hope that our facilitators will find time in their busy schedule to visit some interesting sights in Eswatini and the surrounding areas.

13. With these remarks, I declare this workshop officially open.

Thank you