

Opening remarks by Dr M Mnyande, Chief Economist and Executive General Manager, at the Toronto Centre *Seminar on strengthening financial stability arrangements*, to be held at the SARB College from 16 to 19 March 2009

Monday 16 March, 08:00

Mr Jorge Patino and the team from the Toronto Centre

Mr David Scott and his colleagues from the World Bank

Mr Andrew Gracie and his team from Crisis Management Analytics

Colleagues from the SADC central banks

Ladies and gentlemen

It is my privilege to officially welcome you to this seminar on **Strengthening Financial Stability Arrangements**, which will be presented by the Toronto Centre over the next four days. This is a first of its kind for Southern Africa, and we are most grateful to the World Bank's First Initiative for its assistance in co-sponsoring this event with the South African Reserve Bank.

Having gone through the preparatory material, you should now be aware that this programme differs somewhat from the typical seminar, in particular with regards to the crisis simulation exercise that will be conducted on the third day. This exercise was developed by Crisis Management Analytics, a specialised consultancy with expertise in such events, and we have a number of highly-experienced role-players to make the exercise realistic and guide us through our parts.

It somewhat struck me, that we are indeed fortunate in Southern Africa to practice crisis handling in a simulated exercise - in the current global financial crisis - where others have to do it in real life! It surely is an opportunity to sharpen our awareness and our ability to act efficiently and appropriately, should disaster strike our shores.

The South African golf player Gary Player has a famous saying: "The more I practice, the luckier I become". I suspect there is a lot of truth in this expression that in my view also applies handsomely to handling of a crisis. In a sense the more one practices one's skills to react appropriately to a crisis trigger event, the luckier one becomes, either in averting a full-blown crisis, or in facilitating the least disruptive and costless resolution.

The veracity of the argument that "Practicing" a crisis creates an awareness of episodes that could go wrong, and a clumsy handling of events could degenerate into systemic disasters and thus a crisis, is unquestionable. I expect that everyone participating in this programme today should, at the end of it, have a serrated sensitivity to all the issues that should be considered in the handling of a crisis, and more specifically, a financial crisis.

It is easy, after an event, to point out flaws that were made in the handling of a crisis situation; for example, in the case of the failure of Lehman Brothers. This and other examples, I believe, will be covered extensively during the course of this seminar. It is argued that "the perfect policy makers," if there is anything of the sort, are called "Could Have" and "Should Have". Clearly, as we all know and are aware, in the region we won't have the comfort and wisdom of an after event in a crises situation that we may still have to resolve.

Still, I subscribe, unambiguously, that there is a lot that need to be studied from the mess up of the others. Misdeeds by the major financial markets and institutions observed in the recent past, as well as the techniques and/or methodologies that can be applied in identifying potential weaknesses in the financial system, will be thoroughly covered in the various presentations, discussions and case studies over the next few days.

Allow me then, here and now, to say that I was heartened by the enthusiasm we encountered for this event. I am very much aware of the fact that the South African

Reserve Bank had to do some serious negotiating with the Toronto Centre to allow at least two participants from each country in SADC that indicated the need to participate. Despite the relatively short notification, the programme was over-subscribed and we had to decline - inadvertently - some participants from the rest of the continent.

In earnest, this gives us assurances that the issue of crisis readiness and the strengthening of financial stability mechanisms are high on the list of priorities among central banks in the region, even though we may have escaped the worst of the direct effects of the global financial crisis, SO FAR.

In advance, I would like to thank all the presenters, programme leaders, moderators and co-sponsors on behalf of the Governor, Deputy Governors, the staff of the South African Reserve Bank and indeed the Committee of Central Bank Governors in SADC for bringing this programme to Southern Africa. A hearty welcome also to all the participants - may you truly find the next four days an enriching experience.

Thank you.