

Speech of His Excellency the Governor of the Central Bank of Kuwait,

The opening Session of the

Thirty Sixth Ordinary Session of the

Board of Governors of Central Banks and Arab Monetary Institutions

Kuwait, 1st. October 2012

In the Name of God, Most Gracious, Most Merciful.

**Your Excellencies, Governors of Central Banks and Arab Monetary
Institutions,**

**Your Excellency, Dr. Jasem AL-Mnae'e, Director of the Board of
Directors and Director General of the Arab Fund,**

Members of the Diplomatic Missions,

Distinguished Guests,

Assalamo Alaykom,

It pleases me to welcome you all to Kuwait, the hosting country of the thirty sixth ordinary session of the Board of Governors of Central Banks and Arab

Monetary Institutions, under the auspices of His Highness Sheikh Jaber AL-Mubarak AL-Hamad AL-Sabah, the Prime Minister, wishing you a pleasant stay and praying to Allah the Almighty to grant us success in our quest. Please allow me to seize this opportunity as the chairman of this session, to offer His excellency Sheikh Abdullah Bin Saud AL-Thani, Governor of Qatar Central Bank, on behalf of you all, my sincere gratitude for his tangible exerted efforts as chairman of the past session. My utmost appreciation is also offered to His Excellency Dr. Jasem AL-Mnae'e, Director of the Board of Directors and Director General of Arab Fund and all staff at the Arab Fund, for their remarkable hard work with the board and its committees and their notable accomplishments in organizing this session's meetings.

Distinguished Guests,

We meet here today for the Thirty Sixth Ordinary Session of the Board of Governors of Central Banks and Arab Monetary Institutions amid-immense regional and international events and changes. Those developments have definitely, reshaped the main features of the global financial and economic environment, forcing monetary and supervisory authorities to review the mechanisms applied in handling those developments, and formulate more appropriate strategies to deal with the components of the new economic and financial environment.

Internationally, global economy is undergoing immense pressures hindering its recovery in the short term. Although it's been four years since the global financial and economic crisis' blast, global economy performance is still

being deeply affected by its consequences hindering economic growth in various regions of the world. You may agree that the current sovereign credit crunch, aggressively confronting many Euro Zone economies embodies in core one of the most significant repercussions of the global financial and economic crunch. The European sovereign credit crunch is largely expanding and entailing accelerated instability in the banking and financial sectors in many Euro Zone economies, particularly with the deteriorating capabilities of those countries to meet the requirements of financial correction and reform, in light of the potential risks of declining banking credit amid the increasing financing pressures, causing extensive fears of future trends in the economic and financial performance, not only in Euro Zone countries but also at global levels.

Obviously, Arab economies are not isolated from the negative effects of the global developments, specifically with the increasing complications of trade, financial and economic relations linking our region with the world's countries. Those issues have entailed increasing pressures on many Arab economies, in addition to the accelerating political transforms witnessed in a number of Arab countries during 2011. Those ongoing transforms have immense reflections on the economy, not only in those countries but also in the region as a whole, especially that such events synchronize with the slow global economic activity, imposing yet more pressures on the general economic stability of the region's countries.

Amid the said speedy interactions and developments and the entailed complications, the necessity for reformation of many components of the financial and economic policies in the Arab countries, seems to be extremely urgent. In this respect, hopes are held on the central banks' decisions aiming at controlling the negative effects of those developments, while supporting economic growth and monetary stability.

Given the ultimately important role of central banks and Arab monetary institutions, especially at this stage, we need to stress the urgent need for the joint efforts of Arab authorities, necessitated by the immense challenges confronting Arab economies. Central banks are facing new additional burdens, related in core to unbalanced performance of other sectors. In other words, the current crisis facing many countries in the region, is partially related to the uncertainty issues, at many levels, particularly the business sector prospects. Those implications are only the natural outcome of a vulnerable financial and economic environment, regionally and internationally. Hence, a new challenge is imposed on the monetary and supervisory authorities, represented in regaining confidence in markets, providing supportive environments in order to encourage general economic performance, and taking necessary measures aiming at boosting economic growth in particular, within a framework of a monetary policy towards solid base-monetary stability.

Driven by our recognition of the risks and challenges lately encountered by central banks and Arab monetary institutions, we emphasize the need to

learn our lessons from this global financial and economic crisis, conclude the appropriate ways to deal with the financial imbalances, limit potential systemic risks, and intensify our efforts towards further enhancement of the banking and financial sector, being the backbone of the economic activity and the connecting bond with the world. Such issue requires a developed profound supervision and control, and persistent endeavors to develop methods and mechanisms of risk management, while assuring effective governance principles.

Your Excellencies,

Dear Guests,

Our meeting today, is an appropriate opportunity to handle many topics of joint concern, particularly the risks and challenges currently facing the Arab financial and economic systems, the role of central banks and Arab monetary institutions in overcoming those challenges, and the establishment of monetary and financial stability aiming at boosting sustained economic growth and appropriate environment for the advancement of economic and social development in our Arab countries. In this respect, we look forward to learn from the experience of the Kingdom of Morocco, in enhancing financial inclusion, and the contribution of the bank of Morocco in the implementation of this practice that has been of special importance since the beginning of the new millennium, due to its effect in enlarging the umbrella of banking services and upgrading the standards of living, especially in rural and distant areas.

Your Excellencies,

Distinguished Guests,

On our side, the Central Bank of Kuwait continues its persistent efforts in the context of its endeavors to establish the basis of monetary and financial stability in the national economy, and strengthen the financial positions of the banking and financial system units, in accordance with international standards of effective banking supervision. Those efforts are intended to push forward the development of banks capabilities pertaining to risk management and defying different variables and pressuring changes. In this respect, the CBK has developed an applicable complementary strategy to convert to the risk based supervision, develop inspection methods, design sustained pursuance mechanisms of the types of violations and observations detected, in addition to periodical stress tests, in accordance with sophisticated scenarios taking into account all involved risks of bank activities, and related macro and micro economic factors.

Concerning the efforts intended for the application of international supervision standards and fortifying the banking system in the State of Kuwait, the CBK has made the necessary arrangements paving the way to put into effect the supervision standards issued by Basel committee on banking supervision known as Basel III accords, whereby a committee constituting of representatives of Kuwaiti banks, was formed to set the

related supervisory rules and guidelines. In context of those reforms, the CBK seeks to activate an early warning system to detect any potential systemic risks that may threaten financial stability, following which the Financial Stability Office was established and launched activity as of Aug. 2011.

Furthermore, new instructions concerning the governance standards were issued by the CBK in May 2004, taking into account the lessons learned from the global financial and economic crunch.

Your Excellencies,

Dear Guests,

In conclusion, I would like to welcome you all in the state of Kuwait, and express my warm appreciation for taking the trouble of travelling in order to join us in this meeting which represents a typical chance for exchanging views related to the various challenges confronting our Arab countries' economies, and the role that should be performed by central banks and monetary institutions in our countries aiming to overcome the challenges, and demonstrate our determination on enhancing cooperation and coordination ties among monetary and supervisory authorities in the region's countries.

May Allah grant us success.

Assalamo Alaykom