Emmanuel Tumusiime-Mutebile: Financial innovation and inclusion – challenges and implications for monetary policy and financial stability

Opening remarks by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the COMESA (Common Market for Eastern and Southern Africa) Committee of Central Bank Governors Symposium on "Financial innovation and inclusion – challenges and implications for monetary policy and financial stability", Kampala, 24 May 2013.

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Governors of COMESA Central Banks

Secretary General of COMESA

Resource Persons

Senior Central Bank officials

Ladies and gentlemen,

Good morning everyone. I am delighted to welcome you to this COMESA Committee of Central Bank Governors symposium on the theme, *"Financial Innovation and Inclusion: Challenges and Implications for Monetary Policy and Financial Stability"*.

During our 18th meeting held in Kigali in December 2012, we recognised new challenges in the financial sector and decided to organise a symposium to share experiences and to explore ways of facilitating financial innovation and inclusion with due consideration of the Page attendant effects on the efficacy of monetary policy and financial stability.

Today, we have a panel of experts who will enrich our understanding of the challenges posed by financial innovation and inclusion on monetary policy and financial stability. I am confident that the presentations and discussions during this symposium will fill any existing knowledge gaps on these issues. We will undoubtedly leave this forum with a strategic vision on the role that central banks should play in shepherding the development of financial innovation and inclusion.

Fellow Governors, ladies and gentlemen, allow me to make a few remarks on this very important topic as a precursor. To date, our financial systems have experienced rapid financial innovation, driven mainly by advances in information and communication technology. Both the banked and unbanked public can move money and effect payments much faster and with greater convenience.

Of all the innovations, mobile money growth has developed and proliferated across the region at such a remarkable pace that it should attract keener regulatory oversight. Yet, regulation and supervision of innovations is often a double edged sword. On one hand, suboptimal regulation restrains the pace and extent of innovation. On the other hand, smart regulation provides a safe and secure environment. Our discussions should shed light on the threshold beyond which the extent of new financial services makes them systemically important, and below which freedom unleashes creativity.

Moreover, because ICT has delivered services to the unbanked who had no access to financial services before, it carries the hope of facilitating development. Nonetheless, financial inclusion may also pose risks to financial stability.

As central bankers, we should promote greater financial inclusion but not without due care and caution. Among the questions before us are: (1) what institutional structure and regulatory regime should we promote in order to maximize the benefits from financial innovations while minimizing the risks?; (2) what mechanisms should be instituted to manage distressed institutions arising out of financial innovation?; and 3) how should the public be protected from the associated risks including cyber-crime, among others?

Naturally, we would also be concerned to ensure reliable data management so as to monitor and appropriately adjust our monetary policy operations in tandem with the related structural changes. This symposium will help us to master the role of central banks in harnessing financial innovation so as to prudently maximize financial inclusion.

It is now my pleasure to invite our eminent experts to make their presentations and to also encourage the active participation of every one of us in the deliberations.