Phil Mnisi: Statement - official opening ceremony of the COMESA Symposium

Statement by Mr Phil Mnisi, Governor of the Central Bank of Eswatini and Chairman of the COMESA Committee of Governors of Central Banks, at the official opening ceremony of the COMESA Symposium, Ezulwini, 7 November 2024.

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- Hon. Minister of Finance
- Hon. Chileshe Mpundu Kapwepwe, Secretary General of COMESA
- Distinguished Governors
- Distinguished Delegates
- Ladies and Gentlemen, Good morning!

Let me begin by welcoming you, Distinguished Governors and your delegations to the Kingdom of Eswatini. I hope that you are enjoying our hospitality and that you will find time to explore our stunning natural beauty and landscape, that our country has to offer. Your presence here is not just an honor but reveals your commitment to the COMESA Monetary Integration Agenda.

It is both a privilege and a profound responsibility to address you today during the 2024 Symposium of the COMESA Committee of Governors of Central Banks on the following two themes, namely:

- "Digital Banking and the Impact of Cyber Security and other Emerging Risks to Central Banks in the COMESA Region", and
- "The Era of using Big Data and Machine learning in Central Banks and Financial Institutions: Implications for Monetary Policy".

Regarding the first theme of "Digital Banking and the Impact of Cyber Security and other Emerging Risks to Central Banks in the COMESA Region", let me acknowledge that the banking sector in the COMESA region has witnessed tremendous transformation in recent times. Digital banking has not only expanded access to financial services but has also streamlined operations and enhanced customer experience. It holds transformative potential for financial inclusion, efficiency, and economic growth not only for our region but also for the entire world.

However, these opportunities come with significant challenges, particularly in the realms of cybersecurity and other emerging risks. Cybersecurity has emerged as one of the most pressing concerns for central banks and financial institutions globally and, indeed, in our own region. As financial services increasingly move online, so does the risk of cyberattacks.

Malicious actors exploit vulnerabilities in digital infrastructures, posing a significant threat to individual financial institutions and the entire financial system. For instance, a successful cyberattack on a single institution can trigger a domino effect, leading to systemic risks and potentially destabilizing the entire financial ecosystem. As such, even as we embrace digital banking owing to its benefits, we also become more vulnerable to cyberattacks, data breaches, and other malicious activities.

The risks are not just limited to disruptions in monetary policy implementation and financial losses; they can erode the trust of citizens in the banking sector and threaten the stability of an entire financial system.

Moreover, as we embrace digital innovations, we must remain vigilant about other emerging risks, including:

- Technological Vulnerabilities: As banks adopt modern technologies, the potential for system vulnerabilities increases. This necessitates robust risk management frameworks.
- Regulatory Compliance: As digital banking evolves, so must central banks' regulatory frameworks. Central banks must ensure that regulations are adaptive and can respond swiftly to new threats.
- Consumer Protection: As we digitize banking services, protecting consumers from fraud, and ensuring their privacy becomes paramount. Central banks need to establish clear guidelines and frameworks to protect consumers in this digital age.
- Potential income inequality: As we embrace technological advances, there is potential for increased economic inequality as certain demographics may be left behind in the digital shift. Central banks in the region need to continue taking proactive measures to ensure that digital banking serves as a bridge rather than a barrier to financial inclusion.

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The recent surge in cyber incidents globally has underscored the urgency for central banks and financial institutions to adopt robust cyber security measures. Such measures could include, among others, the following:

- Strengthening Cyber Security Protocols: Central banks and financial institutions need to develop and continually update cyber security strategies, employing the latest technologies and practices to safeguard sensitive data.
- Collaboration and Information Sharing: In our respective countries, there is need to continue fostering collaboration between the central bank, financial institutions and government agencies. Sharing intelligence on threats and vulnerabilities can significantly enhance an individual country's collective security posture. Similar efforts at the regional and international level should also be encouraged.
- Capacity Building and Training: Continue investing in human capital by equipping our staff with the necessary skills and knowledge to identify and respond to cyber threats effectively.
- Regulatory Frameworks: Continuously improve the regulatory frameworks that not only promote innovation but also ensure the safety and soundness of individual country's financial systems.

- Public Awareness Campaigns: There is a need to continuously educate the public on the importance of cyber security and safe banking practices. Informed citizenry is the first line of defense against cyber threats.

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Turning to the second theme on "The Era of Using Big Data and Machine Learning in Central Banks and Financial Institutions: Implications for Monetary Policy", it is worth noting that the rapid advancements in technology have opened a wealth of possibilities for how w e gather, analyze, and utilize data. These technologies are revolutionizing the way we analyze economic data and formulate monetary policy.

Central banks and financial institutions are increasingly relying on big data analytics to gain insights into consumer behavior, economic trends, and market dynamics. Some of the potential benefits and monetary policy implications of Big Data and Machine Learning for central banks include, among others, the following:

- Enhanced Forecasting: By harnessing data from diverse sources - such as social media, transaction data, and global economic indicators - central banks can improve economic forecasting capabilities. Machine learning algorithms can identify non-linear relationships and adapt to changing conditions in real-time, allowing central banks to make more informed policy decisions. The ability to analyze large datasets allows for more accurate economic forecasts, which are essential for effective monetary policy formulation.
- Informed Decision-Making: Machine learning can help us process the vast economic data that our countries generate through real-time data analysis. This will lead to more informed decision-making, ensuring that our policies are evidence-based and aligned with the needs of our populations.
- Risk Assessment and Management: The financial sector is inherently risky. By utilizing big data, central banks can enhance their risk assessment frameworks. Machine learning models can analyze significant amounts of data to identify potential vulnerabilities in the financial sector, enabling central banks to act proactively rather than reactively.
- Monetary Policy Transmission: Understanding how monetary policy affects various sectors of the economy is crucial. Big data analytics can allow central banks to measure the impact of policies more accurately and understand the channels through which they operate. This can allow central banks to tailor policy interventions more accurately to the desired outcomes.
- Financial Inclusion: One of the goals for most central banks in the COMESA region is to enhance financial inclusion. Big data

can help us identify underserved populations and structure financial products to meet their needs, thus promoting equitable economic growth.

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Let me now turn to the key challenges and considerations by noting that as policymakers, we must ensure that our use of big data is guided by ethical considerations and robust governance frameworks. The integrity of our financial systems depends on our ability to maintain public trust. Some of the challenges and considerations that accompany the integration of big data and machine learning, include the following, among others:

- Data Privacy and Security: As we collect and analyze more data, we must prioritize the privacy and security of individuals and institutions. Establishing robust frameworks for data governance is essential to maintain trust in our financial systems.
- Capacity Building: The successful implementation of these technologies requires skilled personnel and infrastructure. Investing in capacity building for our central banks and financial institutions is crucial to harnessing the full potential of big data and machine learning.
- Equity in Access: We must ensure equitable access to these technologies and that no segments of the society are left behind.

Conclusion

In conclusion, as we embrace digital banking and the integration of big data and machine learning into our financial systems, central banks and financial institutions must also remain vigilant about the risks these innovations entail. Central banks in the COMESA region need to ensure that financial institutions in their jurisdictions are resilient, secure, and capable of navigating the complexities of the modern financial landscape.

In addition, big data and machine learning holds immense promise for central banks and financial institutions in the region. By leveraging these technologies, central banks in the region can enhance their monetary policy frameworks, promote financial stability, and drive sustainable economic growth in our various jurisdictions. Let us embrace this opportunity to innovate and transform financial systems for the betterment of our individual economies and the well-being of our citizens.

Thank you for your attention and God Bless !