

STATEMENT BY THE GOVERNOR OF THE BANK OF BOTSWANA MRS LINAH MOHOHLO ON THE LAUNCH OF

THE 2011 NATIONAL BANKING WEEK

Since 1999, banks and other financial institutions celebrate a National Banking Week. For this year, Banking Week activities will start on August 22 and end on August 27, 2011. This is an event which takes place every two years to create awareness of the important role played by financial institutions in the development of the country. These institutions mobilise savings, finance investment, facilitate payments within the country and with the rest of the world, and transmit monetary policy signals to the rest of the economy in order to control inflation.

In view of the critical importance of the financial institutions in the economy, the Banking Week's activities also draw public attention to current issues that should be addressed in order to ensure that these institutions grow, are safe and remain sound to fulfill the critical role they perform in the economic development of the country.

This year, the attention of the public will be focused on the need for ***fraud control and prevention in the banking industry***. This theme has been prompted by a worrisome rising trend in

cases of fraud in recent years. Banks and customers alike have experienced various forms of fraud. There have been incidences of unauthorised cash withdrawals from customers' bank accounts at Automated Teller Machines (ATMs), identity theft, scanning and cloning of bank credit cards and cheque forgery. The fraudsters are individuals and organised crime syndicates operating within our country and abroad.

The corrosive effect of fraud goes beyond the criminality of theft and individual loss of financial assets. It discourages members of the public from entrusting their savings with banks and this could undermine public confidence and trust in the banking system. As a result, financial institutions may not fully play their intermediation role. Fraud also imposes a financial cost to the economy as banks and customers have to allocate human and financial resources to prevent it.

There is, therefore, an urgent need to combat this scourge. For this reason, the Banking Week's activities will highlight different types of fraudulent acts, signs of fraud and fraud prevention measures.

The Bank of Botswana continues to use its regulatory and supervisory interventions to promote sound operational risk

management in banks, and this contributes towards combating fraud. Banks are required to have corporate governance structures that adhere to international best practice; put in place comprehensive and effective internal control systems; and comply with banking laws and regulations. These and other measures ensure a more resilient financial sector that can withstand any threats that could arise from internal or external sources.

Accordingly, banks have complied with these requirements. Operational risk management systems are in place; banking business is conducted in accordance with prescribed regulations; and the security of ATMs and point-of-sale portals has been enhanced. More generally, despite the rapid pace of the adoption of new information technology in banking business, care is taken to ensure that banking transactions, customer accounts information and privacy remain secure.

Nevertheless, combating fraud is an on-going responsibility that must be shared by banks, customers and the public. Vigilance on the part of everyone is all the more important as the banking system diversifies and competition intensifies by way of new entrants to the market, increased branch network, new products and progressive globalisation of banking services.

The recent innovations involving the use of mobile telephones for the delivery of some banking services, including transfer of funds, are welcome. However, these devices should not be abused to undermine the integrity of the financial system through fraud.

Therefore, on behalf of banks and other financial institutions the Bank of Botswana would like to appeal to bank customers to protect bank cards, cheques, and personal identification numbers (PINs) and other devices used to access banking services and accounts. Details of bank accounts should not be divulged to unknown persons; and please carry in person, only identity documents which have to be in your possession at a given time.

The various issues on fraud and its prevention will be communicated through various media channels to the public throughout the week. The highlight of the week's events will be a parade on Saturday, August 27, 2011, by staff of financial institutions, starting from the premises of the Bank of Botswana and ending at the Gaborone Bus Rank, where there will be a public address, drama presentations and other forms of entertainment.

Members of the public are encouraged to take a keen interest in the activities of this year's National Banking Week and fully embrace the need to combat and prevent fraud in the banking industry.