

## **R Basant Roi: Banking in Mauritius**

Address by Mr R Basant Roi, Governor of the Bank of Mauritius, at the inauguration of the Mahebourg branch of MPCB Ltd, 8 July 2004.

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Hon. Minister of Tourism and Leisure  
Chairperson and Members of the Board of the MPCB  
Ladies and Gentlemen

Good afternoon

I am pleased to be here with you all for the opening of the Mahebourg branch of the Mauritius Post and Cooperative Bank Ltd. In the last two years I have been asking Chief Executives of all the banks operating in Mauritius to upgrade the layout of their bank branches to international standards. I am particularly delighted to actually see that the premise housing the Mahebourg branch of MPCB Ltd. is of the desired standard.

Having a pleasant looking building is a good thing. The quality of services provided as well as the balance sheet of any bank should match the good setting of the premises. Every week I receive numerous complaints from bank customers from across the country. Seldom do I come across justified complaints.

Let me clarify a fundamental point. Banking, as we are all aware, involves risk. No banker, anywhere in the world, is absolutely certain that money lent out will be fully repaid in time. The risk of default is ever present. And many borrowers do default - often in an obscene manner. In such circumstances bankers have no other alternative than to take unpleasant actions for the bankers are answerable to their shareholders. Never borrow sums of money if your repayment capacity is limited. Never borrow sums of money thinking that in the years ahead your own financial standing will somehow improve and along with it your repayment capacity will improve. Your financial standing might never improve. The securities you have provided to the bank would be at stake. Let not the infectious greed catch you. Borrow such sums of money that you are certain to be able to repay in time.

Already banks have become mindful of risks involved in their lending operations. In the wake of financial liberalization, regulatory and supervisory authorities are requiring banks to give due weight to credit risk, amongst other things, in their operations. Less than two weeks ago, the G10 Governors of central banks reached a consensus on Basel II that requires banks to exercise far greater discipline in their lending activities. All the banks in Mauritius have been requested to adhere to the principles laid down in the Accord. Gone are the days when one could obtain credit through a mere telephone call to the manager of a bank.

Let me move on to a specific development that has been of serious concern to me as well as to international bankers watching our banking industry from overseas. Financial institutions are subject to an obligation of secrecy. In a democratic society citizens are entitled to the protection of their privacy. The obligation to maintain banking secrecy applies to all those who are employed by banks as well as to the banks' external auditors and board members. However, while the importance of public interest cannot be readily disregarded privacy of individuals cannot be taken that lightly. Confidentiality of information and banking secrecy have been and remain an important pillar of banking business throughout the world. Once the trust placed by individuals in banks is lost, it cannot but be a one-way ticket to irrecoverable damages to our financial system and to our economy as well. In the banking industry we are very much aware of the grave consequences of a loss of confidence in banks. All of us, particularly those of us having an elevated sense of responsibility should size up the gravity of the consequences for our economic and financial system, more so at a time when the present international environment is so inhospitable to the plight of small island economies like ours.

Having said that, I am pleased to learn that the MPCB is proposing to increase its capital from Rs 280 million to Rs 750 million by the end of next year. Let me wish the Chairman, members of the Board of Directors, the Chief Executive and staff of the Mauritius Post and Co-operative Bank Ltd. the very best of success.