

## **Yandraduth Googoolye: Meeting the challenges of a new financial era in Mauritius**

Address by Mr Yandraduth Googoolye, First Deputy Governor of the Bank of Mauritius, at the launching ceremony of the Accounting, Banking and Finance Society, University of Technology, Mauritius, Pointe aux Sables, 26 October 2006.

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President of the Board of Governors  
Director General  
Chief Executive of the Mauritius Bankers Association Limited  
Ladies and Gentlemen

Good morning

I am glad to address you this morning on the launching of the Accounting, Banking and Finance Society. I wish to commend this initiative to establish the Society, which I believe, will contribute towards improving the knowledge and skills of the young generation to better serve the fast expanding financial sector in Mauritius in an increasingly globalised financial system.

Indeed, your entry in the financial services industry will be during a remarkably dynamic time. The future lies in your hands. Though you are still pursuing your studies – as I understand, the first batch will graduate in the near future – you have taken a good decision at this stage.

You are the accountants, the bankers, the financial analysts and business leaders of tomorrow. You will be embarking on the profession just at a time when the demand for more sophisticated financial products coupled with enhanced regulation and supervision of institutions operating in the financial industry are the order of the day. This new architecture of the financial system aims at making our financial system more competitive, sounder and more resilient to shocks. As the world of financial business continues to evolve, it is vital that we respond quickly to meet the challenges of a new financial era in Mauritius. To this end, information sharing with the objective of improving the quality of knowledge and the ability of the workforce are of paramount importance. The Society should work towards promoting understanding of the challenges facing the financial industry, which will help create better opportunities for its fellow members. No doubt the Society must encourage the exchange of ideas and information among its members as well as with practitioners in the industry.

You must be aware of recent developments occurring in the financial sector. I will not surprise you if I tell you that the Bank of Mauritius is presently reviewing the framework within which it has been conducting monetary policy. The new framework has been designed to replace the present key interest rate – namely the Lombard Rate, which the Bank of Mauritius has been using to signal its monetary policy stance so far – with a key Repo Rate that will be in line with interest rates on the short-term money market. By re-engineering its monetary policy framework, the Bank of Mauritius is endeavouring to adapt its management of the macro economy to the changing economic environment. The Bank of Mauritius is striving towards enhancing the attainment of its ultimate statutory objective - which is to maintain price stability and to promote orderly and balanced economic development.

The financial services sector, including the banking sector, fulfils an important function as financial intermediary in an economy. Mauritius has one of the oldest and most sophisticated financial systems in Africa, with the banking system currently representing around 6 per cent of GDP. Robust economic performance has strongly contributed to the expansion of the sector. Strong regulatory and monetary policy frameworks have contributed towards maintaining macroeconomic and financial stability. At the same time, the soundness and degree of sophistication of the financial system is facilitating diversification of the economy, thus establishing a virtuous cycle in which the financial sector and the other productive sectors of the economy are strengthening in parallel.

The Bank of Mauritius views that the stability of the financial system depends on every institution involved and thus it diverts sizeable resources in ensuring the soundness and stability of each and every financial institution under its purview. Given the complexity and the dynamic nature of the industry, the supervision of an institution is becoming an increasingly challenging task. In this respect, the Bank of Mauritius has gradually adopted a risk-based approach towards regulation and supervision. A series of prudential guidelines – seventeen in total – have been issued to financial

institutions so far. Adherence to the guidelines is monitored through both on-site and off-site inspections.

Capital regulation is viewed as an important component of regulation of financial institutions. Basel II will soon supersede Basel I, which was established in 1988. Banking risks are far greater today and mindful of the potential benefits that Basel II may bring, the Bank of Mauritius embarked on and is committed towards implementing Basel II in Mauritius by early 2008. Given the intricacies of adopting a capital standard in Mauritius, a consultative and participative approach has been adopted with banks. The Committee for the Implementation of Basel II was therefore established to act as a steering committee for implementing the new capital adequacy framework.

This is rightly an occasion for me to reiterate some reflections I always share with fellow students. Acquiring a diploma or a University degree is indeed a license to learn. Learning starts after academic achievements and should be a continuous process. Anyone who refuses to learn is doomed. At the workplace you always have to innovate, to move to new standards of perfection and to abide by new rules. You need the right attitude, the knowledge and skills to react in an optimal manner to situations that may come your way.

You will some day leave the portals of the University of Technology, Mauritius, to start your career. From then on, you will be exposed to a very different world from what you may have known within the boundaries of university education: a world of fierce competition, filled with all types of risks. My advice is to let yourselves be guided by the very basic principles of social and professional lives – self-respect and honesty. Apart from the good educational background you may have acquired, you will continue building self-respect by persevering to learn and innovate throughout your career. If you wish to succeed, make perseverance your bosom friend. This is a character that will make a difference.

I enjoin a quote from George Bernard Shaw *“I am not a teacher, only a fellow traveller of whom you asked the way. I pointed ahead - ahead of myself as well as of you”*.

Persevere and invent your own future. I wish you the very best of success.

The Bank of Mauritius is ready to support this kind of initiative aiming at creating awareness of what is happening in the financial sector, especially the banking sector. I believe that the central bank can play an important role and be a bridge between the financial sector and your newly born Society. I direct you to the website of the Bank of Mauritius where you will be exposed to loads of information on the financial industry and the way it is regulated and supervised.

Thank you.