

Rundheersing Bheenick: All change now

Address by Mr Rundheersing Bheenick, Governor of the Bank of Mauritius, on the occasion of the re-branding of South East Asian Bank Ltd as Bramer Banking Corporation Ltd, Port Louis, 29 August 2008.

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A very good evening to all of you.

I always like to open a new bank –

- It is good for aspiring staff
- It encourages others to do better
- It is good for competition in the high street
- It is good for customers
- And it is good for the country

There is much goodness in new banks. Let's have more of them. Competition is at the heart of good governance. A new bank forces us all to re-examine our credentials, our levels of service, our standards, and our performance in this highly competitive and unforgiving world. I heard recently of a case where someone wanted to open a new account with a large sum of money – one established bank proposed one week to complete the procedures to do so while a new bank, just a couple of yards up the road, did it on the spot within five minutes. Such is the nature of the market – continued renewal. An upstart can take on a giant and win!

A new bank is like “the gentle rain from heaven upon the place beneath” – “it brings fresh showers to the thirsting flowers from the seas and the streams”. It is a refreshing breeze.

So, I am delighted to be here on the occasion of the refreshing of South East Asian Bank Ltd as Bramer Banking Corporation Ltd. It is indeed becoming quite a refreshing season, especially as this event today signals the entry into the domestic banking scene of the British American Investment Group – a Mauritian conglomerate with a well-established presence in other segments of the financial sector, both locally and overseas and, which, based on total assets, ranked 9th in the local business league in 2007.¹ So, on this new breeze, we have insurance, foreign exchange, leasing, and much else. I therefore see this event having more far-reaching consequences going well beyond the domestic financial sector and reflecting the broader economic ambitions of the country. For we need banks, not just in the business of money lending, but at the heart of sustained economic and social development.

In this specific case, the brand change brings with it the promise of a fresh focus for its business and the type of customers it will target. In this new spring, we need our banks to be promoting fresh growth and enhanced customer services.

The confidence of the customer has to be won, retained and constantly refreshed. Quality of service is key, as are financial strength, good corporate governance, customer-friendly practices and trust. I am confident that this bank, now under a new name, new ownership and new management, will lead to a fresh flowering of innovation and quality in all these areas.

As the banking sector literally explodes, driven by new players and relentless financial innovation, the central bank, which is here to oversee and regulate, cannot remain static in

¹ Source: ‘The Top One Hundred Companies’, Business Publications Ltd 2007 Edition, Mauritius.

the way it is organised and discharges its responsibilities. We at the Bank of Mauritius must rise to the challenge. My colleagues and I, we must be prepared to leave our comfort zone. We must question our rules, our regulations, our practices, our processes, indeed ourselves. That is the price to pay to achieve our ambition of graduating to the status of a well-regarded international financial centre. That is a price we are prepared to pay. The ambition drives our action. But, as always, some want the end but would deny us the means to achieve it. There are pockets of resistance which are building up steam in an overheated and misguided attempt to cling to the past and derail us from this shared national vision. I have also taken up the challenge of promoting Mauritius as a friendly international financial centre. As we must, we are refreshing our core services to confront the new challenges and to tap the new opportunities that beckon. But change-management is never easy. Change-management is post-doctoral studies, often conducted under withering and concentrated fire, by kamikaze supporters. Doing good by doing better is what ultimately drives these supporters and myself, not any suicidal instinct to commit collective hara-kiri.

Mr Bruno Julie, whose feat in the boxing ring in Beijing we now celebrate as a nation, well demonstrates the spirit of achievement and the determination which we need to galvanize us. With his bronze medal, Bruno Julie has got tiny Mauritius a coveted place in the Hall of Fame among the giants of the global sports world. But his incomparable performance led me to a wry reflection which I would like to share with you. On a distinctly less celebratory note, the Bank of Mauritius and the South East Asian Bank which we bury tonight, have a common in-house culture of anonymous letters. If poison-pen letters and anonymous tracts were also, like field and track events, an Olympic discipline, the Bank of Mauritius would have won a gold medal a long time ago! Well before the current avalanche of sleaze allegations and malpractices targeting my person. It pains me to see the time and resources spent by some disgruntled staff in tarring management's image. But I must say that I often admire the fertile imagination and creative instincts behind some of these concerted attacks. It is sadder still to see some of these smear reports being taken up by the mainstream press. Your bank would probably have got home with a bronze medal for the preposterous allegation that an unnamed high official of the Bank of Mauritius has bribed your CEO for some unfathomable reason. You must be wondering what happened to the silver medal. Let me tell you that this would go to an equally nasty piece of work alleging that a senior member of the political establishment and one family member are involved in money laundering. Now all these crossed my desk in the last four weeks. This must have been the kind of thing which Malcolm De Chazal, a famous Mauritian artist, writer, philosopher – and the closest we have had to a polymath – was referring to when he said that “*A Maurice on cultive la canne à sucre et les préjugés*”. Now, there's a culture that we could do without.

But these are mere diversions. They may detract us. But they certainly do not distract us from the mission and the mandate that are ours. We at the Bank of Mauritius have been advocating a culture of transparency for greater accountability. We have been canvassing the idea of establishing a Select Committee of the National Assembly for hearings of the Governor and his associates on the Bank's policies and strategies. We believe this will help to clear the air and expose the sensational headlines to more rational debate.

Indeed, we have plenty of reason to be satisfied with our record so far. This is not the time or the place to give you chapter and verse of all the changes that we have brought since assuming office in February last year. It will have to wait for another day. Despite the gloomy tales from abroad of the demise of the banking sector here, in Mauritius we can take some pride and comfort that, in the past year, our banking sector in particular, and the financial sector in general, have registered consistent growth, profitability and strength. We are all delighted that the Mauritius Commercial Bank now figures among the Top 20 banks in Sub-Saharan Africa: this sets a new standard in the field. I am mentioning this *en passant* to encourage the new bank to be ambitious and set its sights high. We look forward to the day when the Bramer Banking Corporation will pass this post too. Just don't take that long to get there!

The fresh wind of Islamic banking is also keeping us all on our toes. We have moved fast from idea to action. We have consulted far and wide. We have issued guidelines. We have joined the international standard-setting body for Islamic Banking. We have invited applications. We have processed them. And, tonight, I am pleased to announce that a few days ago we issued our first two “in principle” approvals for full-fledged Islamic banking licences. As they say, watch this space for a further announcement! In the meantime, we are pressing ahead with our plans to roll out Sharia-compliant Treasury products before these first two banks open their doors – and others open their windows – for Islamic banking business.

Very often, when we discuss the performance of the banking industry, whether conventional or Islamic, we tend to focus on issues of profitability, capital adequacy, asset quality and so forth. We tend to forget the “people” issues. Do you know, for example, that our banks have a combined total of 2 million deposit accounts? That is an average of 1.55 accounts by head of population, man, woman and child included. Do you know that we have 180,185 credit cards in issue? That makes 150 cards per 1,000 inhabitants. Do you know that everyday, we issue an average of 21,160 cheques? And did you know that at last June, the sector employed 6,100 people? And that was mostly in white-collar jobs? And that employment has been growing at a compound rate of nearly 15 per cent per year over the last two years? That makes it one of the fastest growing sectors in the country. The Bank of Mauritius keeps a watchful eye over all this and makes sure that it keeps ticking over nicely, oiling the wheels of trade, commerce, and financial transactions. Consumers, borrowers, lenders, depositors, importers, exporters can all sleep in peace knowing that the Bank is on the job.

On a recent occasion, I expressed my satisfaction at the profitability of our banks and the buoyant economic environment generally. I also expressed my concern about the excessive growth of credit which we were witnessing. I had at the back of my mind the truism that bad loans are made in good times. I was determined to ensure that we do not rediscover this through bitter experience. I am happy to report that the situation is firmly under control. So much so that we are actually envisaging repo operations, for the first time in more than a year, to inject liquidity in the system. The determination of the Central Bank to press ahead, in spite of criticism, has paid off.

If we are happy with the profitability of our banks, we remain concerned about their efficiency and the affordability of their services. For instance, the average return on assets (ROA) of banks in Mauritius last year was 1.8 per cent,² as compared to an ROA of 1.3 per cent in our neighbourhood giant, South Africa. While strong earnings are important and the higher ROA could point to greater operational efficiency, it could also reflect higher costs being levied on the customer. No doubt more competition leads to better price discovery. We have 19 banks operating in Mauritius. Although, there is a high degree of market concentration, we do not believe that there is any active collusion among them. To stimulate greater competition and enable customers to make informed choices, we are working with banks to devise a common template for displaying applicable fees, charges and commissions in a comparable manner on their respective web sites. A better-informed customer is the best guarantee of greater efficiency in financial intermediation and the sustainable profitability of our banks.

It is a fact of life that some banking transactions will go sour, lead to recrimination, and result in costly and protracted lawsuits. If we are keen to reduce transaction costs, and the cost of doing business generally in Mauritius, we must address these issues in a more efficient and timely manner.

The provision relating to the Ombudsperson for banks in the Banking Act of 2004 still remains to be implemented. You may reasonably ask why. And we owe an explanation on this score. It is my firm conviction that our jurisdiction is too small to have a multiplicity of

² Source: Annual Report 2007: Bank Supervision Department, Reserve Bank of South Africa, Pretoria.

bodies with overlapping jurisdiction in this area. We have the Financial Services Commission which has some parts under its purview. We also have a Commissioner for the Protection of Small Borrowers, an Office instituted after the Banking Act 2004. We have the Ombudsman as well. We thought that it would be more efficient for all those institutions to provide a one-stop-shop to address all complaints relating to the banking and financial sector. We have unfortunately not been able to make much headway in this direction. We will therefore appoint an Ombudsperson for banks as provided by law and we shall work towards harmonising our position with the other players.

I take this opportunity to reiterate our resolve to be transparent in our operations and pursue a consultative approach to decision-making, while scrupulously observing all the laws and regulations applicable to our activities.

So, with my powers as Governor, I formally revoke the licence of South East Asian Bank and I now officially announce the issue of a fresh new banking licence to the Bramer Banking Corporation Ltd. With these words, may I once again convey my best wishes to the Management and staff of Bramer Banking Corporation Ltd and wish the owners and shareholders every success as they take on the established players on the domestic banking scene.

Thank you for your attention.