

Yandraduth Googoolye: Strengthening macro-prudential supervision in Mauritius

Address by Mr Yandraduth Googoolye, First Deputy Governor of the Bank of Mauritius, at the Signing Ceremony of the Memorandum of Understanding between the Bank of Mauritius and the Mauritius Revenue Authority, Port-Louis, 31 December 2009.

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Ladies and Gentlemen

After a comprehensive address by the Governor, I will not have much to add to what he has said. But, what I would do is to brief you about the salient features of the Memorandum of Understanding. But before doing so, I must say that after the global economic crisis, the buzz word all over is macro-prudential supervision. It is built on the clear lessons of the crisis that a set of financial institutions that are sound on a stand alone basis is not an assurance of financial stability. The real economy has to be treated as an endogenous part of the whole framework if systemic stability concerns have to be identified and mitigated.

Why I am saying this is because the MoU that we are going to sign today is a critical part of our effort to strengthen macro-prudential supervision. Let us look for instance one of the clauses of the MoU. It says that MRA will communicate to the Bank aggregate data on various taxes collected with a view to allow the Bank to gauge activities in the real sectors of the economy. This is an important data input for macro-prudential supervision. In fact this will make the process even more proactive rather than a reactive one. You will all agree that there is no alternative to being able to anticipate events and take remedial measures before a crisis assumes monstrous proportions.

Let me turn to the broad features of the MoU now. This agreement has basically three important aspects:

First, it contains the ground rules for cooperation between the Bank and the MRA. The MoU emanates from the respective legislative framework governing the Bank and MRA. It is therefore subservient to it and furthers the objectives laid out in the respective Acts.

Secondly, it sets out the specific areas for cooperation by detailing broadly the nature of information that one will provide to the other, areas in which they will collaborate with each other and underscores the need for use of technical expertise in one institution relevant for the effective discharge of responsibilities by the other.

Thirdly, it provides for a joint committee between the Bank and MRA that will meet at quarterly intervals to consider the implementation of the MoU and matters arising therefrom.

I am sure that both the Bank and the MRA will be able to perform their responsibilities with better information than they would be able to without the MoU. We on our part will spare no efforts to reap the benefits of this arrangement for the overall good of the state in general and the economy in particular.

Thank you for your attention.