Rundheersing Bheenick: A central bank in search of “anti-fragility”

Address by Mr Rundheersing Bheenick, Governor of the Bank of Mauritius, at the Gala Dinner on the occasion of the Second Meeting of the Official Monetary and Financial Institutions Forum (OMFIF) in Africa, hosted by the Bank of Mauritius, Port-Louis, 5 November 2012

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Of all the memorable events that the Bank of Mauritius has staged in this Dining Room – and there have been quite a few – tonight’s event is surely one of a kind. This is the very first time that we are welcoming at the Bank His Excellency Rajkeswur Purryag, G.O.S.K., G.C.S.K., since he acceded to the exalted position of President of the Republic of Mauritius four months ago. Mr President, we are deeply honoured by your presence amongst us tonight. This is also the first time that we are hosting a meeting of the Official Monetary and Financial Institutions Forum. We are conscious of the honour OMFIF is doing us, a small Central Bank of a small island-state, by giving us the privilege of hosting this event. Let me extend a very warm welcome to our many distinguished visitors from abroad. And express our thanks to our distinguished guests from home for joining us tonight.

This is only the second time that OMFIF is holding a meeting in Africa. Now bankers and central bankers are supposed to have a head for numbers – cynics have their doubts. We are struck by a strange coincidence. When the South African Reserve Bank hosted the first meeting in Africa, it happened to be celebrating its 90th Anniversary. As we host this second meeting, we are celebrating the 45th Anniversary of our Bank. I am sure numerologists and others of their ilk may discern some hidden esoteric meaning in those numbers. And this is what we intend to discover during the next two days.

Let me say a few words on OMFIF for our guests who may not be very familiar with its work. Founded in 2010, OMFIF regroups diverse players from the public and private sector, central banks, sovereign wealth funds, and academia who get together to exchange views and share experience with the objective of improving performance and achieving prosperity. This second meeting provides a remarkable networking opportunity. It brings together a total of 19 institutions, of nearly 100 delegates from 21 countries, 25 delegates from central banks, 64 delegates from the private sector, 4 delegates from multinational organizations and others from governmental and academic institutions. We can therefore reasonably expect very enriching debates and exchanges at the various sessions.

The inaugural meeting in South Africa last year already set the tone. Participants highlighted the signs of Africa’s stunning potential: 5% average GDP growth in the recent past, fast-rising incomes, and abundant resources. The meeting articulated the crucial requirements for the future of the African continent. Foremost among them were the following: first, strengthening trade integration with other faster growing areas; second, fighting corruption; and third, harnessing domestic and foreign savings for investment and development. The theme of this year’s symposium “Trade flows and global growth” rightly follows up on the conclusions of the meeting in South Africa.

Tonight I will share with you our own experience at the Bank of Mauritius and touch upon our role in the regional integration agenda. I also comment *en passant* on some issues that have a bearing on the prosperity of the African continent.

We are all aware that we are meeting against the backdrop of a continuing global financial and economic crisis. At different levels and in different fora, we have talked enough about it. As Christine Lagarde, the Managing Director of the IMF, put it in Tokyo, it is now time to A-C-T, spelling the word for added emphasis. Lagarde didn’t say it but she would surely agree that Africa must be part of the solution to the global crisis.

While mature markets, in particular the UK and the euro area, continue to face sharp risks of prolonged sub-par growth, Asia and Africa, have emerged as the two fastest-growing continents in the world. Asia, resilient in the face of prolonged softening in external demand, is being hailed as the new axis of development. What a refreshing change from the bugbear of the Yellow Peril and the Clash of Civilizations that Western strategists used to fantasize about not so long ago! Typical of this school of thought was a book penned by Alain Pereyfitte, confidant of Charles de Gaulle, which he entitled: "*Quand la Chine s'éveillera…le monde tremblera*" − literally translated, "*When China awakes…… there'll be a global earthquake."* As Lord Desai has pointed out, the African awakening is a totally different story. There is no fear of an earthquake, with Africa as its epicenter. But there is no denying that African policymakers have been rapidly getting their act together, bringing greater political and macroeconomic stability and microeconomic reforms.

Africa has been very successful at attracting investors by the abundance of its resources endowment. India and China have increased trade and capital flows to Africa; and China has become an important partner for Africa in infrastructure development. Integration within Africa has however been fairly disappointing. *The International Trade Statistics 2012* of the World Trade Organisation confirms the relatively low level of intra-Africa trade: at only 10%, intra-Africa trade trails far behind the 30% level of ASEAN, the 40% level of North America, and the 60% of Europe. Red tape, poor infrastructure and trade barriers are costing Africa billions of dollars and depriving the region of new sources of economic growth.

It is clear that we must step up our efforts to stimulate intra-regional trade and develop further financing links within the continent. Trade integration could unlock the growth and employment potential in the region and help to mitigate the impact of external shocks on our economies. Five years ago, the Bank of Mauritius threw its hat in the ring and joined the fight to promote intra-regional trade by lobbying successfully to become the settlement bank for COMESA's regional payments system initiative, REPSS, the Regional Payment and Settlement System. REPSS went live last month. The system allows for an easy transfer of funds among member countries – importers are able to pay for goods and services in their local currencies, and exporters can invoice their products in their domestic currencies. There is no reason why this platform cannot also serve the needs of other countries beyond COMESA member-states, and thus give a much-needed fillip to cross-border regional trade.

Macroeconomic convergence and financial integration figure high on our regional integration agenda. The Bank has been playing an increasingly active role in other African integration initiatives such as COMESA, SADC and AACB, i.e. the Association of African Central Banks. Countries in the region recognize that stability is a necessary condition for prosperity. Along with several of our peers, the Bank of Mauritius joined the Sub-Saharan Africa Regional Consultative Group of the Financial Stability Board. This will help to identify the region's challenges and, hopefully, adjust global policy-making to make it more relevant for peripheral countries. Such a forum ensures that the African continent has a voice in the process of policy reforms.

There is another remarkable phenomenon happening in our part of the world which I would like to flag for your attention. While major banks in developed countries are mired in scandal, scrambling for capital, shrinking their operations, and losing their CEO's, many of our banks are posting healthy profits and extending their footprint to other parts of the continent. This underlines the need for African regulators to collaborate more and exchange information to mitigate risks of contagion. The two African giants, Nigeria and South Africa, which account for half of sub-Saharan Africa's GDP, must be more sensitive to the spillover effects of their actions on the rest of the continent. We must be ready to take prompt policy actions in the event of a home-grown crisis. It is not surprising, therefore, that we are joining hands to establish supervisory colleges to foster closer supervisory cooperation and address the issue of banking crisis resolution in the African region.

Africa has an abundance of resources and is seen as the world's most promising place for new production. However, this wealth, when tapped, does not trickle down to Africans. By contrast, a small island economy like Mauritius, with its 1,860 square kilometres of land, a coastline of 177 kilometres, its limited resources and its independent economic history of less than five decades, has prospered and continues to score high marks on a number of counts. We have a sound and dynamic financial sector, an evolving monetary policy framework, a modern financial market infrastructure, and a banking sector that has showed remarkable resilience during the turbulent years. This financial and monetary stability has undoubtedly been a major contributor to the robust growth that Mauritius has experienced throughout the crisis. In 2011, the Mauritian economy was one-third bigger than it was in 2007, GDP having risen from Rs244 billion to Rs323 billion over the period. One might be tempted to say: "if this is a crisis, let's have more of it!" But we must not tempt the devil…

Mauritius is, of course, far from being what Nassim Taleb calls a "black-swan-robust" economy, that is, an economy that can resist difficult-to-predict events. But we have most certainly taken steps to "robustify" our economy, and we have made it less vulnerable and less fragile. In his Stamp Memorial Lecture at the London School of Economics in October this year, Sir Mervyn King, Governor of the Bank of England, put it thus:

> "*[Taleb] argues that the opposite of fragility is not resilience or robustness, but "anti-fragility", that is a state in which people or institutions thrive on volatility, shocks to the system, and risk. We go to the gym to stress our muscles in order to strengthen them; occasional seismic activity may prevent a more damaging earthquake…[Anti-fragility] offers a warning of the dangers of believing that the role of monetary policy is to offset all shocks. Rather than pretend that we can forecast the future, a more intelligent response is to reinforce the resilience of those parts of the financial system that we cannot permit to fail and encourage entry and exit in a free market in other parts.*"

Since I joined the Bank – about the time when the sub-prime crisis broke – I introduced an annual Letter to Stakeholders as part of my new communication strategy in an attempt to de-mystify central banking. In my Letter of 2011, I may unwittingly have put my finger on one of the mechanisms to build "anti-fragility". I wrote there that I have come to consider the smallness of our economy as

> "*an asset rather than a liability because small size gives us an added adaptive advantage: a quick response capacity and the flexibility to continually adjust to the volatile external environment*".

That prompt response and flexibility have very much become our mantra at the Bank of Mauritius during the crisis. Which means that, unknown to ourselves, we have actually been promoting "anti-fragility". We are as amazed as Molière's eponymous *Bourgeois Gentilhomme* was when he discovered that he had been speaking prose all his life!

How, then, did we "robustify" the banking and finance sector? How did we respond to the increasing volatility, the external shocks, and the heightened risk? It will take us too long to go through all the things we did, both government and Central Bank, to cope with the succession of shocks that hit us in the financial and real sectors over the last five years, some of them anticipated and quite unrelated to the crisis. Let me just highlight some of the actions of the Central Bank. Inevitably, these sparked some misgivings about the evolving role of the Central Bank.

Central banks in systemic countries have moved center-stage. The US Federal Reserve, the European Central Bank, the Bank of England, and the Bank of Japan have moved well beyond the traditional 'lender of last resort' function and financial orthodoxy. They have had to step in swiftly to stabilize economic activity and restore trust in the financial system. These central banks are in uncharted territory. Some fear that, like some of the mammoth universal banks at the heart of the crisis these central banks may also have become too big to fail. Others raise the spectre of a "currency war" and revive memories of a former US Treasury

Secretary, John Connally, who told a group of European finance ministers worried about the export of American inflation that the dollar is *" our currency, but your problem."*

Small central banks, like ours, do suffer from this quantitative easing and consequent currency weakening in our reserves portfolio even while we recognize that we benefit from the favourable impact on the demand for our exports. We have been constantly re-jigging our reserves composition, more for prudential reasons than in a search for yield.

We have struggled to maintain a high level of monetary and financial stability in spite of our exposure arising from the openness of the economy. We made full use of all the elbow room we could build around us by taking a less restrictive approach to the Bank of Mauritius Act; we revisited little-known provisions of the Act and viewed the Bank's mandate in a broader perspective – at the cost, I must say, of much friction with other interested parties and to the evident delight of the local press. We did not limit ourselves to the conduct of monetary policy via interest rate decisions only. The Bank fully assumed its socio-developmental role in the economy.

We have been particularly attentive to a better integration of banking and financial sector policies with national economic policies. To facilitate this, we stepped up our coordination with the Treasury while safeguarding the central bank's independence against fiscal dominance and other encroachments on its domain, in, for example, the area of exchange and reserve management. Let me mention briefly some of the main policy measures that can be credited with instilling "anti-fragility" in the system:

First, trade finance*.* For a country which depends so critically on trade exchanges with the rest of the World – external trade constitutes 69% of GDP – it was perhaps inevitable that the financing of trade flows would be the area where financial stress would first surface when international money-centre banks did not roll over long-established trade credit lines to domestic banks.

The Bank responded promptly by extending a Special Foreign Currency Line of Credit of US$125 million, i.e. nearly 7% of Bank reserves to ensure the continued financing of the country's trade. This measure, taken in December 2008, extended the Bank's toolkit and it was vital to keep the economy functioning smoothly in the unusual conditions prevailing at the time. The Special Foreign Currency Line of Credit remained available for three years and we only withdrew it last year when it was no longer required. Those who follow developments in this area will recall that it was only in October 2011 that the BIS brought two changes in the treatment of trade finance under the Basel Capital framework to improve access to, and lower the cost of, trade finance instruments for low-income countries.

Second, Swaps Transactions**.** The lack of liquidity in the spot foreign exchange market towards the end of 2009 started to impact on the orderly functioning of this market. Consequently, the Bank offered to undertake swap transactions with a view to injecting liquidity in the market and thus, prevent the build-up of uncertainties that would have been having financial stability implications. Spot-to-one month forward swap transactions in USD, EUR and GBP were carried out for an amount equivalent to USD94 million.

Third, Excess Liquidity. As the global economy nosedived, it dragged down private sector credit demand. By an unfortunate coincidence, this happened simultaneously with the Government drawdown of prudential credit types negotiated with international financial institutions to ward off the possible negative repercussions of any sudden stop in foreign direct investment inflows. These flows diminished somewhat, but no sudden stop materialized. The net redemption of public debt that followed fuelled an explosion of domestic excess liquidity. As its peak, this stood at Rs8.3 billion, or nearly three times higher than the Bank's comfort level of Rs3 billion. As yields on reduced issues of Government debt were aggressively pushed further and further below savings deposit rates, it became increasingly obvious that this excess liquidity situation would hamper the monetary transmission mechanism and impede normal financial intermediation.

The Bank was in a fix. Its own resources were severely stretched as interest rates on its reserve holdings, its main source of income, neared the zero level. Although profitability was not a major motivation, it could not easily envisage incurring a loss. It could not persuade the Treasury to issue more paper, with a senior finance official bluntly saying: “Excess liquidity is your problem!” to the Bank officer mandated to explore this issue with the Treasury. Unlike some central banks, we did not have the option of automatically issuing treasury paper for monetary policy purposes for the Government’s account.

Tentatively, we started issuing 28-day Bank of Mauritius paper. We had already abandoned the overnight placement facility with the Central Bank as it didn’t serve any useful purpose given the high costs incurred. Persistent excess liquidity led to frequent rollovers of our 28-day paper. The Bank lengthened the maturity of its own paper and, before long, found itself issuing bills of 91-day, 182-day and 364-day maturities as well as notes of 2-year, 3-year and 4-year duration. At peak time, the Bank had a total of Rs11.5 billion outstanding, compared to Rs31.5 billion of Treasury bills at the time. Let me fast forward to the present when we are facing sporadic liquidity shortages in the domestic banking system. Since early December, we have gone into reverse mode. We have been offering to buy back our own paper but no bank has taken us up on our offer yet.

Fourth, the Bank’s accounting framework. This required the Bank to liquidate periodically, part of its portfolio to distribute unrealized gains, and did not allow dynamic provisioning. I shall spare you the details of how we managed to effect changes in the Bank’s accounting framework in the face of concerted opposition from the Bank’s external auditors, the Treasury, the State Law Office, and some of our own accounting staff – or how we got the IMF to defend our corner. In November 2011, we also doubled the Bank’s capital from Rs1 billion to Rs2 billion to quell any fears about the Bank’s capital adequacy. Both are fascinating stories, but we shall have them for another time.

Fifth, credit to small cane-growers. When the sugar sector was hit by continued decline in export prices and small planters were abandoning cane cultivation, the Bank made available a cheap line of credit in rupees amounting to Rs1.5 billion in each of the two years 2010 and 2011 and of Rs1.3 billion 2012 to the Mauritius Sugar Syndicate to finance the crop at preferential rates. We negotiated paper-thin margins with the commercial banks to make sure that it provided maximum benefit to the targeted beneficiaries.

Sixth, we worked closely with the Treasury to develop new bank lending facilities for the Small and Medium Enterprises sector. This was announced in the November 2011 Budget. The Bank supported the initiative by providing the framework through which finance could be extended on favourable terms and conditions through commercial banks. The Bank has been closely monitoring the scheme since it was launched.

Seventh, public debt management. The Bank was entrusted with the management of central Government’s debt since December 2008. Since then, the Bank has innovated with a host of measures to render the Government securities market deep and liquid. Single maturity auctions that determine the Government’s debt profile are conducted since 2010 and this has enabled the issuer to decide on its debt profile rather than leave it to the market to mark its preference. We scored some success in lengthening the domestic debt profile of central Government. A new instrument – 273-day Treasury Bills – was introduced to widen the maturity spectrum of available instrument and we succeeded to garner a smooth upward-sloping yield curve, which among other things, is expected to benefit the development of a corporate bond market by enabling market participants to price their financial products.

We have noted that banks, in general, have a tendency to lean on a buy-and-hold strategy when they purchase Government Treasury Bills. The marked preference of banks for official paper, even at the cost of driving down yields in the preferred part of the spectrum, and a growing risk aversion, have impeded the growth of credit and have prompted us to introduce a new tool in the form of a cap on banks’ holdings of Treasury Bills in their banking books in

April 2011. This cap was initially set at 20 per cent of daily average rupee deposits and tightened further to 18 per cent as from July 2011. There is no limit on banks' holdings of Treasury Bills in their trading book. You will note that while most central banks impose a minimum holding of liquid assets, we were bold enough to prescribe a maximum imposable limit on the premise to encourage banks to direct loanable funds towards extending more credit and also, to promote the long-awaited development of the secondary market.

My ***eighth*** point relates to our action on the foreign exchange market. For an import-dependent economy which does not grow its own food and which imports its fuel, the exchange-rate pass-through plays a critical role in domestic inflation with imports accounting for nearly 53% of the Consumer Price basket. Armed with our mandate to target price stability and the power to formulate appropriate intervention policies on the foreign exchange market, we moved decisively to reduce volatility on the foreign exchange market arising from suspected currency manipulation in an oligopolistic market with information asymmetries where the State Trading Corporation (STC) played the role of the fat goose to be avidly plucked by the well-informed and well-supplied currency trading desks. Our statutory powers allowed the Bank to provide directly the currency requirements of the STC, the agency responsible for our fuel and part of our food imports. This measure not only reduced volatility but it also enabled the STC to have less frequent price adjustments, thereby contributing to the price stability objective of the Bank.

The ***ninth*** measure we introduced relates to an action we took in June this year to shore up the export sector. Ever since the crisis hit, we have been closely monitoring the indebtedness of the corporate sector. We have a high level of interconnectedness and related party transactions in our banking system, which makes it very vulnerable to contagion. Our exporters had long been used to a slow and steady depreciation of the domestic currency. Over the years, they built up large rupee debts which they serviced from unhedged foreign currency earnings, mostly in euros. The prolonged weakness of the euro prompted calls to peg the rupee to the euro and, more generally, to depreciate the rupee. Instead of yielding to these pressures, which would have imposed a heavy burden on the rest of the population and risked social instability, the Bank introduced a Special Facility in Foreign Currency for an amount of Euros 600 million, or 27% of gross reserves, to refinance the outstanding stock of rupee debt of the export sectors which were hit by the declining external demand in key markets and the weakness of the export currencies. The Bank was charting new territory as we had never undertaken such a refinancing operation. Economic operators with highly-leveraged balance sheets – and severely affected by the mismatch between their earnings in foreign currency and their debt in rupees – posed grave risks to the balance sheets of banks and to overall financial stability in the country.

The ***tenth*** measure was introduced in parallel with the previous one. It concerns the same issue of currency valuation but approaches it from the perspective of foreign exchange reserves. There is no doubt that the rupee has strengthened since the crisis – the rupee exchange rate index moved from 100 in 2007 to 91.6 in December 2011, standing at 94.2 in September 2012. Over the same period, year-on-year inflation has fallen from 11.9% in 2006 to 3.9% in September 2012 after having dipped to a record low of 0.1% in October 2009. Given the openness of the economy and the exchange rate pass-through which I have referred to earlier, we could not have achieved the inflation outcome without the currency strategy which underpinned it.

There has been increasing concern about the "overvaluation" of the rupee from exporters' lobbies. The matter has been addressed by the IMF in the last two annual Article IV consultations, and also in a recent special report: "*Mauritius: External Balances from a Long-Term Perspective.*" Please bear with me as I quote selective excerpts from these documents to drive home the point that we may possibly be misreading the IMF's analysis when we argue for an accelerated depreciation:

Excerpt 1:

"*The flexible exchange rate continues to play a useful role as a potential shock absorber; exchange rate interventions should be used primarily to limit excess volatility. Net international reserves appear fully adequate, but not excessive.*"

(Staff report for the 2012 Article IV Consultation, February 2012)

Excerpt 2:

"*Using cross-country panel methodologies as well as single country time series techniques, we estimate that the Mauritian Rupee is mildly overvalued with respect to fundamentals. Nevertheless, there is significant uncertainty about the size of the overvaluation. Mauritian competitiveness in general (beyond real exchange rate issues) appears to have declined with respect to exports, labor productivity, growth in unit labor costs, and other structural competitiveness indicators*"

(IMF: Mauritius External Balances from a Long-Term Perspective – May 2012)

Excerpt 3:

"*The balance of evidence suggests the need for measures to address external imbalances and declining competitiveness…….the real exchange rate in 2012 might be considered overvalued……although the evidence is not fully conclusive….the exchange rate is one of the tools to address analyzed imbalances; likely partially effective in the short run, but also probably the most ineffective tool for the long run*."

(IMF: Mauritius External Balances from a Long-Term Perspective – May 2012)

Excerpt 4:

"*The recent strengthening of the Rupee owes to the depreciation of the Euro and the deteriorating conditions in the Euro area.*"

(IMF: Mauritius External Balances from a Long-Term Perspective – May 2012)

Excerpt 5:

"*Empirical results indicate that the BOM's FX intervention has generally been effective in affecting the volatility of the rupee exchange rates.*"

(IMF: Mauritius External Balances from a Long-Term Perspective – May 2012)

Well, that should put paid to the argument that the Central Bank has been misguided in its forex intervention policies as much as to the contention that the salvation of the export sector depends on a currency fix that the Bank should provide.

Earlier, we had been advised by the Fund that the mild overvaluation did not warrant active foreign exchange intervention. In the light of evidence suggesting growing misalignment and our reserve cover being qualified as "*adequate, but not excessive*", we launched an initiative to increase our reserve cover to six months' of imports. Since its launch in June 2012, Operation Reserves Reconstitution has added reserves of nearly one month of import cover and we are well on the way to achieve our target. We managed to contain rupee appreciation and corrected the growing misalignment without creating disorderly conditions on the domestic foreign exchange market. Whether this will suffice to combat further appreciation depends very much on what happens to our trading partner currencies.

I hope I have not bored you with all these details. These measures, and many other smaller ones relating amongst others to macro-prudential provisions, that I have no time to mention tonight, contributed to build “anti-fragility” not just in the Mauritian economy but, more broadly, in Mauritian society as well. We did not chart new territory; we were really raking over old ground but we did it with a fresh insight and renewed determination. Lady luck was also on our side as we seem to have got the sequencing right. Which reminds me of a remark of US President Herbert Hoover:

> “*Wisdom consists not so much in knowing what to do in the ultimate as knowing what to do next*”

It is possible that we have also been helped by the nature of our banking and finance system. Let me explain. Two years ago (June 2010), I was privileged to be among the Governors who were being hosted to a dinner at All Souls College in Oxford by John Vickers, who was then chairing the International Banking Commission. He had arranged for a rather unusual after-dinner speaker, unusual for bankers’ meetings. This was the Oxford Professor of …….Zoology, Lord May, who treated us to a talk on “The Ecology of Finance”. The gist of his argument was that simple ecosystems, not complex ones, were better at resisting stressful environments. He cautioned against extrapolating from ecosystems to financial systems but suggested that there were lessons to be learnt. Avoid complexity, and keep it simple. The Mauritian banking structure is a fairly simple one, with banks mobilizing deposits in traditional ways and the lender knowing the borrower. The simple structure and traditional banking values, allied with normally non-intrusive regulation, have also contributed to the resilience of our banking system.

Let me come to my final point – the Gold Bar project that H.E. The President, will be launching later tonight. We have witnessed the domestic savings rate halving from 29% in 1992 to 14% currently. This is partly in response to continued negative real interest rates on saving deposits. The outlook for normalising rates in the near future is not encouraging. In the absence of attractive financial saving instruments, it is the domestic property market that draws speculative investment with the risk of a real estate bubble. More generally, there is demand for a “safe haven”, away from paper currencies as we are living under the threat of the depreciation of paper money and, particularly of reserve currencies, from quantitative easing. This is the rationale for the Bank to introduce physical gold as a new asset class. The Bank, which already sells industrial gold to jewelers and gold coins to the general public, has partnered with Rand Refinery of South Africa for this Gold Bar project.

There are two features to this new savings instrument that enhance its attractiveness. We are offering a buy-back option to make the investment as liquid as possible; and we are proposing custodial services in our vault to mitigate the risk of loss through theft. We are initially proposing gold bars in three denominations, 10g, 50g and 100g, and they will be put on sale at competitive prices, set as close as possible to those prevailing on the international bullion market. We now wait with bated breath to see how the market reacts to it!

Before concluding, let me recognize – De La Rue with whom we have partnered to organize this event. As some of you may be aware, the relationship between Mauritius and De La Rue goes as far back as 1860! Indeed it was 152 years ago that Thomas De La Rue, as the nascent company was then known, bagged its very first banknote printing contract, to supply Mauritius with three denominations of banknotes.

The first note to be printed was the 5-pound note, which also gave its fixed exchange equivalent value of 25 dollars. Now, would it not be just great if we could issue our rupee notes giving their exchange value in Euros? Alas, the world of fixed parity has long been gone. Let me also add a word of thanks to Standard Chartered Bank which chipped in as a silver sponsor.

Our thanks also go to the Mauritius Post Office which kindly agreed to issue a Special Commemorative Cover to mark this OMFIF meeting in Mauritius.

May I invite you to rise and propose a combined toast to the President of the Republic, to all our guests, this evening, and to the success of this OMFIF meeting.