

R Basant Roi: Regulatory and supervisory infrastructure in Mauritius

Address by Mr R Basant Roi, Governor of the Bank of Mauritius, at the Annual Meeting of the Offshore Group of Banking Supervisors, Pointe aux Piments, 22 July 2003.

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Honourable Minister of Economic Development, Financial Services and Corporate Affairs
Mr Colin Powell, Chairman of Offshore Group of Banking Supervisors
Distinguished Guests
Ladies and Gentlemen

Good morning

I am delighted to welcome you to the Annual Meeting of the Offshore Group of Banking Supervisors in Mauritius. It is my privilege to welcome Mr Colin Powell who has been the Chairman of the OGBS since 1981. I am pleased to note that a seminar on the New Capital Accord and Corporate Governance was held yesterday with the collaboration of the Financial Stability Institute.

Mauritius is a member of the Offshore Group of Banking Supervisors as from the time offshore banking activities started here. I wish to stress right at the outset that the Bank of Mauritius has been pursuing a selective licensing policy with a view to bringing into our jurisdiction players of international repute. The maintenance of a clean international image has always been an overriding consideration.

Of late there has been mounting demand for tighter surveillance of offshore centres to guard against money laundering and international financial instability. More than ever it is necessary to enhance supervisory co-operation between banking supervisors in offshore financial centres through the implementation of international standards for cross-border banking supervision. The globalisation of financial services companies, coupled with the development in information technology have greatly facilitated movements of funds from one jurisdiction to another. Often funds are moved by a 'simple click of the mouse.' It is imperative for all jurisdictions to observe acceptable standards of banking supervision. The efforts made in one jurisdiction to combat money laundering can be nullified by the deficiencies and lax regulations existing in other jurisdictions. We fully appreciate the role of the Financial Action Task Force (FATF) that carried out evaluations of anti-money laundering regimes in different countries. Naming and shaming non-cooperative countries does seem to produce the desired results.

I wish to express my appreciation of the Customer Due Diligence (CDD) document - a joint product of the Basel Committee on Banking Supervision and the Offshore Group of Banking Supervisors. While the document recognises the cross-border implications of financial transactions, it also favours exchange of information pertaining to customer adoption policies and procedures of financial institutions. The essence of the Customer Due Diligence paper has been included in the revised version of the Guidance Notes on AML/CFT. The Bank of Mauritius has issued the new Guidance Notes to the industry on a consultative basis.

The Customer Due Diligence document also attributes the responsibility to national supervisors for ensuring that banks have minimum standards and internal controls that allow them to know their customers. Given the increasing responsibilities of bank supervisors, I have proceeded with a significant capacity building in the Supervision Department of the Bank. The staff has been almost doubled and is being intensively trained to meet the challenges in the years ahead.

Last year, we underwent an FSAP assessment at our own request. The Bank of Mauritius Act and Banking Act are being revised to further enhance compliance with the "Core Principles" and to take into consideration the recommendations made by the FSAP team following its detailed assessment of compliance with the 25 core principles for Effective Supervision and Transparency of Banking Supervision. The Bank issued on November 2002 a Guideline on Public Disclosure of Information by financial institutions.

Rigid bank secrecy laws are no longer acceptable in the global fight against money laundering. Information has to be shared with competent authorities. In this connexion, the Financial Intelligence and Anti-Money Laundering Act 2002 established the Financial Intelligence Unit. The FIU has explicit power to gather, analyse and disseminate information.

In the last few years we have made a great leap forward in improving the regulatory and supervisory infrastructure in Mauritius. We have since quite sometime adopted a prophylactic approach in our regulatory and supervisory policies in respect of our banking industry.

The job of regulators and supervisors has never been an easy one. It is often misunderstood. It's a highly complex one full of invisible hurdles. The hurdles stemming from inside the country are relatively easy to overcome. Those stemming from abroad are not that easily overcome. Regulators and supervisors across the world have however been doing an excellent job. They are never congratulated for their good performance. And never expect to be congratulated. So let us congratulate ourselves.

Let me wish the Annual Meeting of the OGBS the very best of success. May I also wish you a pleasant stay in Mauritius.

Thank you.