

## Rundheersing Bheenick: Banking in Mauritius – a central banker's viewpoint

Address by Mr Rundheersing Bheenick, Governor of the Bank of Mauritius, at the Launch Ceremony of AfrAsia Bank Limited, Port Louis, 2 October 2007.

*This is the transcript of the impromptu remarks of the Governor. Footnotes have been added to provide context for some of the issues which would have been obvious to the original audience.*

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I am delighted to be here this evening in such distinguished company for several reasons.

It is the first time that I, as Governor, have given a banking licence to a new operator. It is normal therefore that I should take some pride in the launching of its operations this evening.

I am also delighted that AfrAsia Bank is the first of the three banks, which were granted a licence in principle just before I assumed office, to get going. I hope that the fact that it is first out of the stalls does not mean that the other two must tarry too long in the starting stalls and that they would soon be joining the race to give the other established 19 banks in Mauritius a good run for their money. And that is exactly what our consumers expect.

We as regulator, together with my colleagues from the Financial Services Commission, can only take pride in the fact that there are more and more people who are knocking at our doors and asking for a licence to operate in our financial sector. It is a sign that our jurisdiction is respected locally and internationally.

I arrived this afternoon, barely a few hours after the Chairman of this bank, after attending a meeting where I am happy to say that Mauritius had pride of place<sup>1</sup>. People showed great interest in setting up shop here and were asking questions about us. They believe that we have a serious team in government; they believe that we have people here who know what they are doing; they believe that the currency is stable and that this country has a bright future.

And that, I think, is what banking is all about. In a country where there is no confidence there is no banking. Banking is built on trust. Banking is built on the future.

Our colleagues from AfrAsia Bank have taken a very long time before they applied for a bank licence. They just told us that it's more than a century since Groupe Mon Loisir, the main promoters, have been in business here. So it makes me wonder why they took so long. After all, The Mauritius Commercial Bank has been here for more than one and a half centuries. But better late than never!

Having started late, the promoters of the new bank that we are launching this evening have taken care to put all the potential for growth that they can get, all the possible source of competitiveness that they can find on their side. That's why they have searched far and wide from Australia, South Africa, Singapore, India and Canada<sup>2</sup> to get the best talents they can find to buttress their team to ensure that "Bank Different<sup>3</sup>" is not just an empty slogan, that

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<sup>1</sup> Standard Bank Emerging Financial Markets Conference 2007, Cape Town. Mauritius made headlines on the eve of this conference by ranking first in the Mo Ibrahim Index which rates governance in Africa. It made headlines again the very next day by ranking first in the Global African Competitiveness Index of the World Bank and the International Finance Corporation.

<sup>2</sup> The company has shareholders from Mauritius and South Africa; Board Directors from Mauritius, South Africa, Singapore and India. The Chief Executive Officer is Canadian and the software provider is Australian.

<sup>3</sup> This is the slogan unveiled by AfrAsia Bank at the launching ceremony.

“Bank Different” actually means something that will be a win-win not only for the bank’s promoters but also for the consumers of banking and financial services here in Mauritius.

So, I am delighted to be here for all these reasons. I am delighted because it means more competition. I am delighted because there will be more pressure on banks to revise their spreads to give still better value to all our economic operators in Mauritius. We want our island to be internationally competitive. That's the only way to us to survive. With scarce natural resources, and with only our brain power and skills going for us, we have to make sure that we are efficient.

The Minister of Finance, I am sure, was delighted to hear about the excellent profit record of the banking community, which Mr Arnaud Lagesse, Chairman of AfrAsia Bank, has been talking about earlier on. This must be giving the Minister some ideas for his next budget!

We have nothing against profits; we encourage banks to make profits and we hope that AfrAsia Bank will become very profitable, very quickly. Because if there is one thing that Central Bankers do not like, it is insolvent banks!

Just ask Mr Mervyn King about what's happening right now in England and he will tell you that it is largely because one particular business model, followed by one particular operator – Northern Rock – which did not prove to be resilient to some shocks arising from some distant markets that he is having a such tough time.

What I want to say, is that your business model is your business and the business of your directors, your Chief Executive and your shareholders. It's up to you to ensure that you are profitable. “Bank Different”, yes, but Bank Prudent as well. “Bank Prudent, Always!” is what I say.

We, at the Central Bank, have put rules and guidelines in the interest of the wider jurisdiction. We have to protect the consumer, the borrower and the lender as well. We want to have an efficient financial sector that can be benchmarked internationally. We want a clean jurisdiction.

We are too small a jurisdiction to be able to afford a crisis like Northern Rock.

Banking is about risks. You must take risks but you must be aware of the risks that you are taking. The Central Bank may not know the risks, but you as bankers know your clients. We look at systemic risk but the risks of your bank, the threats to your business model, that's your business.

We intend to allow the market to operate fully, whether it's the interbank market or the foreign exchange market. May, I draw your attention to the fact that we have not been intervening on the foreign exchange market lately inspite of pressures to do so. Our policy at the Bank is to intervene only if we are faced with excessive volatility. We cannot go against economic fundamentals. We are certainly not averse to market-supporting interventions. But we have no other specific targets to achieve.

May I conclude my remarks with the hope that AfrAsia Bank will build on the competence of all its partners including Loita Capital Partners, whom we welcome to our shores and to our financial jurisdiction. I hope that it will build on the long and rich history of Groupe Mon Loisir, within this historic setting which served as head office for one of our old colonial trading houses. This building has a very special cachet and its own atmospherics and with it, AfrAsia Bank acquires an instant history! May it serve it well.

I wish AfrAsia Bank the very best of success.

Thank you for your attention.