

## **Yandraduth Googoolye: The importance of financial services to the economy and the need for good governance**

Speech by Mr Yandraduth Googoolye, Governor of the Bank of Mauritius, at the Celebration of the 125th anniversary of the Mauritius Civil Service Mutual Aid Association Ltd, Port Louis, 15 November 2018.

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- ♦ The Honourable Prime Minister and Minister of Finance and Economic Development, Mr Pravind Kumar Jugnauth
- ♦ The Honourable Minister of Civil Service and Administrative Reforms, Mr Cyril Eddy Boissezon
- ♦ The First Deputy Governor of the Bank of Mauritius and Chairman of the Financial Services Commission, Dr Renganaden Padayachy
- ♦ The members of the Board of Directors of the Mauritius Civil Service Mutual Aid Association Ltd
- ♦ Ladies and Gentlemen

Good Afternoon

125 years in the life of a financial institution is indeed an occasion to celebrate especially when the central bank is only 50 years old. As your regulator, we are proud to collaborate and walk alongside to ensure your sustainability. This achievement takes more sense of pride when we consider how the Mauritius Civil Service Mutual Aid Association Ltd came into being. From November 1893 to date, the Association has undergone changes. Launched by a group of civil servants at a time when there was only one bank, the Association has carved its way to coexist commendably in the financial sector after obtaining a deposit taking license on 17 June 2005 from the Bank of Mauritius to mobilise fixed deposits from the general public.

Over the years, the Association has gradually grown to become the largest non-bank deposit taking institution in Mauritius, accounting for over half of the sector's total assets. The Association has broadened its customer base, having extended its facilities outside of the civil service with a total assets base of around Rs43 billion, about a tenth of our GDP. The deposits mobilized by the Association have increased by five-fold, from Rs5 billion in 2005 to Rs27 billion as at end of September 2018, which resulted into solid increase in advances from the Association.

The importance of financial services in an economy is undeniable on account of the benefits they provide to the economy at large. Financial services facilitate domestic and international transactions, mobilize and channel domestic savings and broaden the availability of credit for firms, including SMEs, and households. The Association has broadened its range of products on offer to cater for the specific needs of its members and the public at large. Its attractive interest rates promote healthy competition, whilst contributing to financial access and inclusion.

We are well-versed with the economic benefits that non-bank deposit taking institutions have created. But we must also be aware of the risks to financial stability that they can engender given that they evolve alongside banks. And their activities are, in many respects, intertwined with those of banks and have vulnerabilities similar to those of banks. Weak, ineffective and inappropriate governance and risk management infrastructure may compromise the safe conduct of business.

The Bank of Mauritius has enhanced the regulatory arena for non-bank deposit taking institutions by extending the majority of the prudential requirements standards applicable to banks, such as, corporate governance, capital, liquidity and provisions for impairment, etc. to those institutions.

The Bank expects financial institutions to maintain strong, effective and appropriate governance and risk management infrastructure so as not to compromise the safe conduct of their business. The financial institutions are subject to regular examinations to ensure their compliance with prudential and regulatory requirements. The Bank is focusing on the implementation of a risk based supervisory framework for banks. The pilot testing of the project has been rolled out to banks. The Bank is considering extending the framework to non-bank deposit taking financial institutions.

Institutional anniversaries like this one are appropriate to reflect on achievements and challenges incurred, but should also lay grounds to ponder on what can be achieved going forward. They also provide the opportunity to remind about the Association's fundamental ideas, aims and visions, and to gauge the extent to which they are being accomplished. Given that the Association has grown to the equivalent of a medium-sized bank in terms of assets and even to some big banks in terms of profits, we may consider granting it a banking license should it decide to apply for one. More so that it has invested in a Core Banking Systems to support its expanding transactions and has joined the Port Louis Automated Clearing House to make electronic payments and thus ensure faster payments, including to its customers. Thus, all the ingredients are present to support this conversion. I leave this to the Board of Directors to ponder upon, as this will contribute to widen the Association's range of financial services, indulge in cost savings and reduce risk through diversification.

Ladies and Gentlemen, the future is bright and the Association has an immense contribution to make to the financial industry of Mauritius. I commend the role that the Association has played in the Mauritian society. And so, happy anniversary and congratulations to all the members and staff of the Mauritius Civil Service Mutual Aid Association Ltd.

Thank you for your attention.