

## **Yandraduth Googoolye: Mauritius launches Switch payments system to spur digital economy**

Address by Mr Yandraduth Googoolye, Governor of the Bank of Mauritius, at the Launch of the Mauritius Central Automated Switch, Port Louis, 14 August 2019.

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Honourable Pravind Kumar Jugnauth, Prime Minister

Honourable Deputy Prime Minister

Honourable Ministers

Board directors of the Bank of Mauritius

Your Excellencies Members of the Diplomatic Corp

His Lordship, The Lord Mayor of Port Louis

Former Governor, Present and Former Deputy Governors

Chairman of the Mauritius Bankers Association

Chief Executives of Regulatory Authorities, Banks, and Other Financial Institutions

Members of the Press

Ladies and Gentlemen

Good afternoon.

Thank you all for being here with us to mark another landmark in the Bank's functions.

We often associate central banking with monetary policy, financial stability, supervision and regulation of banks and deposit-takers, amongst others. However, we tend to minimise another major function of central banks: that of promoting a safe, secure, and efficient payment system.

An efficient payments system reduces the cost of exchanging goods and services. It is indispensable to the functioning of the money and capital markets. The system is necessary to promote financial stability, assist in the conduct of monetary policy, and improve the efficiency of the financial system and the economy as a whole.

Payment systems have always rested at the heart of the banking and financial system. Over time, they have evolved from the traditional narrow channel for transferring funds into a broader integrated network for creating additional forms of value. The establishment of networks and systems for retail payments has acted as a catalyst in supporting financial access in developing countries.

Since independence, transactions in Mauritius have been primarily cash-based, with cheques being the only alternative to cash. The seed for a modern payment infrastructure for Mauritius was sown around 1995. In the first phase, an interbank fund transfer system in real time was implemented. This culminated with the implementation of a real-time gross settlement system on 15 December 2000, known as the Mauritius Automated Clearing and Settlement System (MACSS).

The MACSS allows interbank transfer of funds and links electronically all banks operating in

Mauritius as well as the Ministry of Finance to the Bank of Mauritius via a secure, reliable and efficient payment network. Effective 14 January 2009, the MACSS application was upgraded. It now has a more resilient architecture that supports multi-currency transactions. That is, we are able to settle payments not only in local currency but also in major international currencies, the first of its kind in sub-Saharan Africa at that time.

The automation of the Port Louis Clearing House constituted the second phase of the modernisation of the payment systems. This phase required, as a pre-requisite, the standardisation of cheques using Magnetic Ink Character Recognition. This process was completed in 2003 and led to the electronic settlement of cheques. The last leg of the second phase consisted of carrying out clearing of cheques based on the electronic images of cheques, known as Cheque Truncation, and was completed in September 2011.

Honourable Prime Minister, through this initiative, the Bank supports the development of Mauritius into a digital economy. MauCAS is a payment ecosystem designed to benefit all stakeholders of the payment industry, from end-customers to merchants and service providers as well as the Government. MauCAS will be a game changer in the way payments are carried out in Mauritius and creates many firsts in Mauritius:

- ♦ As the first national payment platform to operate round the clock, a feature attributable to a handful of countries in Sub-Saharan Africa, MauCAS effects retail payments outside official operating hours. This will change the dynamics of currency circulation in the country, reduce float in the system and allow banks and businesses to manage their liquidity more efficiently.
- ♦ It sets rolling the Instant Payments System, which will enable customers to effect transfers between any two accounts in any two institutions within seconds. Instant Payment services will also comprise instant direct debits and credits.
- ♦ It introduces the concept of dissociating an account from a payment service. Thus, any person can avail the service offered by any operator, bank or non-bank, and tie it with an existing account in another bank. This will allow new payment services to emerge while letting banks maintain their customer base.
- ♦ MauCAS allows non-bank payment service operators to access selected account details of their customers in banks through the Bank of Mauritius under strict security norms. This provision represents our adherence to the European Payment Service Directive 2, which sets the legal framework for banks to open their core banking systems through application programming interfaces (APIs). MauCAS which is API enabled, will permit operators to come up with open banking solutions.
- ♦ It introduces the concept of payment through Alias, where customers make payments through easy to remember pseudonyms such as email addresses while keeping account numbers safe and secure. The Alias feature of MauCAS will be managed centrally by the Bank of Mauritius.
- ♦ It initiates nationwide bill payment facilities where billers such as utility companies will digitally interface with MauCAS to upload their billing information. Service providers will be able to tap on such information to provide embedded services to their customers.
- ♦ MauCAS allows the sharing of ATMs as well as other value-added services.
- ♦ Government can use this technology to issue special purpose cards for transport and for the provision of social benefits. Similarly, other sectors of the economy can embark on this facility and avoid issues associated with the handling of physical cash.

We expect MauCAS to contribute to:

- ♦ Lower transaction costs. MauCAS will act as a direct intermediary between operators to bring about the much needed efficiency and will charge much lower routing fees to operators, bringing down the cost of payments.
- ♦ Reduce operating costs. As the central payment infrastructure, MauCAS allows operators to connect through low-cost interfaces such as APIs. Operators that target the domestic card segment will gain from reduced operational costs, which will be expected to be passed on customers.
- ♦ Increase the number of payment operators. MauCAS will encourage the flourishing of payment services providers through the provision of more electronic payment options which will develop products that leverage on the switch as a service infrastructure. The Bank of Mauritius is providing a level playing field for bank and non-bank operators, which will offer a variety of novel services to customers.
- ♦ Support E-government services. MauCAS will offer government a national payment gateway to set up services on the MauCAS platform to boost the acceptance of electronic forms of payments for all government agencies and deliver online services.

The idea of a payment switch germinated some time in 2010, but it was not until an amendment to the Bank of Mauritius Act in 2015 that the ground work began. The pathway to MauCAS was not without thorns. Throughout our journey, the Bank was subject to a number of criticisms and indirect pressures to discourage it to move forward. Please allow me to rebut some of those criticisms.

There was a fear that the Bank would be competing with banks and other operators. Ladies and Gentlemen, no responsible central bank will ever attempt this. The Bank has national interests above all. With MauCAS, the Bank aims to ensure that our payment system is up-to-date and in line with Digital Mauritius.

The involvement of the Bank in the setting up of MauCAS emanates from the Bank of Mauritius Act and the National Payment Systems Act. The Bank is mandated to oversee as well as own payment schemes. The perception of collusion or conflict of interest does not arise as the Bank will have separate teams for operations and oversight.

The Bank has always adopted an enabling approach with regard to new technology in order not to stifle innovation. MauCAS is a testimony of the Bank's commitment towards maintaining an innovative, yet secure, payment system ecosystem.

The launch of MauCAS is not the end in itself. It is the start of a fantastic journey. The Bank will go around improving the system and adding new features. The Bank intends to establish bilateral ties with switch operators from other countries with a view to bringing down the cost of transactions for trade in goods and services, including for tourism purposes, with these countries. The creation of a payment card for the islands in the region is another project that will contribute to higher trade among these countries. The Bank has other projects in the pipeline for the benefit of financial institutions and the public at large.

On the regional front, Mauritius is already a member and host of the COMESA Regional Payment and Settlement System (REPSS). MauCAS may serve as a regional switch to the participating countries. It can be used for cross border retail payments through mobiles and cards, with settlement being carried out on REPSS.

Honourable Prime Minister, in your 2016/17 Budget Speech, you mentioned that the Bank of Mauritius will come up with a National Payment Switch as well as introduce a National Payment Bill. Both have materialised under your guidance and support.

Testing but interesting times lie ahead as digital transformation brings about fundamental changes in working modes and business models of the financial sector as well as changing

customer preferences. Such openings can be but beneficial to our society and economy. We must not only take advantage of the opportunities but also be alert to manage any accompanying risks.

Now that the Bank is launching MauCAS, I invite banks and non-bank operators to make extensive use of this platform. The opportunities to develop new payment services are immense. Both payment service providers as well as consumers stand to gain from this modern system. Operators in Fintech can also leverage this platform to launch new products and services.

This journey would not have been as fruitful without the support of our partners, banks and other economic stakeholders. I thank all Chief Executives of banks for their assistance and cooperation to deliver on MauCAS, which will benefit one and all. Last but not least, I thank the Bank's Board of Directors, my two Deputy Governors and the staff of the Bank for their guidance and hard work.

Thank you.

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