

Rama Krishna Sithanen: Speech - Annual conference and meeting of the Community of African Banking Supervisors

Speech by Dr Rama Krishna Sithanen, Governor of the Bank of Mauritius, at the annual conference and meeting of the Community of African Banking Supervisors (CABS), Balaclava, 23 June 2025.

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- Second Deputy Governor of the Bank of Mauritius
- Executive Secretary of the Association of African Central Banks
- Chairperson of the Community of African Banking Supervisors
- Delegates from AACB member central banks
- Guest Speakers and Resource Persons
- Members of the Press
- Ladies and gentlemen

Good morning

It is a great pleasure for me to welcome you to Mauritius for the Annual Conference and Meeting of the Community of African Banking Supervisors (CABS). The presence of delegates from 30 AACB member central banks as well as representatives from 4 international institutions is testimony to the importance that is attached to supervision on the continent. I am sure that the topics on the agenda will stimulate enriching discussions.

I have been closely associated to the financial sector of both Mauritius and Africa for 46 years in different capacities, including as Minister of Finance for almost 10 years. The forum is appropriate for me to share a few insights as supervision requires much intuition and judgement apart from the conventional adherence to international best practices.

Supervisors play a commendable role in the stability of the financial system by ensuring the safety and soundness of financial institutions and have much responsibility on their shoulders. Further, the law provides you with extensive powers to request for whatever information you may deem necessary in pursuing your mandate. However, power goes hand in hand with accountability. This leads me to the first kernel of my intervention, namely effective communication.

Ladies and gentlemen,

I am a fervent advocate of transparency within the parameters of the law. When communication is properly diffused, it gives credence to our reputation and eliminates the possibility of speculation. As a supervisor, I am aware that you may have to take difficult decisions on occasions. My advice will be not to procrastinate on matters as the cost of inaction could be even higher. But it should always be backed by substantive evidence supporting your conclusion and the recipient should be informed in a clear and concise manner.

My next point will be risk-based supervision which has emerged as a priority for many supervisors, including the Bank of Mauritius in view of resources constraint, enhanced performance and operational efficiency. The Bank of Mauritius has recently finalised its Risk-Based Supervisory Framework. While the framework marks commendable progress in the assessment and classification of risk, regular reviews will, nevertheless, be required to ensure its continued relevance in the face of a dynamic supervisory environment. However, I would like to emphasise one specific area, namely licensing. You may have the best framework to monitor, assess and mitigate risk but it will ultimately be futile if the licensing is deficient. A rigorous process should be in place before the grant of a banking licence. Compromising on the licensing criteria could result in protracted and costly resolution of the entity, often at the expense of public funds and private depositors.

Gone are the days when banks could be considered as regional or global in life but national in death. With economic integration and digitalisation of payment systems, financial systems have become intertwined. Failure of a bank in a country could have ripple effects on other countries, depending on the size of the bank and its systemic importance. It is, therefore, important for supervisors to have regular interaction through participation in supervisory colleges and otherwise for those banks which have expanded their footprints outside the home jurisdiction. I would even go one step further by suggesting that it should include simulation exercises on the possibility of the bank failing. A proactive approach should be adopted so that in the real situation, there is clarity on the steps to be followed.

Ladies and gentlemen,

We should collectively chart out an ambitious pathway for Africa's banking sector as we cannot lag behind. Mauritius, which is the only IFC with an investment grade status on the continent has already taken necessary measures to strengthen the relevant frameworks. To that effect, our legislation, which dates back to 2004, needs a thorough overhaul. It will have to be morphed and adapted to cater for the latest developments. On this specific project, the Bank has received technical assistance from the IMF, and the relevant laws are in the process of being finalised. The authorities are also initiating the necessary procedures to request a Financial Sector Assessment Programme by the IMF and the World Bank. We have to be adaptive at a time when the financial services industry is going through sweeping changes.

Terms like digitalisation, FinTech, RegTech, Suptech and DLT are the buzzword these days. The Bank has an open door and open mind policy as far as innovation is concerned. However, the financial services provider should demonstrate that adequate systems are in place for risk management.

Ladies and gentlemen,

I value technology as a game changer in the delivery of banking and financial services. It will not only increase speed and improve efficiency but also result in cost savings. One of my first decisions since I took office has been the establishment of a National FinTech Committee. This Committee also comprises other stakeholders in the financial services industry and has been tasked with elaborating a strategic plan to position Mauritius as a regional fintech and blockchain hub.

While digitalisation can elevate the Mauritian financial sector to new heights, it also introduces novel risks such as cyber security. At the level of the Bank, we have established the Mauritius Financial Sector Cyber Committee, the MFSCC, to enhance the cyber resilience and operational resilience of the Mauritius Financial Sector. Its role includes collaboration among financial institutions and catalyzing joint initiatives to increase cyber resilience capabilities and awareness.

It is also opportune for me to talk about climate change in this gathering. We may be from countries with different specificities and topologies, but our priority should be the same – preservation of the environment and protection of biodiversity. Our health and future depend greatly on the health of the planet. The future will be bleak if we do not act decisively. We are already in a state of climate emergency and time is now of essence to reduce our carbon footprint. The solution is to reduce greenhouse gas emission and to speed up the replacement of fossil fuel by clean renewable energy.

I will here make an appeal to all of you to place sustainability as a core priority. It is highly likely that investors will look at sustainable business practices before entrusting their funds in the different jurisdictions in Africa. At the level of the Bank, the greening of our financial system is in progress. Some of the initiatives include the issue of guideline on climate related and environment financial risk management including disclosure of climate change risks, and release of a guide for the issue of sustainable bonds. The Bank has also rolled out its climate change stress testing exercise to assess the resilience of the banking sector to climate events over the medium term.

At the Bank, we have kickstarted data initiatives as far back as 2021 and we have created a database of climate-related risk drivers since July 2023. Our future plans include the devising of a comprehensive data directory for metrics on climate-related risks and sustainable finance which will include past observations, forecasts as well as realized climate-related financial losses by sector. In my view, having appropriate metrics to measure risks and potential rewards from sustainable finance is a key enabler for operationalizing taxonomies. We are working in close collaboration with the European Union and Agence Française de Développement for upskilling our competency in climate change.

Ladies and gentlemen,

I am particularly worried about the repercussions of the geoeconomic fragmentation in currency markets and wider financial stability. International investors are becoming more risk-averse, delaying investment decisions and are showing an increased tendency towards 'friendshoring', that is they are investing mainly in regions that are strategically placed. For African jurisdictions, which are geographically and economically far from global consumer markets, there is the risk of reduced financial flows and increased currency volatility. Fighting a depreciating currency while ensuring ample foreign exchange liquidity in an open market has always been one of the toughest tasks for central banks. I hope that today's conference will cover how to adapt the supervisory landscape to the geoeconomics fragmentation.

Ladies and gentlemen,

I am convinced that the different themes will yield interesting and constructive discussions, and, above all, the CABS conference will identify solutions and insights that can be implemented by our member central banks. I am sure that our partners from the Bank for International Settlements and Making Finance Work for Africa will enrich the debate, by bringing perspectives from their own research and wide-ranging experience.

Let us continue to work together to build a stronger, more vibrant financial system for our continent.

On this note, I wish you all fruitful deliberations in today's event as well as in tomorrow's plenary session and a pleasant stay in Mauritius. I hope that you can spare some free time to visit our beautiful island.