

Official Inauguration of MauBank Ltd

Address by Mr R. Basant Roi G.C.S.K., Governor of the Bank of Mauritius

Ebene, Mauritius, Wednesday 27 January 2016

Hon. Minister of Finance and Economic Development
Hon. Ministers
Your Excellencies
Chairman and Members of the Board of Directors of MauBank
Ladies and Gentlemen

Good evening

I am happy to be here in the celebration of the birth of MauBank.

Over 150 years ago, in December 1863, the Comptroller of currency and later Secretary of the Treasury of the United States addressed a letter to all national banks that had just come into operation. This is rightly an opportunity for me to quote 7 very short paragraphs from the letter. Each of the seven paragraphs that I am about to share with you remains invaluable pieces of advice to bankers – even after 150 years.

First Advice

“Let no loans be made that are not secured beyond a reasonable contingency. Do nothing to foster and encourage speculation. Give facilities to legitimate and prudent transactions. Make your discounts on as short as the business of your customers will permit and insist upon the payment of all paper at maturity, no matter whether you need the money or not.”

Second Advice

“Distribute your loans rather than concentrate them in a few hands. Large loans to a single individual or firm, although sometimes proper and necessary, are generally injudicious and frequently unsafe. Large borrowers are apt to control the bank; and when this is the relation between a bank and its customers, it is not difficult to decide which in the end will suffer.”

Third Advice

“Treat your customer liberally, bearing in mind the fact that a bank prospers as its customers prosper, but never permit them to dictate your policy.”

Fourth Advice

“If you doubt the propriety of discounting an offering, give the bank the benefit of the doubt and decline it; never make a discount if you doubt the propriety of doing it. If you have reasons to distrust the integrity of a customer, close his account. Never deal with a rascal under the impression that you can prevent him from cheating you. The risk in such cases is greater than the profits.”

Fifth Advice

“Pay your officers such salaries as will enable them to live comfortably and respectably without stealing; and require of them their entire services. If an officer lives beyond his income, dismiss him; even if his excess of expenditures can be explained consistently with his integrity, still dismiss him. Extravagance, if not a crime, very naturally leads to crime. A man cannot be a safe officer of a bank who spends more than he earns.”

Sixth Advice

“The capital of a bank should be a reality, not a fiction; and it should be owned by those who have money to lend, and not by borrowers. The Comptroller will endeavour to prevent, by all means within his control, the creation of a nominal capital by national banks, by the use of their circulation, or any other artificial means; and in his effort to do this, he confidently expects the co-operation of all well managed banks.”

Seventh Advice

“Pursue a straightforward, upright, legitimate banking business. Never be tempted by the prospect of large returns to do anything but what may be properly done under the National Currency Act. ‘Splendid financiering’ is not legitimate banking, and ‘splendid financiers’ in banking are generally either humbugs or rascals.”

These are the seven chief mantras of good banks and good bankers. They are atemporal – indeed timeless. They were valid more than a century ago; they are valid today and they will continue to remain valid.

As a regulator, I need to remind you of a common saying that bankers are familiar with: when a bank lends few millions of rupees, it is the borrowers' headache to repay the loan; when it lends tens of millions of rupees it is not the borrowers' headache to repay but the bankers' headache to recover the money lent out. A small bank with a healthy and sound balance sheet is stronger than any big bank with a weak balance sheet.

I wish Board of Directors, the CEO, Mr Shridhar Nagarajan, and the staff of MauBank the very best of success.

Thank you.