

**Address by Mr Y. Googoolye, First Deputy Governor, Bank of Mauritius on the occasion of Issue of new Money Changer Licences Wednesday 23 July 2008**

Good morning.

Welcome to the Bank of Mauritius.

It is a matter of great pleasure that the process we initiated some time back to bring in greater competition in the forex market has come to a final stage of take off.

As you might be already aware, the issue of new licences was kept on hold over the last four years or so. The Bank invited the IMF to study the whole gamut of issues concerning the need for different types of operators in the forex market and to provide the Bank with its best views on the way forward. While we had the benefit of the recommendations of the study, the forex market in the country also underwent changes, particularly in regard to the volume of forex traded. The buoyancy in the tourist arrivals was one of the factors driving the change. Consequently, there was a need to review the earlier stand of the Bank that the foreign exchange market was adequately served by the existing money-changers and foreign exchange dealers.

It is important that the economy is able to harness the potential to earn foreign exchange by providing the requisite intermediating infrastructure, which is where the presence of adequate number of money changers becomes a significant necessity. It would be worthwhile to mention here that when the last money changer was licensed in Mauritius in the year 2002, the total tourist arrivals during the year were about 682,000 and the forex earnings on this count were Rs18.3 billion. If we contrast these figures with the tourist arrivals of 907,000 and forex earnings of Rs40.7 billion, in the year 2007, one can appreciate the quantum jump witnessed over this period. We therefore felt it necessary to bring in more players so that the cash segment of the forex market is well served and the public at large get competitive rates by having a wide range of operators to choose from. We believe that there is a great need for the spread between the buying and selling rates of foreign currency to narrow which we hope the competitive environment will ultimately lead to.

You all will agree that since the money changers will be dealing in the cash segment of the market, the need for vigilance by all concerned can hardly be overemphasised. We also wanted that the people behind the new operators have the requisite means, are fit and proper and conduct operations in a manner that the overall reputation of the jurisdiction is further enhanced. Given the considerable emphasis placed on Anti Money Laundering in the financial systems all over the globe, it is imperative that you operate in a transparent and clean manner.

While the basic responsibility of compliance with the law and regulations of the country vests in you, we too want to monitor the operations of the money changers closely in a seamless manner. It is here that our plans to put in place an on line reporting arrangement fit in. You can rest assured that we would not be interfering in your day to day operations, but we would be able to get a complete run down of the transactions you undertake.

Since we began the process, we have reviewed the basic terms and conditions of the authorization to carry on the business of money changer. We now require the

money changers to have a minimum holding in treasury bills so that they have adequate liquidity, demonstrate their ability to move to an automated environment, including the submission of on-line data to the Bank and have also, with the approval of the Minister, revised the licence fee structure to relate it, to some extent, to the number of outlets they are operating from.

Good structure for corporate governance and effective internal control mechanism are sine qua non for any organisation, the more so to a financial services provider. We would urge upon you to have proper arrangements put in place in this regard so that the conduct of the operations are done under proper oversight and directions.

Let me now digress a little into our own internal governance structure. The Governor as the principal representative of the Bank has been conferred various powers under the Bank of Mauritius Act 2004. He has the authority to delegate his powers to the two Deputy Governors and other officers of the Bank.

In fact, the law specifies that the Deputy Governors shall, under the general supervision of the Governor, be responsible for the day to day operations of the Bank. The Governor has entrusted a considerable part of the powers to the First Deputy Governor and delegates several functions to him for more efficiency in the organisation. The First Deputy Governor regularly consults the Governor on important matters. I wish to emphasise that the management of the Bank agree to disagree but have a common vision for the Bank unlike what was misreported in a daily newspaper this morning.

The Bank adopts a collegial approach in discharging its responsibilities by holding periodic meetings of the senior executives and the responsible officers of the Bank to review the work done and draw up strategies.

Coming back to today's event, we must emphasise that the licence comes with a number of conditions to be met prior to commencement of business and responsibilities on an ongoing basis. We have no doubt that you would ensure adherence to these requirements in letter and spirit. We, at the BOM, would play a proactive and positive role in providing you an enlightened, clear and effective regulatory environment. But we would also not shy away from taking appropriate regulatory and supervisory action where warranted, as we did last week with regard to one money changer. We hope that you all will operate in a manner that the need for the latter does not arise.

We rely on your co-operation to promote healthier competition and operate in a clean manner while succeeding as a business venture so that all stakeholders benefit from this process which the Bank has initiated.

May I wish you, holders of new licences, plenty of success in your new endeavour. We look forward to your fruitful collaboration.

Thank you.