Address of Mr Yandraduth Googoolye, First Deputy Governor, Bank of Mauritius at the opening ceremony of the Symposium organised by the Mauritian Management Association on the theme "Mauritius - a Regional Financial Services Hub" on 10 October 2012, at Le Meridien, Pointe aux Piments.

Honourable Anil Kumar Bachoo, GOSK, Vice-Prime Minister, Minister of Public Infrastructure, National Development Unit, Land Transport & Shipping & Acting Minister of Foreign Affairs, Regional Integration and International Trade

Dr Rajun Jugurnuth, President, Mauritian Management Association

Mr Marc Hein, Chairman, Financial Services Commission

Ms Madhavi Ramdin, Head of ACCA Mauritius

Chief Executives

Distinguished Guests

Ladies and Gentlemen

Good Morning

I am delighted to be in your midst for the opening of this Symposium. I extend my warm appreciation to the MMA for this laudable initiative which comes at a very opportune time when the country, having embarked on a rapid development path, is increasingly in need of professionals who are pragmatic in their approach but modern in their mind, to say but the least.

The financial sector is at the core of the economic system, providing a range of services which are necessary for domestic and trade related industries to function efficiently and enabling consumers to effectively manage their inter-temporal consumption-savings requirements. While economic growth tends to induce accompanying financial sector growth, empirical research demonstrates a well-established causal link from financial sector development to economic growth. In short, having a financial sector that meets the financing and investment needs for consumers, businesses and governments as efficiently and competitively as possible, increases the nation's capacity to grow.

Efficiency and competitiveness are more likely to be evident in an economy that is open to international competition and world's best practices. Countries that have highly efficient and competitive financial sectors are also likely to be exporting those services. Mauritius has a comparative advantage in many parts of its financial sector compared with most other countries in the region. While we remain a very open trading economy overall, our exports and imports of financial services as a percentage of GDP are, by international standards, relatively low. The opportunities for leveraging off our financial services skills and expertise, in the region and beyond, are potentially enormous.

The financial sector in Mauritius is an important contributor to national output, employment, economic growth and development. The sector accounts directly for around 10.0 per cent of GDP, and employs directly around 12,000 people or 4.0 per cent of total employment. Indirectly, it employs a substantially larger number of people, by way of outsourced legal, accounting, technology, administration, processing and other services.

In the aftermath of the global financial crisis, the world's focus is increasingly on Africa for its untapped potential and Asia as a major source of investment, technology and funding. In this conjuncture, Mauritius has all the attributes to act as a bridge between Africa and Asia. According to the Global Competitiveness Report 2012-13, Mauritius ranks 13th in terms of "strength of investor protection". Global investors interested in trading with Africa, for instance, should increasingly be encouraged to use Mauritius as a platform to set up their investment holding companies.

Over the years, our country has established strong economic ties with both Asia and Africa. Mauritius is an active player in key African and regional organizations, including the African Union (AU), the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the Indian Ocean Commission Rim Association for Regional Cooperation (IOR-ARC). Mauritius has established a dozen Double Taxation Agreements (DTAs) with our African peers and ten, with our Asian counterparts. All these provide for opportunities which all stakeholders in the country need to tap if we are to service the region as a Financial Services Hub.

The most important characteristic of a leading financial centre is that it must be stable and well regulated, and provide a wide range of financing and investment products as efficiently and competitively as possible.

On the regulatory front, I can assure you, Ladies and Gentlemen, that the Bank of Mauritius has been and is continuously striving very hard to render the Mauritian Jurisdiction as credible and transparent as possible. Some ten years back, the financial world was lobbying for the relaxation of regulation or the implementation of **"light touch regulation".** However, the Bank of Mauritius has always maintained a consistent and prudent approach in its regulatory oversight, and the recent global financial crisis has proved us right in our conviction that a properly regulated jurisdiction promotes financial stability and enhances the level of confidence in the financial system.

The Bank of Mauritius is further working, in collaboration with the banking sector, on the ring-fencing of banking activities with a view to facilitating the monitoring process and mitigating the risk of regulatory arbitrage. In order to promote the independence of our banks and enhance the resilience of our banking sector, the Bank of Mauritius encourages international banking Groups to conduct business in Mauritius through subsidiaries rather than branches. Emphasis is equally being laid on the oversight of domestic Systemically Important Financial Institutions (SIFIs) for greater financial stability and compliance with the recommendation of Basel III.

In terms of regulatory tools, the Bank of Mauritius has issued some thirty Guidelines to institutions under its purview, which cover crucial and diverse areas such as capital adequacy, risk management, credit impairment, corporate governance, public disclosure of information and anti-money laundering, among others. These guidelines are constantly being updated to take on board evolving risks. New guidelines are also in the pipeline, including Basel III.

In the field of anti-money laundering, in particular, the Bank of Mauritius has, besides issuing ***Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism for Financial Institutions***, set up a Committee comprising Compliance Officers of banks and officials of the Bank of Mauritius to discuss and follow up on all compliance issues. We have equally signed an MOU with the Financial Intelligence Unit, since 2009, for the exchange of information and greater cooperation in combating money laundering and the financing of terrorism.

The concern for a macro-prudential oversight of the banking sector stands as a priority on the agenda of the Bank of Mauritius. In this connection, we have, at national level, entered into MOUs with the Mauritius Revenue Authority (MRA), Financial Services Commission (FSC), Competition Commission of Mauritius (CCM) and Statistics Mauritius.

On the international level, the Bank of Mauritius has equally signed MOUs with some ten foreign regulators, of which five are from the region, for a better oversight on the activities of foreign banking institutions operating on our shores and on the regional operations of our local banks. We are also in the process of finalizing MOUs with a few other central banks in the region.

Efforts are being deployed in view of the establishment of policies and measures to address the question of banking crisis resolution in the region. It may be highlighted that one of the greatest lessons learnt from the global financial crisis is that, in a world of interconnectedness, regulators must collaborate and exchange information to mitigate the effect of contagion risk and ensure that prompt actions are taken to prevent any future crises. We are gearing our efforts towards the establishment of supervisory colleges in the African Region to foster supervisory cooperation.

I wish to return to the subject of corporate governance which I am sure will be of great relevance to the audience. We have in August issued a revised ***Guideline on Corporate Governance*** with a view to bringing improvements in the corporate governance framework of our financial institutions. The guideline has been aligned to the new recommendations of the Basel Committee on Banking Supervision and greater emphasis is now being laid on the independence of directors. We are requiring, amongst others, that the chairperson of a board in a local bank be an independent director. We have further requested the setting up of local advisory boards for the branches of foreign-owned banks. Additionally, greater transparency is being required regarding the role of the board of directors, particularly on ethical standards and corporate values.

We believe that the soundness and resilience of the banking system, and by extension the financial system, involves, inter alia, the proper functioning of various mechanisms which inevitably entail accountability and transparency.

Regarding transparency, the Bank of Mauritius has succeeded with the collaboration of banks, in disclosing the overall CAMEL rating of individual banks on its website and on a bi-annual basis. Mauritius is among the few countries and the first in the Sub-Saharan region to have gone public with those ratings. I believe that the publication of the CAMEL ratings has brought in higher market discipline in the banking system and is encouraging banks to improve their performance. Certain jurisdictions have even embarked on the dissemination of stress-testing results of their commercial banks.

We have constantly been modernizing our Payments System. The Bank of Mauritius launched the Bulk Clearing and Cheque Truncation System in September 2011. This system allows for electronic clearing of cheques as well as low value payments. We are presently working on a National Switch project.

As you may be aware, the Regional Payment and Settlement System (REPSS) of the COMESA has become operational effective 3 October 2012. The REPSS is an initiative of the COMESA Clearing House and is fully endorsed by all COMESA member states. The Bank of Mauritius is the settlement bank in the REPSS and the status of a settlement bank for such a huge market, spread over a total area of 12.8 million square kilometres and with a population of 413 million, is a coveted position and will benefit the country ultimately. The REPSS opens another opportunity for our country to enhance its role in the region. In fact, an efficient cross border payment system is a necessity for trade integration and the future of REPSS is very promising.

Mauritius also inspires confidence among foreign investors on account of its robust legal framework. As of date, our jurisdiction has made considerable efforts to establish appropriate legislations whether in the field of banking, financial services, anti-money laundering or securities market. However a big challenge still awaits the country; we need to be compliant with **The Foreign Account Tax Compliance Act (FATCA)** by next year. The sooner this is achieved, the better it would be for us. We could then start selling our jurisdiction as a FATCA-compliant one.

To conclude, we need a vision for our financial industry: that is, (a) maintaining a best practice, principles based regulatory framework, (b) maintaining world class education and training to ensure the continuous availability of a highly skilled and innovative workforce and (c) removing barriers to the competitiveness, efficiency and liquidity of domestic financial markets.

Mauritius has many innate advantages. Our geographic proximity to Africa should provide a basis for diversification away from traditional markets. Our growing trade integration with the region provides increasing trade financing and other opportunities for our financial sector.

Ladies and Gentlemen, we need the collaboration of each and every stakeholder to enable Mauritius to cement its role as a Regional Financial Services hub.

I wish good luck to the MMA for its glorious initiative.

Thank you for your attention.