

**Remarks by Mr Rundheersing Bheenick, Governor, Bank of Mauritius, at the
Signature Ceremony of the Memorandum of Understanding
between the Bank of Mauritius and the Central Bank of Kenya,
Nairobi, 9 August 2011**

Governor Ndung'u

Distinguished colleagues from the Central Bank of Kenya

Ladies and gentlemen of the Press

As Governor Ndung'u just mentioned, the occasion is for the signature of a Memorandum of Understanding (MoU) between our respective central banks to establish a collaborative platform aimed at enhancing mutual co-operation in the supervision of financial institutions. It is the culmination of a process that we started more than two years ago and it is just a coincidence that it's taking place against a backdrop of major crisis on the international level, which gets central bankers and all market operators very nervous. It only underlines the need for central banks to have very close coordination and to establish close working relations among them.

The MoU will pave the way for our institutions to establish and promote bilateral ties in banking supervision and implement cross-border supervision and cooperation. The MoU will further assist us in instituting arrangements to facilitate the performance of our respective duties and to promote safe and sound financial institutions in our respective jurisdiction. This MoU is the ninth in a series of MoU's which the Bank of Mauritius has entered into with its foreign counterparts. We have MoU's with Jersey Financial Services Commission, Commission Bancaire Française, State Bank of Pakistan, Banco de Moçambique, the Bank Supervision Department of the South African Reserve Bank, Central Bank of Seychelles, Hong Kong Monetary Authority and Bank Negara Malaysia. And we remain committed to enhancing our network of cooperation with other foreign counterparts.

We have been dealing with the Central Bank of Kenya for quite some time, and if any of you come to the Bank of Mauritius, you will find that we display in the Reception Room of the Governor, an invaluable token which bears testimony to the good relations between the Central Bank of Kenya and the Bank of Mauritius at the time of the Bank's inception in 1964. So we go back a long way.

Mauritius is a very small economy compared to Kenya. We are a 11-billion dollar economy with 1.3 million population, which is roughly one quarter of the population of Nairobi. And we have diversified our economy into a very vibrant economy which has reduced its dependence on sugar which we used to export to protected markets at guaranteed prices. Since then we had to fight our way in the global economy without any kind of trade preference, without any kind of guarantees. And we believe that the monetary and financial regime that we've had, and the set of policies that we've had, have helped us to go in that particular direction. And this morning, before coming to the signature ceremony, I did discuss with my brother Njuguna about some of the macro-policies that we have been following. And we draw also inspirations from what the Central Bank of Kenya has been doing.

As I said, we are a very small economy but we have 20 different banks in the country. We have no financial access problem of the kind that affects larger countries. But we still have a financial access problem in terms of the costs of financial access, which can only come down if we have more competition. So we have about 20 different banks from 11 different jurisdictions operating in Mauritius. These are not just banks from the developed world – we did not just stop North-South. We also have banks from the developing world; we have banks from India, from Pakistan, from South Africa, and now banks from Kenya. And our relations with Kenya on the financial level go back before the country became independent. One of the leading insurance companies based in Kenya invested in an operation in Mauritius and they are still there, in the insurance sector. A leading bank in Kenya joined forces with a Mauritian operator, which is basically a diversified group in hotels, in tourism, in manufacturing, but not in banking. So they found the banking expertise from the partner from Kenya; at the same time, a large Mauritian conglomerate, which is in a mix bag of activities from leasing to banking to trading. This multinational with operations extending in other parts of the world has started investing as a minority partner in one of your banks here, Equity Bank, through one of its subsidiaries called Britak, owned by the British American Group in Mauritius. Kenya and Mauritius also give an example of more South-South cooperation and more South-South investment, so more FDI flows among the Southern countries. I think this underlines the need for us to have a framework which allows us to exchange information, which the Basel Committee on Banking Supervision has been encouraging – that home-host regulators should get together and establish, possibly, supervisory colleges. So the micro-prudential part of regulation is very much something that

we will be looking at jointly with the Central Bank of Kenya. I look forward to have more regulatory interchange between staff at the different levels. I hope that we can go beyond that and draw some inspiration from what Kenya is doing at the level of the East African Community, which brings me to the REPSS which Governor NJuguna just mentioned.

The REPSS is the Regional Payments and Settlement System of COMESA and we hope that we will be able to enlarge the reach of the REPSS beyond the COMESA Member States. As you all know, we are now talking of the Tripartite Forum, so that COMESA, SADC and the East Africa Community go on a path of convergence and we can build progressively a larger economic area, until we realize the dream of the African Union, having one central bank and one common currency. That may be a bit far away in the future, but it does not prevent us from going on a path of increasing convergence. So that convergence has taken us to the REPSS and we thank Kenya for its support in getting the REPSS established in Mauritius and to serve the wider African community.

Likewise Kenya plays host to the COMESA Monetary Institute, the CMI, and we hope that we will be able to transform the CMI as well into an institution that has a more continental reach and not just limit itself to the COMESA Member States. So we will support you in trying to regionalize the CMI beyond serving the needs of the COMESA Member States. With these few words, Governor, I'd like to thank you for having us here and we look forward to having much closer relations between our two institutions. There is a lot we can learn from each other, and we hope that this is the start of still closer relations between our two countries.

Thank you.