

## LAUNCH OF BARCLAYS BANK PLC BOND

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

*(Clos St Louis, Domaine les Pailles, August 19, 2005)*

Hon. Deputy Prime Minister and Minister of Finance and Economic Development

Barclays Bank Executive Committee Director

Managing Director, Barclays Bank, Mauritius

Ladies and Gentlemen

Good afternoon

I am pleased to be here with you on this special occasion of the launching of the Barclays Bank Plc Bond, the first of its kind to be issued by a commercial bank in the history of our banking industry.

Strong banks take bold initiatives and innovative steps. Efficient money and capital markets can only emerge under specific conditions. In any financial system wherein banks occupy a central position or dominating position, the development of an efficient money and capital market imperatively requires sound and strong banking institutions. A second equally important ingredient is the ability to take calculated risks rather than sit, watch and wait for subsidy from the central bank. These are pre-eminent conditions. In the absence of these conditions, any attempt to foster the development of an efficient money and capital market would turn out to be sterile. The Bank of Mauritius made several attempts in this respect in the 1990s. The attempts were in vain.

In small economies like ours we cannot aspire to foster the development of a money and capital market should there be a couple of strong banks unwilling to transact with several other weak banks in the industry. Bearing in mind that the Bank of Mauritius, however hard it strived in the 1990s, could not give a fillip to the development of a domestic money and capital market with banks having weak balance sheets, it strengthened its regulatory and supervisory arm some six years ago. Much has since been accomplished.

We have known board directors behaving like those careful drivers looking in both directions before passing the red traffic lights – crashing their vehicles somewhere down the road. Rogue directors in the boardrooms of banks have been nearly eliminated. (We have not assassinated them!) We have drastically reduced the number of weak banks in the industry. Indeed, the Bank of Mauritius has been tough with some banks but for the right cause. Non-performing loans in the balance sheets of banks have declined and we expect them to decline further. While some banks are still in the process of completing their house-keeping others have grown stronger and stronger. Now is the time for banks to fully participate in the promotion of the development of an efficient money and capital market.

So far the Bank of Mauritius has noted that brokers in particular have shied away from dealing in the market for Government papers despite various formal requests made to them and inducements given to them by the Bank of Mauritius. I invite banks, brokers and other agents to fully participate in the development of the market. I have taken note of a few banks already taking initiatives in issuing debt instruments. Barclays Bank is obviously path-breaking and one of them.

We need to create a critical mass of trading in debt instruments without which an MUR Yield Curve ( Rupee yield curve) for Mauritius would not be possible. Banks and brokers need to give the best of themselves in creating the critical mass of trade.

On 17 March 2000, precisely on Saint Patrick's Day, Barclays Bank celebrated the 80th Anniversary of its establishment in Mauritius. I recall having then made quite a common statement that at 80, man is already in the metallurgical age. He has more silver in his hair than in his pocket, more gold in his teeth than in his bank and more lead in his feet than in his pencil. Barclays Bank has since kept rejuvenating. The bank has less silver in its hair, less gold in its teeth and more lead in its pencil today.

Viewed from the eye of the regulatory authority, the strength of Barclays Bank, Mauritius, stems from what I choose to call 'unconscious competence'. The strength of the bank is found as much in its technical skills or equipment as in its values. Technical skills or equipment can be readily replicated; values cannot. Values are the bank's driving force and are the core reason for its efficiency level. And those values are offshoots of the systems and procedures and principles of corporate governance embodied in Barclays Bank's philosophy of good banking. Those are values that should be institutionalized by some of our locally incorporated banks. As I have mentioned in the past, self-supervision is best supervision. As a regulatory authority, the Bank of Mauritius has been persuasively instilling those values in other banks with quite some success. I need not overstate that the Bank of Mauritius will sustain its persuasive power to enforce market discipline in its broadest sense.

Money market, capital market, debt management and treasury management at the micro-level evolve hand in hand. Years ago – not in the distant past – bankers and a few big enterprises in the private sector did not view treasury management as being important. Risk taking and suicide were seen as synonymous words. Rewards without risk were the rule. In 1999 and 2000, I had, on various occasions, urged bankers and business leaders in the main sectors of our economy to seriously look into their treasury management. There was scope for improvement in terms of efficiency at the micro level. I am really delighted to see many of the enterprises in the country finally took my observations seriously. Treasury management has taken a seat of importance in most of the big enterprises. Admittedly, they have raised their efficiency level in treasury management thereby saving a lot. You may have observed that the Bank of Mauritius has, a few days ago, published the profiles of debt instruments that would be issued for the current fiscal year. Our intention is to give to treasury managers advance notice of the instruments with different maturities that would be issued with a view to enhancing efficient assets and liabilities management.

To the Managing Director and staff of Barclays Bank let me say you are today giving the kiss of change to the sleeping beauty I asked of you on March 17, 2000.

To conclude, let me congratulate Barclays Bank on the occasion of its acquisition of ABSA recently. I understand that once the ABSA integration is over, Barclays Bank would be looking forward to the next phase of growth for Barclays Africa and Indian Ocean in Mauritius. I also look forward to the landmark event - a vision I have entertained - when Barclays Bank would be listed on the Stock Exchange of Mauritius.

May I wish Barclays Bank the very best of success in the issue of the Barclays Bank PLC Bond.

Thank you.