

**THE BANK OF MAURITIUS ANNUAL DINNER WITH ECONOMIC  
STAKEHOLDERS**

**Opening Remarks by Mr. B. R. Gujadhur, Managing Director, Bank of Mauritius**

**29 November 2002**

Members of the Board of Bank of Mauritius

Distinguished Guests

Good evening

*The Bank of Mauritius has, more than ever before, been in the limelight this year. I shall therefore on the eve of 2003 be content to make a brief reference to this year's major developments touching the Bank's field of activities.*

*Of the four new banks licensed during this year, two were domestic banks and the two others offshore banks. One of the domestic banks stepped in the place of a delicensed domestic bank. Two new money changers were authorized as well as one non-bank foreign exchange dealer. In addition, one non-bank financial institution was authorized to take deposits from the public.*

*Institution building was also strengthened by the appointment in March 2002 of four banks, MCB, Barclays, HSBC and SBM, as primary dealers in Government securities. As from 1<sup>st</sup> October 2002, the primary*

*dealers have taken on the role of buying and selling Treasury Bills with the public from the Bank of Mauritius. Accordingly they have the responsibility to develop an active secondary market in Treasury Bills for Mauritius.*

*A joint collaborative effort between the Bank of Mauritius and commercial banks has resulted in further improvement of our payment system. MICR encoded cheques have for the first time been issued in Mauritius by all licensed domestic banks. This development will reduce clearing time for cheques due to the automation of the cheque clearing process and hence overcome settlement risk still more. The efficiency of the payment system of Mauritius, which is already equipped with MACSS, a real time gross settlement system for time sensitive and large value settlements, will thus be enhanced to the standards obtaining in the best financial markets. A Cheques Bill has been prepared to take care of presentment and indorsement issues arising from the automation of the cheque clearing process.*

*Mauritius is currently undergoing an assessment of the financial sector by the IMF and the World Bank jointly. This assessment is known as the FSAP. The FSAP will come out with conclusions on the extent to which our financial system is inherently stable, which are the vulnerabilities in the financial structure to address in priority and whether the overall governance framework for the financial sector, made up of codes, rules, regulations, laws and guidelines, needs to be reinforced. Findings of the FSAP will lay down the foundation stone for future progress of the financial system of Mauritius.*

*International accountability assumed more importance in 2002 in the wake of international corporate accounting scandals. Also, following the September 2001 events in the United States, the OECD has been pressing for more disclosure on financial transactions. This initiative has sent tremors of apprehension in the financial sector, specially amongst those who are attached to the principle of confidentiality of customer information. The matter has not yet been fully resolved as of now. We are in a position nevertheless to guess the direction it will take and prepare ourselves in consequence.*

*This emphasis on international accountability reflects an expression of our dependence on external markets. You would recall the atmosphere of distress which prevailed in the exporting sector when the euro dipped to 82.25 US dollar cents exchanging at Rs22.64 in October 2000. The euro has now reached parity with the US dollar and is exchanging at nearly Rs30. I see more of an air of relief amongst our exporters of goods and services. So much the better.*

*Market circumstances have kept changing. For example, private capital flows have long since overtaken official financing of capital development in countries, both direct and portfolio. In this new context, potential investors are looking for countries that have a stable and sustainable medium-term macroeconomic policy framework to direct investment funds to. China is receiving an ever larger share of global foreign direct investment. There are other countries which are not recipients of FDI to that extent. The difference between receivers and non-receivers of FDI is based on the markets' perception as to which country has*

*scope for consistent and sustainable growth and which has not. To grow our share of global FDI in the productive sectors, a nationwide collaborative effort is required in the present environment, irrespective of the role of the Government as a pace setter in the matter. Given our island situation, I would expect boardrooms of companies to speak more frequently to each other with a view to eliciting a positive perception of our sustainable economic potential. This will be useful to us both as a receiver of FDI into the economy and as a service provider acting as an intermediary to channel FDI to other countries.*

*Bankers who are with us tonight will recognize that during the past year the Bank of Mauritius has engaged with them continuously in such collaborative discussions. These discussions have led to decisions on how to give better shape to the financial sector of Mauritius. We intend to pursue those mutually consistent efforts which represent the foundation stone on which 21<sup>st</sup> Century markets will be based.*

*I would like to end on this note by giving you a concrete example of how unsuspected scope for development was unearthed through discussions in the case of a constraint facing the construction of the Bank's new headquarters building in Port Louis. Well after the Bank's construction project had been launched by our predecessors, we discovered that the Bank of Mauritius building would lie in the 5 degree zone of the Port Channel which is interdicted for high-rise buildings as ships have to be guided into the harbour with the help of signals found on the mountain at the rear end of Port Louis City. We engaged in discussions with the Port Authority to find a solution to this problem.*

*As a result of these discussions, the Bank of Mauritius caused to be installed a steel tower in the Port Area to house an accurate modern technology electronic navigation light system, with fallback support, perfectly adapted to guiding ships through our narrow channel in the port. This system is operating for almost one year now. It has given the Port Authorities the capability to guide ships into the harbour both by day and by night, in good and not so good weather. It immediately had the effect of giving our port the potential to become a 24-hour service provider from this angle, like most modern ports nowadays. It also had the incidental but not negligible effect to release the entire geographic area at the back of the Bank's building site up to the mountains for other buildings to go up in height. This opening has freed the airspace above the City of Port Louis for high rise buildings and enriched the potential for creating more office space in future.*

*Let me now thank you for your attention and take this opportunity to wish Mauritius and all of you a successful new year 2003.*