



International Conference on
Digital Economy and Digital Banking

Closing Remarks of

Mr Harvesh Kumar Seegolam, Governor- Bank of Mauritius

Le Méridien Hotel

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Ladies and Gentlemen,

Good Morning.

One thing that comes out very clearly is our common objective and the potential that we know we have across the continent through the use of digital. And this objective, I think has been already spelt out at various levels individually, when we look at our own individual countries, when we look at our own individual institutions, it's very clear that we all have a very clear and very well-defined digital agenda that we are all following.

I think what we need to do now as policy makers and very importantly as central banks is to ensure that we can deliver on these objectives and very importantly, try and work closely together so that we can achieve the common good of our continent. But certainly, in so doing, we have a number of challenges to address. We've had beautiful plans since yesterday. We've heard the opportunities but also the hurdles that will come our way while trying to achieve this digital objective and very importantly, the role that banks will have to play as key enablers in this process.

One cannot achieve the state of a full digital economy if the banks do not walk the talk also. And this is where policymakers, governments, but very importantly, central banks will have to ensure that we create the right enabling environment and the enabling frameworks to allow this to happen. When I look at some of the challenges you can summarize them in four or five key categories. The first remain infrastructural. It is something policy makers and governments will have to address, both in terms of physical infrastructure, in terms of energy and in terms of communication.

We then have a big challenge, that is of AML/ CFT. We've heard the Director General of the ICAC earlier today. I myself had the opportunity of leading the Mauritius delegation through our process of the FATF and ensuring that Mauritius exits that list in a time which has surprised many, I must say in a good manner. But today we stand at the point that we are continuously investing ourselves and ensuring that we do have the most appropriate frameworks in place to accompany our institutions in this process of AML/CFT and we should not make the mistake of just trying to implement something and forget about it.

The key to success in this process is all about sustainability of our actions, sustainability and effectiveness of all the initiatives and actions that we are rolling out and we need to ensure that whatever we do today are things that would remain in time also and we continue to invest. So AML/CFT is something that would be keeping especially regulators and central banks very much awake over the next few years and very importantly by that conference, we will remain awake, our regulators will be even more awake as they will have to make sure that they understand what direction we're going also.

We heard a lot about the two-pillar solution yesterday. This is something that is of extreme and critical importance to all countries in Africa. In Mauritius, more so, given the fact that we are an international financial centre, it is even much more relevant to us. I will certainly not repeat what has been discussed yesterday, but I think we have a clear public good for the good of the continent again, to ensure that we are all adhering and aligning ourselves to what the standard setting bodies are actually putting in place. And then, very importantly in this process, as I said, banks will have a key role to play and for them to be able to deliver on their expectations, central banks will have to define very clearly the parameters and the way in which we see them, delivering as key enablers in this process of digitalisation.

When we talk about digitalisation, there are a few areas and elements that we need to ensure that we are getting it right, and not wrong. Because to me these are key fundamentals. If we get these wrong, we are actually putting at stake the entire country, the financial stability, the financial system and also the entire country.

In this regard, at the level of the Bank of Mauritius, I've been engaging very closely with many stakeholders over the last two years, ensuring that we define a very clear-cut strategy when it comes to the digital roadmap that we are putting in place. Very recently, it has also been spelt out in a clear-cut road map known as the Future of Banking that was launched a couple of weeks ago in connection with the celebration of the emerald jubilee of the bank of Mauritius. I will certainly not dwell in all aspects of that, but it's important to note that there are those key strategic areas where we need to focus on way forward. First and foremost, the use, but very much the risks associated, with cyber. Our countries, our regions, our institutions are all vulnerable to cyber-attacks. As we increase the use of digital, especially digital payments and digital banking, there is no doubt that fraudsters will try to get into our systems.

And this is where we have to continuously ensure that we do have the most appropriate frameworks to accompany and to safeguard our financial systems. In this regard, basically, at the level of the Bank of

Mauritius, we have since few weeks already launched for consultation a guideline, a dedicated guideline, on the use of cyber and technology risk management. I'm here to encourage all other central banks in the region also to clearly spell out the risks and how we need to tackle cyber and technology risks. At the same time, we see increasing use of cloud services.

Earlier this year, it was actually in September, we at the level of Bank of Mauritius, we have already introduced our guideline on the use of cloud services. And I must say, I'm noting with great satisfaction now increasing interest for commercial banks here in the island, in terms of moving and using cloud services. At the same time, you cannot have a dream or an objective to be a digital economy where you have digital banks operating without clearly spelled out frameworks for them. So, in December last year, I introduced a dedicated license for allowing digital banks to operate from the country. But very importantly, what we are doing now is also spelling out digital onboarding because institutions can only thrive in this environment if they are given the right enabling framework to be able to onboard clients digitally also. At this point, as we speak, couple of the regulatees of the Bank of Mauritius have already started this process of digital onboarding.

Many others are looking forward to start this process also. And I'm very much determined to make things much clearer for everyone as we go along. But we are very much encouraging digital onboarding at our level. Certainly, there are a number of risks and gains being associated with this. CBDC being one, KYC elements being one. And to this end, we are going to introduce by the end of this year, our centralised KYC platform, a project that the Bank of Mauritius has been focusing on over the last, I would say, a year and a half now. And we have made significant strides in moving on that front. So, this would be a platform that would allow banks and non-banking financial institutions in the country to be able to conduct due diligence KYC on operators.

This being said, we have another major potential and challenge also in front of us, and that is to do with the use of virtual assets. A lot has been said over the last few years about all that I would like to term cryptocurrencies. But you know, crypto assets. I like to refer to them as being assets by no means by further definition cryptocurrency, but they can only be classified as assets, and this is a position that we have adopted also here, in Mauritius. We will be very clear.

The bank of Mauritius as well as the sister regulatory institution known as the Financial Services Commission. So, we have adopted clear strategies in terms of recognising cryptos as being only asset class instruments. Sophisticated investors can invest in them while certainly taking into consideration the risks

that are associated with them. But it is an asset class and we need to understand clearly the volatility that is attached with these asset classes also. But for us, as central banks, as regulators, I think we need to give clear guidance to our regulators in terms of how is it that we deal with virtual asset service providers and virtual assets companies.

This is a topic again that has been keeping the Bank of Mauritius very busy. We've been engaging with all banks here on the island, but very importantly, with a number of counterpart regulators also, to try and adopt a position which is very clear and spells out our position on all that are virtual assets. To this end, I am pleased to inform you that later on this week, we shall be issuing a consultation paper on virtual assets where we're already giving initial thoughts, encouraging all stakeholders to give their views also on that topic so that before the end of this year we can clarify and implement that position formally. And again, in this process, I think what is also very important is to ensure that we keep the fine line of finance between what the banks need and what central banks are also looking at, and very importantly what expectations customers may be having. But one thing is clear.

There is no second thought when it comes to AML risks associated with virtual assets, we will be very strict in defining opposition to that end. Now, for us to be able to deliver on all of this, I think there are other challenges also that we should not forget about. When you talk about virtual assets it also brings in quite a lot of risks with respect to financial stability and the very existence and use of money as such. And this is what I think has explained why many central banks around the world, have started thinking about the introduction of CBDCs. Governor of Central Bank of Nigeria, has already been one of the first one to move in that direction. In Mauritius, we are currently finalising the parameters of our own CBDC, the digital rupee, which we shall be launching on a pilot basis. But elements that you should not ignore in this process would have to be those relating to financial stability risks and very importantly to monetary policy risks also.

Whether CBDCs would be interest bearing or not, is a fundamental question that many central banks around the world have taken different positions on. And if we want it to be a success, I think we need a greater level alignment at an international level. But to start off, I think very important people will need to consult, would need to collaborate more amongst central banks in the region for the region so that we can move in the right direction. And I would here urge governors of central banks who are present with us here today and also those who could not make it physically to be with us here today to give, to give

importance to expertise sharing, knowledge sharing and more collaboration among ourselves so that we can learn from each other in this process which we are all going through.

Before I conclude, I must also say that in such challenging times, and having in front of us, you know, topical issues, we need to demonstrate much more agility, a term, a word that many central bank governors use much more agility, much more capability to deliver and to understand everything that is in front of us, be it in terms of the use of artificial intelligence, being in terms of the use of better data management, data collection, being in terms of the use of AML CFT and everything that is linked with what I just mentioned here. I think we need to demonstrate that level of agility and flexibility very, very clearly so that we can collaborate more and certainly reach and achieve objectives and the potential that we are describing for ourselves.

I think Africa, as our continent, cannot escape the strength. In fact, the digital shift that we are all witnessing in our banking landscape is now becoming a sine qua non for banks survival. And it is only if we work together and very much hand in hand that we can reach all these potential and objectives. And I think again we need to go beyond our own boundaries when we're thinking about solutions that we are trying to implement. But with these words, I must certainly thank each and every one of you who have been with us since yesterday, ministers, governors, deputy governors, key stakeholders for that key participation that we've been saying over the last two days. I certainly look forward to continuing such interactions and for the good of our own institutions, our own countries and our own continent. I now have the pleasure, certainly, to declare this conference closed.

I thank you for your attention.

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