Speech

of

Mr Yandraduth Googoolye,

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at the

Opening of the Orientation Programme

for Newly Recruited Central Bank Officers

organised by

IMF, Afritac South and Bank of Mauritius

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Aunauth Beejadhur Auditorium

Bank of Mauritius

- **Mr Abdoul Wané, Director, Afritac South and Africa Training Institute**
- **Mr Massimiliano Messi, Representative of the Ambassador & Head of Delegation of the European Union to the Republic of Mauritius and to the Republic of Seychelles**
- **Second Deputy Governor**
- **IMF Resident Advisors and Course Directors**
- **Participants and our friends from the media**

Good Morning and a warm welcome to the Bank.

Today, an old dream of mine has been realised thanks to the collaboration between the Bank of Mauritius and the IMF through Afritac South and ATI. When I took office as Governor, I toyed with the idea of running an orientation programme for newly recruited officers in order to expose them to the various facets of the work carried out in a central bank. As a seasoned central banker, having been in the Bank since 1985, I have found it valuable to be exposed to various areas of work performed in a central bank. Central banking policy is interactive and requires the participation of all departments in the Bank. Thus, it is imperative for newly recruited officers to have an overview of the central bank's mandate, objectives and functions.

During a courtesy call of the then Director of Afritac South, Ms Effie Psalida, I exposed my vision to her and she gladly acknowledged the importance of having such an orientation programme. We even decided to extend an invitation to central banks in the region. When I visited the IMF in Washington DC last April during the IMF/WB Spring Meetings, I had the opportunity to discuss about the feasibility of running this course with the Deputy Director of the Institute for Capacity Development, Mr Andrew Berg, who instantly supported my initiative. And indeed, when Mr Wane took office, I pursued the matter with him and so, here we are today gathered for running the very first orientation programme for newly recruited officers in the midst of our 50 years of existence. I also wish to thank the Governors of 8 countries, (Botswana, the Comoros, Lesotho, Madagascar, Mozambique, The Seychelles, Zambia, and Zimbabwe) for delegating their officers to be within our midst for the first such programme in our part of the world. The aim would be to allow a wider community of central bankers to benefit from priceless insight.

The profound transformation of the global economic and financial landscape has brought about a rethinking on how the tasks of safeguarding monetary and financial stability need to be conducted. This process has laid greater emphasis on transparency and credibility of policies as well as being forward-looking. We live

in a global village and interconnectedness is key today. As a central banker, one needs to be up-to-date, and wary of developments both at home and abroad. The evolution of the financial industry and, in particular, the banking industry requires a novel approach to understand and analyse what's going on and to prescribe the right policy for sustainable economic development and to maximise economic welfare of society.

Over 360 years ago, on 30 November 1656 to be precise, the first central bank was set up in Sweden to issue and manage paper currency. This paved the way for all countries to follow. From then, the role and influence of central banks have increased immensely. As an institution, the central bank has been growing in eminence, importance and power. The art of central banking is different from other forms of economic policymaking. Central bankers have the immense responsibility of being the guardians of the economy and are required to make the tough choices to ensure the healthy survival of their economies. They are like the coral reefs that protect the lagoons so that the public can enjoy their swims.

Over the years, central banks have evolved, charting a path from facilitating payments and financing governments to being independent patrons of price and financial stability. All these reflect the fact that central banks have become omnipresent in the daily economic life. Consequently, it is important for all to

understand the importance of central banking and like it is usually said, charity begins at home. So, it is important for officers who have joined the central bank to grasp what goes inside this powerhouse. In addition, citizens also need to be adequately briefed so that they actually understand central banks' mandates and tasks. This suggests a need to communicate appropriately and to improve financial literacy.

Let me remind you of what Alan Blinder, Professor at Princeton University and ex-Chair of the Board of Governors of the US Federal Reserve System described as the four classic functions of a central bank:

- **monetary policy;**
- **lender of last resort;**
- **supervisor/regulator of banks/financial institutions; and**
- **guardian/operator of the payments system.**

The objectives of the central bank call for a synergy between its various functions. To be able to serve society in an efficient manner, central banks' functions and mandates have to be clearly understood. For example, we have to know certain why's and what's. For instance,

a) why price stability is important;
b) why financial stability matters; and
c) why the payment system needs to be efficient.

And,

a) **what are the security features of our banknotes so as to detect counterfeiting;**
b) **what are the risks of cybersecurity; and**
c) **what are the risks and challenges facing the economy.**

Central bankers have always had their feet firmly rooted to the ground, with an ear close to the markets and their eyes focused on economic actors. A central banker is, by the very nature of his/her mission, far from being the typical onlooker but rather an inquisitive investigator and analyst. And that means being wary of concerns and how those may affect the financial horizon. While we do not know what the future holds in store, we can at least agree that we must all try and contribute to our efforts to guarantee that the banking sector remains safe and sound and that the stability of the sector ensures that credit is available for ensuring the economy works efficiently.

Based on lessons learnt from recent global financial crisis, banking regulatory framework has been significantly strengthened with a view to promote a more resilient banking sector. The Basel III framework sets higher minimum requirements for loss absorption, places greater emphasis on higher-quality capital and captures a broader scope of risks faced by banks. The framework has been further strengthened by a leverage ratio requirement, capital

buffers to mitigate various sources of systemic risk and a set of standards limiting liquidity and maturity transformation. However, these reforms alone in the absence of strong supervisory structure cannot guarantee financial stability. Lessons from the crisis have also highlighted the important role of supervision and, more importantly, that effective supervision must complement regulation.

Efficient regulation can only be achieved by seamlessly adapting to the context, whatever be its profile. In that regard, for the flawless discharge of their responsibilities, regulators do not have any other option than that of always keeping abreast not only of some or several, but of all aspects of the job. Indeed, gone are the days where one could happily join a central bank and serenely contemplate ending one's career in the same office and be content with the same knowledge and breadth of skills acquired at university or in previous jobs.

A primary function of a central bank is to conduct monetary policy, the impulses of which are typically transmitted from banks to the rest of the economy. The operational features of the transmission, however, rest upon the smooth functioning of payment infrastructure. Milton Friedman once noted that "*very few things in a society can happen if they are not financed by money, and the way in which money is transferred across people must be one of*

***society's most crucial concerns*". The payment system oversight, thus, assumes paramount importance to ensuring that the infrastructural components and the markets for the provision of payment services work smoothly, efficiently, and fairly for all participants and users. In addition, it ought to minimize and control the risk of transmitting shocks through the economy.**

Fintechs are rapidly positioning themselves as the key players in the financial industry, and raise regulatory challenges. At the same time, the payment service provider is moving out of the banking domain to the non-banking one. The Bank will soon roll out the National Payment Switch (NPS), which will make digital payments through different channels such as ATMs, mobile devices, points of sales and e-payment gateways interoperable. This will enable another level of understanding of the payment industry in Mauritius.

Today's financial landscape is seeing the boundaries thinning out between research and analytical capabilities, legal acumen, supervisory shrewdness and technological understanding. We are wardens walking in an ever-changing world that literally demands of us to be multi-facetted. Allow me to quote William Shakespeare, "*On such a full sea are we now afloat, And we must take the current when it serves, Or lose our ventures*."

Ladies and gentlemen, this training programme belongs to you and I invite you to harness as much as you can. You will need to squeeze the lemon to extract its last drop. For the Bank of Mauritius, capacity building is a priority. This training programme is testimony to our commitment to make of our august institution a learning organisation in every sense of the word. On that note, I wish to share that we have at the Bank a Knowledge Centre that boasts a first-class library and an up-to-date electronic platform of academic journals, business and management publications and research papers that we are offering to staff of financial regulatory bodies, the banking industry and academics.

My philosophy is that much more can be achieved for the common good if stakeholders work hand in hand. As a proponent of partnership, the Bank is working jointly with its key stakeholders to enable players in the banking and finance industry to add more value to their human capital. I would like to acknowledge the positive response of the Mauritius Bankers Association (MBA) and our regulatees on that front. The MBA will, shortly, come up with programmes for capacity building, which we fully support so as to equip the banking sector with the appropriate pool of talent and competence.

I again thank the IMF and its team based in Mauritius for the precious support and much-appreciated eagerness to bring to fruition this Orientation Programme. Our appreciation also goes

to all resource persons, experts and panellists who have kindly accepted to put their knowledge and time at the disposal of this audience. As the training programme will unfold, you will benefit from the latest insight and information on a whole array of topical issues and key areas of your work.

To all participants, I encourage you to awaken your inquisitive sense and learn, as much as you can, from all experts you will be meeting in the course of the training. Do not hesitate to question the conventional and think outside the box. Let me add that as dedicated officers to the central banking cause, you must be fully aware of the central bank's legislation. We now make sure that when new officers join the Bank, they are provided with the basic legislation governing the functions of the Bank of Mauritius and those of financial institutions regulated by the Bank of Mauritius.

Ladies and gentlemen, I wish you all a very enriching experience across the following days.
I now have the pleasure to declare open this IMF, Afritac South and Bank of Mauritius Orientation Programme for Newly Recruited Central Bank Officers.

Thank you for your attention.