

BANK OF MAURITIUS

GOVERNORS' MEET

ON THE OCCASION OF THE

EMERALD JUBILEE (55TH ANNIVERSARY) OF THE BANK

SPEECH BY THE HON PRAVIND KUMAR JUGNAUTH

PRIME MINISTER

THURSDAY 8 SEPTEMBER 2022 AT 1100 HRS

(HON PRIME MINISTER TO ARRIVE AT 1125 HRS)

VENUE: JW MARRIOTT MAURITIUS RESORT

COLONIAL ROOM, LE MORNE

Colleague Minister,

Members of the Diplomatic Corps,

Governor, Bank of Mauritius,

Board Members, Bank of Mauritius,

Governors and Executives of Central Banks,

CEO's of Banks,

Distinguished Guests,

Ladies and Gentlemen,

Good Morning.

I am honored and delighted to be here today to join in the celebration of the 55th Anniversary of the Bank of Mauritius.

The Central Bank has reached a major milestone in fulfilling its mandate for the past 55 years. It has always stood tall, even though our economy had to face countless challenges since the inception of the Bank.

During the economic crisis generated by the pandemic, the Bank of Mauritius stepped in to mitigate the impact on the economy and the social fabric by supporting businesses, households, and individuals. The bank swiftly introduced a COVID-19

Support Programme and established the Mauritius Investment Corporation Ltd.

Through a bold array of measures, the Bank of Mauritius has contributed to salvage the economy, saving jobs, and shielding businesses, especially systemic corporates, against the economic backlash of the pandemic.

Had it not been for the determined actions taken by the Bank of Mauritius, economic recovery would have taken a longer time. Today, we are very optimistic about our recovery path.

The Bank of Mauritius has contributed to the development of a strong banking and financial system

that has withstood upheavals such as the global financial crisis of 2008 and the ongoing pandemic.

The proactive measures taken by the Bank, rooted in its tradition of doing “*whatever it takes*” to protect the interest of the country and our fellow citizens, have enabled Mauritius to rise rapidly from the severe blow dealt by the pandemic.

Looking back at the 55 years of the Bank, there were several bold and timely steps taken to transform Mauritius from a monocrop in the 1960’s to a well-diversified economy.

The Bank of Mauritius, which started its operations in 1967, was specifically assigned the task of

safeguarding the external value of the rupee and its international convertibility. In 1968, the powers of the Bank were widened. It had, in addition, to issue the domestic currency, administer the exchange of foreign currencies, as well as regulate and supervise banks in Mauritius.

The responsibility for the development of the monetary and exchange rate regime rests primarily with the Bank.

Monetary policy was conducted in the 1970's and early 1980's primarily by direct controls. The export sector benefited from the policy of directed credit but over time, such a system brought in rigidities.

In July 1993, bank credit ceilings to non-priority sectors were abolished. Monetary policy then focused on managing money growth to control inflation.

When Mauritius was a monocrop economy, the main source of foreign exchange was sugar exports. With diversification, many economic sectors started bringing in foreign exchange. In 1994, the government abolished foreign exchange control by suspending the Foreign Exchange Control Act. This liberalisation bolstered development.

Another milestone is the promulgation of the Bank of Mauritius Act in 2004. It laid the groundwork for greater institutional independence for the Bank.

A Monetary Policy Committee was established to formulate monetary policy.

Our monetary policy framework was tested by the international commodity price surge and global financial crisis in 2007 and 2008. It allowed the country to benefit from low inflation over a protracted period once the shock had subsided. I understand that the Bank of Mauritius will soon implement a new monetary policy framework aligned with international best practices to maintain price stability.

The Bank has endorsed key initiatives to strengthen the global image of Mauritius as a transparent and stable investment platform.

For a small open economy like Mauritius, adequate international reserves are crucial to maintain financial stability and attract investment.

From 3.8 billion US Dollars in November 2014, the reserves stood at 7.3 billion US Dollars in July 2022. Moreover, in order to improve returns on its foreign assets, the Bank reviewed its foreign exchange reserves management framework in 2017.

Ladies and Gentlemen,

The liberalisation of the economy undertaken in the mid-1980's transformed the banking sector. The Banking Act 1988 was the basis for the

emergence of a reputable offshore banking sector in Mauritius.

The first offshore banking licence was issued to Barclays Bank PLC in July 1989. We gradually built an International Financial Centre that would, over the years, generate jobs and value addition to the economy.

Subsequently, the Banking Act 2004 eliminated the distinction between the two categories of banking licences, one for offshore and the other for domestic banking activities.

In hindsight, three fundamental developments have transformed the banking and financial sector:

First, the gradual liberalisation of the financial system that started in the 1980s;

Second, the suspension of exchange control effective July 1994; and

Third, the move to single banking licence as from July 2005.

A Financial Stability Committee, currently chaired by the Minister of Finance, ensures the soundness and stability of the financial system.

Ladies and Gentlemen,

The exit of Mauritius from the grey list of the Financial Action Task Force, and that of the European Union

and the United Kingdom, is the outcome of the strength of our institutions.

We are now preparing a new Bank of Mauritius Bill and a Banking Bill, both of which will further strengthen the institutional framework for the Central Bank.

Payment systems play a critical role in the economic growth of a country. The Bank has been at the forefront of efforts to develop payment systems so as to promote an orderly and balanced economic development.

The role of the Bank has evolved from that of issuer of notes and coins to that of regulator, operator, and overseer of the payment systems in Mauritius.

The Bank established the Port Louis Clearing House in 1968 to facilitate clearing of cheques. To modernise payment infrastructures, it implemented a real-time gross settlement system, the Mauritius Automated Clearing and Settlement System, in December 2000. That system was upgraded later to a more resilient architecture supporting multi-currency transactions.

This development was followed, in 2011, by the automation of the Port Louis Clearing House, enabling clearing of cheques through electronic

images and low value electronic transactions. These infrastructures simplified payment processes and reduced cost and time of transactions considerably.

The Bank continues to lead the digital transformation of the financial sector. It has introduced regulations to provide an appropriate framework for the development of new modes of payments. A National Payment Systems Act was introduced in January 2019.

Simultaneously, the Bank of Mauritius launched a state-of-the-art digital hub, the Mauritius Central Automated Switch, for routing payments among operators on a 24/7 basis. This innovative digital

platform makes banking, e-commerce, and mobile payments interoperable and encourages cashless means of payment.

The Bank is transforming the payments landscape into an enabling environment for new operators, new services, and new products.

To support digitisation of Government services, the Bank is developing an infrastructure to integrate all Government payments.

On the cross-border front, the Bank has a roadmap to enter into bilateral agreements with payment schemes of jurisdictions with which Mauritius has strong commercial relationships. A first project has

been initiated with the National Payment Corporation of India for retail payments through RuPay cards and mobile phones.

The Bank is also exploring the potential introduction of Central Bank Digital Currencies to guard against the risks of digital forms of private money.

Ladies and Gentlemen,

I am pleased that the Bank of Mauritius is issuing two commemorative coins to mark its 55th Anniversary.

The first one is the Rs 2,500 Commemorative Gold Coin and the second one is the Rs 2,000 Commemorative Gold Coin.

- The Rs 2,000 Commemorative Gold Coin is engraved with the tower of the Bank of Mauritius on the obverse.
- The Rs 2,500 Commemorative Gold Coin features the dodo bird on the obverse.
- Both Coins feature the effigy of former President and Prime Minister of the Republic of Mauritius, Sir Anerood Jugnauth.

The features on the Commemorative Gold Coins celebrate our history and pay tribute to a towering figure of Mauritian economic development.

To conclude, I will say that the Bank of Mauritius has charted the way for the banking system to evolve along a sound path which will serve the economy and the people in our journey to greater prosperity.

Thank you.
