

Mauritius central bank slams delays on Islamic finance, other reforms
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The central bank governor of Mauritius has publicly criticised delays in the island's efforts to develop Islamic finance, saying such "foot-dragging" could deprive the financial sector of chances to grow and increase risks.

Governor Rundheersingh Bheenick said in an annual letter to stakeholders that legislation was needed to boost the financial industry. The country is trying to diversify its economy beyond tourism and textiles.

Fewer than a fifth of the island's 1.3 million people are Muslim, but introducing financial tools such as sukuk (Islamic bonds) could help to attract investment from cash-rich Islamic funds in the Gulf and Southeast Asia.

"I must concede that we still have to cover some ground to de-risk our financial system and add depth to the financial market...The introduction of sukuk and cross-border resolution are some of the areas where we are trailing well behind," Bheenick said in his letter.

The slow progress is due mainly to difficulties in securing enabling legislation, and a "key player" has not changed its behaviour to facilitate this, Bheenick said without naming the target of his criticism.

"I am mystified by such foot-dragging on initiatives designed to increase the safety of our banking and financial system," said Bheenick, who has promoted Islamic finance since joining the central bank in 2007.

The open letter, in which the governor also called for more independence for the monetary policy committee, comes weeks after a rift emerged between the central bank and the finance ministry over interest rate levels on the Indian Ocean island.

Mauritius amended its laws in 2008 to allow the government to raise money through sukuk, but the public debt issuance calendar has never provided for them, despite calls by the central bank for it to do so, Bheenick added.

"This severely compromises the prospect of our jurisdiction playing a bigger role in the growing world of international Islamic finance."

To the extent possible, the central bank is pushing ahead with its own initiatives to develop Islamic finance, which follows religious principles such as bans on interest payments and pure monetary speculation.

A Shariah-compliant liquidity management tool based on commodity murabaha, a common financing structure in Islamic banking, is in its final stages of development, Bheenick said.

This is in line with the Mauritius central bank's role as a founding member of the Malaysia-based International Islamic Liquidity Management Corp, a body backed by central banks from the Middle East, Asia and Africa.

An application from an established bank in Mauritius for a licence to operate a window for Islamic business was received at the end of last year, Bheenick added without naming the bank.

Century Banking Corp, Mauritius' first full-fledged Islamic bank, opened its doors in 2011.

The central bank expects a further boost to the industry later this year when it hosts the annual summit of the Malaysia-based Islamic Financial Services Board in May. – Reuters, March 5, 2014.

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