There are clear opportunities in financial markets for Mauritius to create a niche for itself. The local market is yet small and lacks depth but the **expertise** is available to make it more **dynamic**, says Parik Tulsidas. Moreover, banking worldwide is a constantly changing business and the regulatory environment is evolving considerably.

**Parik Tulsidas**
(HEAD TREASURY & MARKETS, AFRASIA)

# We aim to position our bank as a Centre of Excellence

**How is the world of treasury and financial markets evolving across the industry?**

Banking worldwide is a constantly changing business and, more recently, the regulatory environment has evolved quite considerably. Having the best fit in terms of risk appetite, balancing risk and reward, and sweating capital usage is definitely the "talk of the town". Given the scarcity of capital in the current environment, return on equity versus the cost of capital is increasingly being scrutinized by both analysts and shareholders. New regulations such as the advent of Basel III and Accounting Standards such as IFRS 9 make it more challenging to run a bank.

Treasury and financial markets have a very important role to play in all this. On the balance sheet management and execution side, the primary role is to deploy liquidity in assets that have minimal capital consumption whilst still maximizing returns. More so, interest rate risk and liquidity risk remain a priority for any bank with Basel III and, to a large extent, IFRS 9 have brought more controls on this end.

On the financial markets side, we are required to adhere to strict risk parameters whilst maximizing returns on the trading of different asset classes, namely FX, interest rates, commodities and equities. Again, it all boils down to value creation for shareholders by running an efficient shop and by optimizing capital usage.

**How is the environment changing for treasurers?**

The role of treasurers has certainly evolved considerably over time. In today's world, there is a clear demarcation between the treasury unit's role within a bank and what I would call the financial markets unit's role. All in a bid to add more efficiency to the running of the broader organization and, importantly, to cope with banking regulations.

Therefore, the modern day treasurer has a much broader strategic role, encompassing balance sheet management i.e. liquidity and interest risk management (ALM), capital management to a certain extent and, finally, the execution part. Whilst financial markets may or may not fall under the treasurer's ambit, it will remain an everlasting important part of the business.

Most of the big international banks have already adopted this model and the smaller players have embarked in revamping the treasurer's role. At the end of the day, it is all about Banks reinventing themselves to drive efficiency.

**"WE SHOULD CATER FOR THE GENERATION Y OR MILLENNIALS; THEY ARE OUR CLIENTS OF THE FUTURE"**

**How does your offering bring value to clients?**

Our structure gives an edge to AfrAsia Bank by driving synergies internally and, more importantly, enabling the bank to offer a wider range of solutions. It consolidates our stance as an innovative financial markets service provider, catering not only to Mauritian demands but also effectively meeting financial requirements in the regional sphere, all in line with our "Bank Different" philosophy.

The end game for AfrAsia Bank is to provide clients with tailored solutions across asset classes and products. Whilst products and services can be replicated across the banking industry, it is our solutions-driven approach and nimbleness that marks us out. Our goal is to ensure that our client facing divisions and support functions are aligned to consistently provide the best-in-class service.

We intend to bring further sophistication to the business in the aim of positioning AfrAsia Bank as a Centre of Excellence in terms of Treasury and Markets solutions in Mauritius and the region.

**Where does the role of technology fit within treasury & financial markets?**

One must not underestimate the impact of technology and digitalization within the Banking industry. Treasury & financial markets is not exempt from this. With technology, client needs have changed. Access to real-time financial markets data, liquidity and interest rate positions, investment portfolios or online trading in most asset classes by developing "omni-channel" capabilities are some of the services that clients now have come to expect from a Bank. To be able to achieve all this in an efficient manner, embracing technology is crucial.

Today, multinationals and conglomerates want to manage their liquidity or their funding requirements more effectively. If they are long in one position and short in another, they want to be able to balance it out with minimal effort. To achieve this, having the right technological platforms will allow the clients to better manage their positions. Easy access is key and it helps in effective decision making.

So for treasurers, working in collaboration with different units within the bank and understanding the requirements of the clients is of prime importance. Upping your service levels through technology is now the game changer. We have seen in other markets close to us how mobile payment platforms have taken a lead on banking platforms.

The idea is to ensure that as a bank, you remain ahead of the curve in terms of making lives easier for the clients – we should ensure that we are in a state of readiness to cater for the so-called "Generation Y" or "Millennials". They are our clients of the future.

**Where do you see investment opportunities?**

Investors, big or small, are always looking for a good trade. We are in a cycle of relatively low interest rates and everyone is looking for better yields. Corporate bonds offer this opportunity and listed bonds offer the opportunity to disinvest, although you run some market risk; i.e. depending where the price of the bond is trading.

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# "UPPING SERVICE LEVELS THROUGH TECHNOLOGY IS NOW THE GAME CHANGER"

However, I think institutional investors like banks, insurance companies, pension funds and asset managers are already conducting their own financial analysis of issuers while also taking into consideration the future path of interest rates, both locally and internationally. They can therefore make more "calculated" trading decisions; this is very common in the international markets.

Debt markets are not dissimilar to equity markets; it's just that the mindset needs to change.

Subscription to structured notes can also provide a decent yield pickup for investors but it all depends on the risk appetite of the investor; which is exactly why we as banks need to think in terms of solutions instead of products.

At the end of the day, there are investment opportunities across asset classes, some want capital appreciation while others are looking for annuity income. All asset classes offer different types of returns, e.g. property investments will offer annuity income through rentals while long term investors will bet on capital appreciation over time. Investment in debt instruments will offer you fixed income over the tenor of your holdings. So it depends what the investor is looking for and there is value across all the asset classes (i.e. real estate, credit, equities or FX).

**What are the opportunities for Mauritian financial sector?**

There are clear opportunities in financial markets for Mauritius to create a niche for itself. Yes, the local market is small and lacks depth but the expertise is available to make it more dynamic. Getting investors to shift their mindset from a 'hold to maturity' into a 'trading' strategy will definitely help to create liquidity in the market as well as bridge the gap between the demand and the supply of investable instruments.

So, definitely, the financial markets in Mauritius have the potential to grow both domestically as well as taking an important regional role. There is a strong push to have instruments listed on the Stock Exchange of Mauritius and to be traded and settled on the Euroclear platform. I firmly believe that this could be a game changer for us as a financial jurisdiction. Mauritian banks already sit with a large amount of FCY liquidity and this is mostly owned by debt and equity funds that are structured in Mauritius looking to invest in African assets.

By bringing the investment opportunities to Mauritius, we are making both ends meet. As a jurisdiction, we will be able to attract a variety of investors (Asset Managers, PE Fund, Family Offices, etc.) from other financial centres to set up in Mauritius. The potential windfall gains for the Mauritian economy as well are quite clear. I firmly believe that, collectively, all the relevant market players should work hand in hand to enable Mauritius to move away from being a solely "back-office" jurisdiction into a more sophisticated financial services hub for the region.

One observation I have is that we don't do enough as a jurisdiction to target African High Net Worth Indivduals to invest in or use Mauritius as an investment hub. There are lots of opportunities that we are missing out on; e.g. wealthy Africans are finding it increasingly difficult to bank in Europe and this is a huge market that should be tapped into. These people would be willing to invest in the property market here as well. Alternatively, we can create investment products that are indexed to African debt or credits for their appetite because I strongly believe that Africans are the ones who understand their continent best and they will be the ones who will create wealth on the continent eventually. If we are to be a financial hub for Africa, we have to really believe in the continent's opportunities. 'Africa for Africans'!