ANNUAL REPORT

YEAR ENDED **30 JUNE 2019**

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Bank of Mauritius
Port Louis

29 October 2019

The Honourable Pravind Kumar Jugnauth
Prime Minister
Minister of Home Affairs, External Communications
and National Development Unit
Minister of Finance and Economic Development
Prime Minister's Office
New Treasury Building
Intendance Street
Port Louis

Dear Prime Minister

Annual Report and Audited Accounts 2018-19

In accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, I transmit herewith the fifty-second Annual Report of the Bank, which also contains the audited Accounts of the Bank for the year ended 30 June 2019.

Yours sincerely

Yandraduth Googoolye

YANDRADUTH GOOGOOLYE
Governor, Bank of Mauritius

STATEMENT FROM THE GOVERNOR

The global economic landscape in 2018-19 was marred by an escalation of trade tensions, uncertainty about the Brexit, and geopolitical tensions. Uncertainties surrounding these developments not only led to elevated volatility but also resulted in successive downward revisions of global growth projections. Weaker manufacturing activity and sluggish trade in advanced economies, combined with subdued investment and lower external demand in emerging economies, have weighed on global economic activity.

Economic performance diverged among major economies and regions. Growth in the United States was relatively strong through much of 2018, supported by procyclical fiscal policies and employment-boosting domestic demand. However, it started moderating towards the end of the year. In the Euro area and the United Kingdom, growth was relatively weak with growing downside risks stemming mainly from an increased likelihood of a disorderly Brexit and concerns over trade tensions between the US and China. Growth slowed further in China amid increased uncertainties in the external environment and softer domestic demand. The slowdown in major emerging economies, also due to country-specific factors, moderated their contribution to global growth resulting in adverse second-round effects on trading partners.

In the light of these developments, major international organisations scaled down their global growth projections for 2019 while expressing caution for 2020. In its October 2019 World Economic Outlook, the IMF further revised down global economic growth for 2019 to 3.0 per cent, from 3.3 per cent in April 2019. The IMF has, however, projected the global economy to recover in 2020 with a growth of 3.4 per cent in 2020, on the assumptions of abating trade tensions, further monetary policy easing and supportive financial market sentiment.

The deterioration in the global growth outlook, amid low underlying price pressures, led many central banks across the world to reassess their monetary policy stance. For the first time in 10 years, the US Federal Open Market Committee opted to cut the federal funds rate at its July 2019 meeting, and subsequently in September 2019. Whilst the ECB maintained its policy rate unchanged in 2018-19, it resorted to a 10 basis points cut in September 2019 bringing its deposit rate to -0.5 per cent and plans to restart its quantitative-easing scheme as from November 2019. In contrast, the Bank of England judged that a tightening of monetary policy was necessary in August 2018 in view of higher-than-target inflation and has since kept its policy rate unchanged. For their part, many central banks across other advanced and emerging and market economies resorted to a reduction of policy rates in 2018-19 in an effort to thwart the negative effects of a slowdown. It is evident that policymakers have much less room for manoeuvre today to avert a recession than they had during the global financial crisis in 2008. This situation is further exacerbated by the lack of pre-emptive and concerted measures to reduce the likelihood of a recession.

The domestic economic momentum remained positive, supported by buoyant business confidence, but recent global economic developments could knock off some of the thrust. Real GDP growth is forecast at 3.8 per cent in 2019, same as for 2018, supported by sustained household consumption growth and a significant rise in public investment. Net external demand continued to be a drag on domestic economic activity. The growth outlook in the short to medium-term is subject to downside risks arising mainly from the escalation of the trade tensions, the risks of a currency war, a no-deal Brexit, and heightened volatility in international financial markets. These factors could impact negatively on external demand for our export of goods and services.

The unemployment rate is at a historical low level. With the resilient performance of the economy, the unemployment rate maintained its downward trend and is estimated to decline to 6.8 per cent in 2019, from 6.9 per cent in 2018. Monetary and credit expansion were broadly in line with the growth in nominal output.

The export sector continued to face numerous challenges, the key ones being the erosion of our external competitiveness, delocalisation of production from Mauritius to more cost-effective locations, and weakening economic prospects in major exports markets. It is a matter of concern that the ratio of net exports of goods and services to GDP is worsening persistently. The ratio is forecast to reach negative 15 per cent in 2019, compared to nearly 10 per cent in 2016. Structural reforms and measures to attract foreign direct investment in productive sectors are prerequisites to the strategy to rekindle the export sector.

The current account deficit continued to deteriorate in 2018-19. It rose from 4.6 per cent in 2017-18 to 5.7 per cent of GDP in 2018-19, due to widening trade deficit caused essentially by rising infrastructure-related imports. The positive elements in the balance of payments remain the healthy surplus recorded on the primary income account, and the inflows on the capital and financial account that were amply sufficient to finance the current account deficit. The balance of payments recorded a surplus of Rs17.5 billion in 2018-19.

Monetary policy remained supportive of growth, amid the low inflation environment. The Monetary Policy Committee (MPC) convened four times in 2018-19 and unanimously decided to maintain the policy rate unchanged at 3.50 per cent per annum. The decision reflected the resilience of the economy and low inflationary pressures. However, at its August 2019 meeting, the MPC decided by majority vote to cut the Key Repo Rate (KRR) by 15 basis points to 3.35 per cent per annum as a pre-emptive measure against the risks associated with weakening global growth. Inflation stayed on a downward course in 2018-19, reaching 1.0 per cent in June 2019. It is forecast to remain at 0.5 per cent at the end of 2019. In view of low inflation risks, accommodative monetary conditions were maintained via low interest rates. These are expected to assist credit expansion for both the household and corporate sectors as well as support overall economic activity.

I had, since 2018, emphasized the importance for a shift in the monetary policy operational target, from the overnight interbank interest rate to the 91-Day Bill yield. This change has generated positive results. Short-term interest rates were subsequently anchored close to the KRR. The Bank successfully conducted open market operations to maintain excess rupee liquidity within reasonable levels so as to improve the transmission of monetary policy to market interest rates and minimise excessive volatility in short-term yields. The 2019 IMF Article IV Consultation Staff Report, released in April 2019, commended the continued efforts by the Bank to contain the level of excess liquidity in the banking system. In September 2019, the Bank introduced the 28-day Bank of Mauritius Bill to further fine-tune liquidity management.

The Bank pursued its smoothing exercise to mitigate variations in the weekly tender of Government of Mauritius Treasury Bills and to have a reliable yield curve for securities benchmarking. It issued Bank of Mauritius Bills at a weekly frequency and in maturities not covered by government instruments. A total amount of Rs95.6 billion worth of Bank of Mauritius Bills were issued, of which Rs45.6 billion in the 91-Day tenor. Except for a few short-lived episodes, the 91-Day Bill yield hovered close to the KRR, ranging between 2.93 per cent and 3.61 per cent for most of the time in 2018-19 and averaging 3.33 per cent. To address the structural rupee excess liquidity, the Bank also had recourse to the issuance of long-term securities in maturities ranging from 2 to 4 years for a total of Rs12 billion. Special deposits totalling Rs12.8 billion were mobilised from banks, including sterilization of intervention proceeds of Rs5.3 billion. The outstanding Bank of Mauritius securities rose by nearly Rs24 billion to reach a peak of Rs116 billion at end-June 2019.

I have to highlight that mopping up the excess liquidity from the monetary system has been very costly to the Bank. The total cost of conducting monetary policy escalated to an all-time high of Rs3.5 billion in 2018-19. This represents an increase of 45.8 per cent over 2017-18. Despite this substantial increase in the cost of monetary operations, the Bank realised a profit of Rs84 million in the year under review compared to a net loss of Rs444 million last year. Notwithstanding such high cost, bringing money market rates in line with the policy rate is paramount to improving the operational efficiency of monetary policy. Following the successful shift in the operational target of monetary policy, the Bank is currently in the process of upgrading its overall operational framework for monetary policy and plans to roll it out in 2019-20. The new framework would infuse greater dynamism in the money market and set the basis for a more reliable benchmark yield curve.

The Bank is considering various measures to improve the efficiency and bolster activity on the foreign exchange market. Some of these initiatives include the adoption of the Global FX Code by market participants, greater transparency on the spot, forwards and swaps markets, and reviewing our operations on the foreign exchange market. The steps envisaged to prop up activity on the money market will also provide considerable support to the foreign exchange market and stimulate its development. Going forward, the foreign exchange market is expected to evolve along the lines of international best practices and offer better opportunities to market operators for managing net open positions and hedging exchange rate risks.

The Bank continued to intervene on the foreign exchange market to contain excessive volatility of the exchange rate and to ensure the exchange rate reflects macroeconomic fundamentals. Currency pressures emanated largely from external factors, in particular the volatility of major international currencies. The exchange rate evolved broadly in line with macroeconomic fundamentals. As recommended by the IMF, the intervention policy also aimed at growing the country's foreign exchange reserves to further build the country's resilience against shocks. The Bank intervened to purchase a total of US$465.9 million from the market in 2018-19. Consequently, the country's level of gross official international reserves rose by US$0.5 billion to stand at US$7.2 billion (equivalent to Rs253 billion) as at end-June 2019. The almost one-year level of import cover represents a solid insulation against adverse external shocks.

Over the past few years, the Bank has revamped its foreign exchange reserves management processes and shifted from fixed-income assets to a more diversified, multi-asset portfolio. This shift was concurrent to the establishment of a robust reserve management framework, as a more dynamic reserve management process inevitably posed several challenges. To protect the official reserves of the country, and in line with the Bank of Mauritius Act, the Bank ensures that the threefold objective of security, liquidity and return is irrevocably adhered to at all times and in this order of priority. These three objectives are also supported through a segregation of the portfolio into three distinct buckets comprising working capital, liquidity, and investment tranches. As part of its diversification strategy, the Bank on-boarded top tier external managers during 2017 and 2018 to manage part of the reserves. These external managers share valuable insights into global developments and trends. The portfolio performance has improved and risks are now well diversified.

The Bank is engaging with external experts to improve the management of its balance sheet, as this exercise has wide-ranging macroeconomic implications. Managing the balance sheet of the central bank is manifestly fraught with challenges, with low returns on external assets and high cost of monetary operations in current times. On current trends, the Bank's large stock of liabilities is expected to rise even further going forward as the Bank improves its monetary policy operational framework. It is essential to ensure the central bank's balance sheet remains strong over time and that it can achieve its policy goals effectively to fulfil public confidence.

The decision of the government, as announced in the 2019-20 Budget Speech, to make use of the Special Reserve Fund (SRF) to repay the external debt obligations of central government had prompted significant debates. Let me reassure the public that the amendment to the Bank of Mauritius Act 2004 will not infringe on the Bank's independence. The government clearly recognised the importance of an independent central bank and made the use of the SRF subject to stringent conditions prior to any disbursement, as laid down under Section 47(5) of the Bank of Mauritius Act 2004. Specifically, the SRF should first be used to strengthen the Bank's capital position and, subject to the approval of the Board, to meet the cost of monetary operations. Only thereafter can it be used for the repayment of central government external debt obligations, that too "provided that this is not likely to adversely affect the efficient discharge by the Bank of its functions."

It is important to highlight that the Board of Directors of the Bank will have the ultimate responsibility to decide on the transfer from the SRF to meet the cost of the repayment of government's external debt obligations. The determination of any amount to be transferred will be based on the estimated funding requirement of the Bank for increasing its capital and for meeting the cost of monetary operations over the foreseeable future. The Bank will thus have to ensure policy solvency at all times by mustering adequate economic capital.

Several far-reaching measures were taken to further consolidate the financial industry's ecosystem. Over and above continuously upgrading the overall financial sector regulatory regime, the legal framework for the industry was reinforced with the enactment of a number of pivotal legislations. These are the National Payment Systems Act 2018, the Ombudsperson for Financial Services Act 2018, and the Mauritius Deposit Insurance Scheme Act 2019. These laws are important milestones for the protection of consumers of financial products and services, and will also provide for innovations in payment systems.

The banking sector remained healthy, with the average capital adequacy ratio and Common Equity Tier 1 ratio rising respectively to 19 per cent and 17 per cent as at end-June 2019. In addition, banks hold comfortable liquidity buffers. The aggregate Liquidity Coverage Ratio (LCR) was 246 per cent as of June 2019, and banks are prepared to meet the higher mandatory threshold of 100 per cent by 2020. In addition to holding high quality liquid assets, banks have established liquidity back-up plans for emergency situations. The Bank conducted regular stress tests of the liquidity and funding situation of banks. The results have so far demonstrated that banks are fully resilient to potential erosion of funds.

Banks' asset quality was unchanged from end-June 2018 to end-June 2019 and is generally considered to be sound. The ratio of gross non-performing loans (NPL) to total loans was constant at 5.5 per cent. Impaired credit in key sectors of the domestic economy such as construction, tourism, personal and trade sectors improved to 43.4 per cent of total impaired credit in Mauritius as at end-June 2019, compared 50.8 per cent a year ago. Reducing the level of NPLs is no easy task. The Bank released a Guideline in November 2018 to encourage banks to clean up their balance sheets by eliminating impaired assets. Though this practice may adversely impact on banks' profitability in the short term, it will pay dividends in the longer run. To foster proactive NPLs management, several prudential guidelines were upgraded, pertaining to related-party transactions, credit impairment measurement and income recognition, and credit concentration risk.

In March 2019, the Bank collaborated with the Mauritius Bankers Association Limited (MBA) and Deloitte to organise a training session for Chief Financial Officers and Chief Risk Officers from MBA member banks on the implications of the adoption of IFRS9. This partnership was a success. It showed that all stakeholders are on the same page and there is no ambiguity on the way forward regarding the full implementation of IFRS9.

The Bank is actively working on the modernization and consolidation of its regulatory and supervisory framework. The Bank has made good progress during the year under review with assistance from the World Bank and it is smoothly moving from a compliance-based approach to a full-fledged risk-based supervisory framework. Results from the Bank's stress-testing model show that the banking system remains resilient to severe- but plausible- macroeconomic shocks arising from such factors as interest and exchange rate fluctuations, as well as from non-performing loans. The implementation of Basel III framework adds a macroprudential overlay to capital adequacy in a phased manner, as supplemented by buffer mechanisms, such as the capital conservation buffer. Systemically-important banks are subject to a capital surcharge in view of the significant negative externalities they would generate in case of failure.

The banking legislation is undergoing a thorough review. The aim is to upgrade it and incorporate crisis resolution and management among its provisions. It is expected that resolution issues will feature prominently in frameworks guiding the very nature of supervisory conduct, including for those banks engaged in cross-border transactions. Information on the soundness of banks is regularly exchanged with foreign regulators for cross-border operations of local banks as well as for operations of branches and subsidiaries of international banks operating in our jurisdiction. The Bank has signed 17 Memoranda of Understanding with foreign countries in which domestic banks operate. These allow for regular information exchange with other central banks through supervisory colleges.

A new player joined the banking sector in March 2019. The BCP Bank (Mauritius) Ltd took over the activities of Banque des Mascareignes Ltée. For its part, Deutsche Bank (Mauritius) Limited surrendered its banking licence on 6 December 2018 as part of the group's strategy to streamline its global activities.

In May 2019, the Bank of Mauritius and the Central Bank of Kenya held a brainstorming session which resulted in closer and stronger cooperation between the two central banks. The discussions focussed on banking sector matters, Fintech developments, AML/CFT, payment systems, reserves management and other central banking issues. I hope that our collaboration with the Central Bank of Kenya will set the path for even more cooperation among central banks in the region.

It is a privilege for the Bank that Mr Mardayah Kona Yerukunondu, one of our long-serving officers, was appointed as Ombudsperson for Financial Services in March 2019 following the enactment of the Ombudsperson for Financial Services Act 2018. The Office of the Ombudsperson for Financial Services serves as the focal point for complaints from consumers of financial services. The establishment of this Office is a milestone for consumer protection and fast-track complaints resolution. The Bank has supported this initiative by seconding two officers to assist the Ombudsperson for Financial Services in setting up this newly established Office.

The Bank is pursuing its collaboration with the Financial Services Commission to establish a Central KYC Registry. The Central KYC Registry, a standardised centralised online KYC database, will collect and make available KYC information on individual and corporate customers, both residents and non-residents, of financial institutions that will eliminate the need for a fresh KYC undertaking each time customers opt for new financial products. It will thus reduce the burden and costs on both financial services providers and customers. Both regulatory authorities have engaged in discussions with their respective regulatees to take on board their requirements in the implementation of the Registry. The possibility of connecting the Central KYC Registry to the InfoHighway platform of the Government is also under consideration.

The Mauritius Deposit Insurance Scheme legislation was approved by Parliament in March 2019. It received Presidential Assent in April 2019 but is yet to be proclaimed. A dedicated team at the Bank is actively working on the establishment of the Mauritius Deposit Insurance Scheme. This project will be a landmark in the financial landscape, as its objective is to guarantee to eligible depositors the compensation of their deposits up to a given limit in case of bank failure.

The Bank endorses and participates in the national effort to fight money laundering (ML) and terrorist financing (TF), particularly in the aftermath of the Mutual Evaluation Report of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) which highlighted areas requiring urgent attention. The Bank is working closely with other stakeholders to meet all the recommended actions enumerated by the ESAAMLG Assessors in the Mutual Evaluation Report. In parallel, the Bank is reengineering its internal capabilities in terms of developing a risk-based framework for ML/TF risk assessment and supervision of all its licensees. The Supervision Department has set up a dedicated unit to monitor ML/TF risks in the banking sector through off-site surveillance as well as on-site examinations.

A tripartite Memorandum of Understanding between the Financial Services Commission, the Bank and the Financial Intelligence Unit was signed in September 2018 to strengthen cooperation on cross-sectional matters and to closely collaborate to fight financial crime. To foster synergy, coordinated actions and enhance effectiveness among the three authorities, regular meetings are held whereby matters of common interests are reviewed and discussed.

This year also marked the reinforcement of cooperation between the Bank and the Mauritius Police Force through a Memorandum of Cooperation that outlines the framework for cooperation in combating financial crimes and illicit activities relating to the Mauritius financial services sector. In pursuit thereto, a first meeting between the Bank and the Police was held in August 2019 to enhance collaboration on different matters.

To improve technical compliance with the Financial Action Task Force (FATF) Recommendations on AML/CFT, amendments were brought to our Banking Act 2004. These include, since August 2018, a specific section on "Prevention of Money Laundering and Terrorism Financing." On the regulatory front, our Guidance Notes on AML/CFT are presently being reviewed in the light of the recent changes in the legislative landscape. The AML/CFT Guideline will also focus on the need for financial institution to implement a risk-based approach to AML/CFT.

The Bank has also been an active participant in the first National Risk Assessment (NRA) exercise for Mauritius. The "National Money Laundering and Terrorist Financing Risk Assessment of Mauritius" (NRA Report), published by the Ministry of Financial Services and Good Governance in collaboration with the National Committee for Anti-Money Laundering and Combating the Financing of Terrorism and the World Bank Group in August 2019, provides valuable information to guide financial institutions in their efforts to address the operational challenges they face in fighting money laundering, terrorism financing and other financial crimes.

In a follow-up Mutual Evaluation Report published in April 2019, the ESAAMLG concluded that Mauritius has made significant progress in resolving the technical compliance shortcomings. Mauritius was subsequently successful in obtaining a Technical Compliance Re-rating of 11 out of 12 recommendations. In September 2019, Mauritius was again successful in its application for Technical Compliance re-rating on 19 Recommendations. These initiatives bear testimony to the unflinching commitment of our jurisdiction to comply with international standards.

To promote compliance at the level of its regulatees, a platform for communication and outreach on AML/CFT has also been set up for non-bank deposit taking institutions, foreign exchange dealers and money changers. This platform, together with the existing platform for banks, will allow further interactions between the Bank and its licensees. It will also enable the Bank to share its supervisory expectations and maintain constant dialogue with its licensees on AML/CFT issues.

The Bank remained active on the regional and international fronts. As Chairman of the Eastern Africa Sub-region of the Association of African Central Banks (AACB), I hosted the 18th Ordinary Meeting of the Governors and represented the sub-region at the AACB Annual Meetings held in Egypt in August 2018. In my capacity as Chairman of the Governing Board of the International Islamic Liquidity Management (IILM), a supranational body engaged in issuing Islamic liquidity instruments to facilitate liquidity management by Islamic banking institutions, I chaired the meetings of the 20th Governing Board and the 9th General Assembly in July 2018. I also chaired an Extraordinary Governing Board meeting of the IILM in September 2018.

The Bank is committed to enhance regional economic and financial integration. It is actively working in furtherance of the objectives of the COMESA Committee of Central Bank Governors and the Committee of Central Bank Governors in SADC. It also hosted the 15th meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa as well as the AACB Continental Seminar in May 2019. Staff participated in conferences and meetings, at both regional and global level, such as in sub-committees of the COMESA and SADC regional blocs, the Group of International Finance Centre Supervisors, Islamic Financial Services Board to name a few.

The Bank of Mauritius Museum welcomed more than 8,000 visitors in 2018-19. The use of interactive technology to present the historical evolution of currency in Mauritius was highly appreciated by visitors. The Museum was active as custodian of national heritage and, from 22 April to 26 April 2019, it participated in the International Day for Monuments and Sites in collaboration with the Ministry of Arts and Culture, the National Heritage Fund and the Ministry of Tourism. The Museum's participation was a success, welcoming over 1500 visitors.

To help stakeholders better understand the significance of policy decisions and educate consumers of financial products, the Bank pursued its financial literacy initiatives. Students visiting the Museum are regularly invited to an explanatory session on the role of the central bank. In June 2019, the Bank partnered with the Mauritius Bankers Association Ltd and the Media Trust to organise a financial literacy programme for business journalists, the first of its kind in the country. This training session helped the target audience comprehend the Bank's core mandate and improve their understanding of monetary policy, reserve management, supervision, AML/CFT and the significance of reputational damage. The positive feedback received from participants persuaded the Bank to host such sessions more regularly.

The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 came into force on 29 May 2019. Its main object is to enable the government to implement targeted sanctions and other measures imposed by the United Nations Security Council to address threats to terrorism and the financing of terrorism amongst others. As prescribed in the law, I am a member of the National Sanctions Committee and I have participated in the first meeting of the committee held in early August 2019.

Two of my key priorities have been to modernise the payment system infrastructure and incentivise operators to offer to the public similar payment channels as in advanced countries. This is a reality since 14 August 2019, with the launch of the National Payment Switch. This platform created by the Bank and branded as MauCAS (Mauritius Central Automated Switch) will operationalise a 24/7 digital payment system for the country. This innovative digital platform makes banking, e-commerce and mobile payments interoperable and encourages cashless means of payment.

MauCAS is an illustration of the Bank's commitment towards fostering an innovative and secure payments ecosystem. The setting up of MauCAS was made possible with the enactment of the National Payment Systems Act in January 2019, which the Bank is responsible to enforce and make sure that the payments channels remain safe, are compliant with best practices, and embrace the right technology.

MauCAS also comprises the Instant Payment System (IPS) which, as its name suggests, enables customers to effect payments instantly with their mobile phone and through other digital channels. In accordance with the European Central Bank's revised Payment Services Directive (PSD2), the Bank is incentivising banks to open up their core banking systems through APIs. APIs will allow instant access to bank accounts for transaction or information purposes. Fintech firms will thus be able to leverage on such direct access to bank accounts to provide value added services and banks will have the opportunity to collaborate with providers of emerging technologies.

I have established an internal Fintech Committee in May 2019 to explore how best to leverage on technologies for financial services. The Bank is positioning the banking industry as a leading regional hub for the use of emerging technologies. The Committee has initiated work on approaches to regulate Fintech tools such as Artificial Intelligence, Big Data, Distributed Ledger Technologies and biometrics.

I have engaged discussions with several international institutions to explore the possibility for the Bank to experiment with Central Bank Digital Currencies. The experiment will leverage proofs of concept developed by other central banks as well as currently available technology. The vision of the Bank is to steer Mauritius towards an economy that is less cash-dependent and to foster the development of a safe and striving digital economy.

We recognize that the implications of Fintech might not be readily understood by non-experts and the public, as many applications are still at a nascent stage and tend to be complex. To beef up our resources, staff of the Bank are regularly given opportunities to participate in regional and international training programmes so that they can build expertise in Fintech. The Fintech Committee has been mandated to devise outreach programmes so as to sensitise the public on the impact of new technologies.

The Bank has recently embarked on an IT transformation project to digitalise its operations at all levels. This initiative will tap into the benefits of the latest technologies and will propel central banking operations into the digital era. With the roll-out of this project in coming years, we envision the development of an integrated IT system that will help the Bank act proactively in achieving its goals.

In December 2018, the Bank introduced the Rs2,000 denomination polymer banknote into circulation. The new polymer banknote is an upgrade of the Rs2,000 paper banknote. It has maintained the same design as the paper banknote but has enhanced security features based on new security technology. Polymer banknotes are cleaner and more durable than paper banknotes.

The Bank has pursued its efforts to achieve a fairer and more inclusive banking sector through the implementation of the recommendations of the Banking Your Future Report of June 2014. Since I revived the Report in January 2018, several of the 100 recommendations in the report have been implemented. These recommendations, effective as from January 2019, aim at bringing about more transparency around fees and charges, providing more information on products and services as well as simplifying the language and style of bank documents for the benefit of bank customers and the public at large. The Bank is currently in discussion with banks for the implementation of the remaining recommendations.

I believe that some of the contemporary central banking challenges can be addressed with well-trained human resources and a firm grip on technology. Indeed, our people constitute our most important resource for tackling the challenges that loom ahead in a world in constant mutation. In a bid to better prepare central bankers across the African region, we collaborated with the IMF AFRITAC South and IMF Africa Training Institute to run a one-week “Orientation Programme for Newly-Recruited Central Bank Officers” in October 2018. Drawing from both theoretical and practical case studies on the activities and responsibilities of central banks, the programme gave the new recruits of central banks a thorough introduction to modern central banking. The success of this initiative convinced the organisers to repeat this experience on a regular basis.

In pursuit of a performance-based culture, I have initiated the process of reviewing the Performance Management System (PMS) at the Bank. I deputed two staff members for a study visit in April 2019 at the Bank Negara Malaysia which has a rich experience in this area. Work on the upgrading the PMS is well on course.

The Bank remains committed to supporting sustained economic growth and development of the country by maintaining price and financial stability. It is continuously upgrading the skill set of its staff whilst also harnessing technology to streamline tasks, enhance work efficiency, and progressively reengineer its approach to better fulfil its core functions. The Bank is resolutely working towards transforming Mauritius into a digital economy.

I thank the Honourable Pravind Kumar Jugnauth, Prime Minister and Minister of Finance and Economic Development, for supporting the Bank in its efforts to better serve the country. My gratitude also goes to the Board of Directors and to my two Deputy Governors. On that note, I wish to thank our former First Deputy Governor, Dr Renganaden Padayachy, for his invaluable contribution in bringing to fruition a number of key projects during his tenure of office at the Bank.

I must also thank each and every employee of the Bank of Mauritius, for the unflinching support and laudable commitment towards fulfilling the functions of the Bank. I equally extend my appreciation to the MPC Members, CEOs of banks and financial institutions and all stakeholders with whom the Bank has interacted across the financial year.

Yandraduth Googoolye

29 October 2019

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About Bank of Mauritius

Fanam

The Fanam (‘panam’ in Tamil) was a small coin issued by the Madras Presidency until 1815. It circulated alongside the Indian rupee. The Fanam was phased out after 1815 to make way for the rupee coin which was worth 12 Fanams.

Objects and Functions

The Bank of Mauritius is the nation's central bank and derives its mandate from the Bank of Mauritius Act 2004. The Act establishes the Bank as a body corporate with perpetual succession, with its activities and operations undertaken in support of this mandate. The Bank aims to perform its functions efficiently, in a framework of transparency and accountability and the application of policies in line with best practices. It is committed to keeping Mauritians informed about its policies, activities and operations. The Bank is governed by a legislative Act that defines its primary objective as maintaining price stability and promoting orderly and balanced economic development. The same Act assigns additional functions to the Bank. Overall, the Bank contributes to support the country's development and quality of life of its citizens.

Pursuant to the National Payment Systems Act 2018, the Bank was vested with the power to regulate, oversee and supervise the national payment systems and other payment systems in Mauritius primarily for the purpose of ensuring their safe, secure, efficient and effective operation and accessibility to the public.

With a view to promoting the stability and soundness of the domestic financial system, the Mauritius Deposit Insurance Scheme Act 2019 provides for the establishment of a Mauritius Deposit Insurance Scheme to (a) protect insured depositors of a bank or non-bank deposit taking institution by providing insurance against the loss of insured deposits; and (b) contribute to the stability of the financial system in Mauritius by ensuring that depositors have prompt access to their insured deposits, in the event of failure by a bank or non-bank deposit taking institution. The Act has, however, not yet been proclaimed.

The Bank of Mauritius is also the AML/CFT Supervisor for institutions operating in the banking sector and ensures that these institutions comply with the banking laws which include the Convention for the Suppression of Financing of Terrorism Act 2003, the Financial Intelligence and Anti-Money Laundering Act 2002, the Prevention of Terrorism Act 2002, the Prevention of Terrorism (International Obligations) Act 2008 and the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 as well as regulations made thereunder.

The Financial Intelligence and Anti-Money Laundering Act 2002 ("the FIAMLA") and the Financial Intelligence and Anti-Money Laundering Regulations 2018 prescribe, *inter alia*, the customer due diligence and transaction monitoring standards to be implemented by financial institutions so as to combat money laundering and terrorism financing while the Prevention of Terrorism Act 2002 and the regulations made thereunder provide for measures to combat terrorism in general. The Convention for the Suppression of Financing of Terrorism Act 2003 provides for the International Convention for the Suppression of the Financing of Terrorism to have force of law in Mauritius. In addition, the Prevention of Terrorism (International Obligations) Act 2008 enables Mauritius to adhere to various international counter-terrorism conventions.

Objects and Functions of the Bank

Objects

Primary Object:

To maintain price stability and promote orderly and balanced economic development.

Other Objects:

- To regulate credit and currency in the best interests of the economic development of Mauritius.
- To ensure the stability and soundness of the financial system.
- To act as the central bank for Mauritius.

Functions

- Conduct monetary policy and manage the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius.
- Regulate and supervise financial institutions falling under its purview.
- Manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius.
- Collect, compile, disseminate, on a timely basis, monetary and related financial statistics.
- Manage the foreign exchange reserves of Mauritius.
- Promote economic activities having due regard to domestic and international economic developments.
- Ascertain and promote the soundness of financial institutions and their compliance with governing laws, rules and regulations.
- Ensure adoption by financial institutions of policies and procedures designed to control and manage risks effectively.
- Safeguard the rights and interests of depositors and creditors of financial institutions.
- Monitor system-wide factors that might have or potentially have a negative impact on the financial condition of financial institutions.
- Promote public understanding of the financial system, including awareness of the benefits and risks associated with different financial products regulated by the Bank, which are offered by financial institutions.
- Carry out investigations and take measures to suppress illegal, dishonourable and improper practices, market abuse and any potential breach of the banking laws.

Governance

Board of Directors

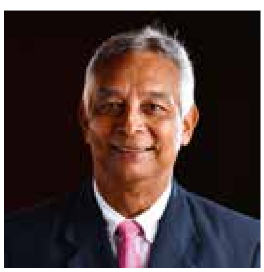
The Board of Directors comprises the Governor, who acts as the Chairperson, the two Deputy Governors, and five Directors appointed by the Finance Minister. Six members constitute a quorum and decisions are taken by simple majority. In the event of an equality of votes, the Chairperson has a casting vote. The Board is responsible to formulate the general policy of the affairs and business of the Bank, other than the formulation and determination of monetary policy. The Bank of Mauritius Act 2004 makes provision for at least one meeting every two months. The Board of Directors met on 14 occasions during FY2018-19.


Yandraduth GOOGOOLYE

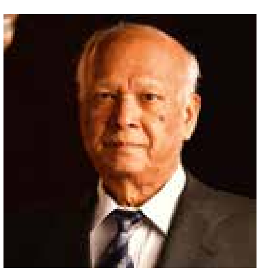

Dr Renganaden PADAYACHY


Mahendra Vikramdass PUNCHOO


Sanjay GOPAUL


Axel PELLEGRIN


Antoine SEEYAVE


Ranapartab TACOURI


Saïd TOORBUTH

Composition of the Board of Directors as at 30 June 2019

Yandraduth Googoolye
Governor and Chairperson
✓ 14/14

Dr Renganaden Padayachy
First Deputy Governor
✓ 14/14

Mahendra Vikramdass Punchoo
Second Deputy Governor
✓ 12/14

Sanjay Gopaul
✓ 12/14

Axel Pellegrin
✓ 12/14

Antoine Seeyave
✓ 13/14

Ranapartab Tacouri
✓ 13/14

Saïd Toorbuth
✓ 9/14

✓ *Number of meetings attended during FY2018-19.*

Secretary to the Board:


Hemlata Sadhna SEWRAJ-GOPAL

Audit and Risk Committee

The Audit and Risk Committee of the Bank provides oversight over the adequacy of the Bank's internal controls and compliance with legal requirements. The Committee was reconstituted by the Board of Directors at its meeting of March 2018 and presently comprises three non-executive Board Directors. The Committee is chaired by Mr Ranapartab Tacouri and the members are Mr Axel Pellegrin and Mr Saïd Toorbuth. The Committee met on six occasions during FY2018-19. The Head-Internal Audit attends the Audit and Risk Committee meetings, while the Bank's Secretary acts as the secretary to the Committee.

Monetary Policy Committee

Standing from left to right: Professor Sanjeev Kumar Sobhee, Dr Renganaden Padayachy, Mr Mohammad Mushtaq Namdarkhan, Ms Marie Rosy Priscilla Pattoo, Mr Yandraduth Googoolye, Mr Lim Chan Kwong Lam Thuon Mine, Mr Mahendra Vikramdass Punchoo, Dr Streevarsen Narrainen

The Bank is mandated, as per Section 5(1)(a) of the Bank of Mauritius Act 2004, *'to conduct monetary policy and manage the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius'*. In this respect, Section 54 of the Act makes provision for a Monetary Policy Committee (MPC), whose purpose is to formulate and determine monetary policy to be conducted by the Bank, with the aim of maintaining price stability while at the same time, taking into consideration the orderly and balanced economic development of the country. The MPC signals its monetary policy stance that is consistent with domestic economic conditions through changes in the Key Repo Rate, which is the Bank's policy rate.

The MPC regularly meets on four occasions during a year, but does not rule out the possibility of having interim meetings if warranted by developments on both the international and domestic fronts. MPC members have to adhere to a Code of Conduct which safeguards that they observe the highest possible standards of ethical conduct. The MPC determines the appropriate monetary policy stance that is in line with domestic economic conditions in order to attain the objectives of price stability and sustainable economic growth.

Members of the MPC, in their decision-making process, evaluate the balance of risks to the real GDP growth and inflation outlook after reviewing a whole set of domestic and international economic and financial data and information. The MPC reviews economic data, including projections and decides on the appropriate level of the Key Repo Rate consistent with achieving the Bank's mandate.

After every MPC meeting, the Governor, as Chairperson of the MPC, holds a press conference on the same day to provide details on the decision of the MPC. The MPC also makes public its decision on the Key Repo Rate by way of a Media Release that summarises the evaluation of prevalent economic and financial conditions and forecasts for inflation and real GDP growth. The Media Release is published on the Bank's website at the same time to the holding of the press conference. The MPC minutes are released on the Bank's website exactly two weeks after the MPC meeting and also contain the voting pattern of MPC members.

Composition of the MPC as at 30 June 2019

Internal Members

Yandraduth Googoolye
Governor and Chairperson
✓ 4/4 *Rs600,000

Dr Renganaden Padayachy
First Deputy Governor
✓ 4/4 *Rs360,000

Mahendra Vikramdass Punchoo
Second Deputy Governor
✓ 4/4 *Rs360,000

External Members

Lim Chan Kwong Lam Thuon Mine
Appointed by the Prime Minister
✓ 4/4 *Rs360,000

Professor Sanjeev Kumar Sobhee
Appointed by the Prime Minister
✓ 4/4 *Rs360,000

Mohammad Mushtaq Namdarkhan
Appointed by the Finance Minister
✓ 4/4 *Rs360,000

Dr Streevarsen Narrainen
Appointed by the Finance Minister
✓ 4/4 *Rs360,000

Marie Rosy Priscilla Pattoo
Appointed by the Finance Minister
✓ 4/4 *Rs360,000

✓ *Number of MPC meetings attended during FY2018-19.*

** Remuneration of MPC members.*

Note: The Governor receives a monthly fee of Rs50,000 for his contribution to the MPC. The Deputy Governors and the external members are paid a monthly fee of Rs30,000.

Human Resources

The Bank is committed to acquiring, developing and maintaining an able and motivated workforce to deliver on its mandate. During FY2018-19, the Bank pursued its objective of attracting new talents to respond to the dynamic and challenging work environment, while providing for succession planning. The Bank has embarked on two major projects, namely, the review of its current Human Resources Management System and the Performance Management System.

In March 2019, the Bank reviewed its organisational structure and redefined its leadership model. It set up specialised divisions while tapping into the strengths and talents of its employees to effectively meet its objects and functions. A major change in the way the Bank has been operating was the onboarding of a new category of employees to work on a 24/7 shift system, motivated by the implementation of the National Payment Switch (NPS), the first national payment platform to operate round the clock. The Bank had a head count of 315 people as at 30 June 2019, of which 14 were on contract. Its turnover rate was around 6.9 per cent. During FY2018-19, 21 people left the Bank's employment due to retirement, resignation, and expiry of contract. 41 people were hired.

Appointment of the Ombudsperson for Financial Services

Mr Mardayah Kona Yerukunondu, Head of Legal Services at the Bank, was appointed Ombudsperson for Financial Services on 01 March 2019 and accordingly resigned from the services of the Bank with effect from that date. The Ombudsperson for Financial Services receives and deals with complaints from consumers of financial services against financial institutions and may make an award for compensation, where appropriate, and give such directives as he may determine to financial institutions. The Bank seconded two of its officers to assist in the setting up of the Office of Ombudsperson for Financial Services.

Training and Development

The Bank values the continuous development of its staff. Consequently, the strengthening of its internal capability and expertise rank high on its agenda. Accordingly, 44 per cent of the workforce attended overseas and local courses during FY2018-19. The Bank also supports staff in acquiring professional and technical qualifications. The Bank's Knowledge Centre aims at providing quality information sources and services in order to cater for the information needs of the staff.

Overseas
104
2017-18: **78**

Local
68
2017-18: **48**

Number of Interns
23
2017-18: **19**

Internship Programme

The Bank hosts an internship programme that is designed to expose university students to its work environment, thereby providing them with a broad view of its operations. In doing so, the Bank assists the interns to assess their future career decisions. During FY2018-19, 23 interns were on-boarded and posted in various Divisions in line with their fields of study. The interns view the experience gathered and their stay at the Bank as an engaging and rewarding experience.

Workplace

The Bank fosters a culture that focuses on work safety and well-being of staff members, through preventive and proactive practices.

Safety & Health

Inspections

Inspections are regularly carried out at all levels of the Bank's building to ensure that safety and health arrangements are effectively maintained and controlled.

First Aid

First aid kits are verified and replenished to ensure that all items as prescribed by the relevant legislation are up-to-date.

Accident Statistics

Accident at work remains well under control. Four minor injuries sustained by staff have been reported during FY2018-19.

Safety and Health Committee Meeting

The Safety and Health Committee meets every two months.

Fire Safety

Staff are trained in Fire safety to ensure that they are familiar with evacuation procedures.

Site Visit at Rodrigues Office

The Safety and Health Officer visited the Rodrigues Office and conducted a fire drill exercise in February 2019.

Rodrigues' Office

The Bank has an office in Rodrigues, which started operations in March 1999. The Office provides central banking services and is serviced by eight staff. It also conducts over-the-counter sales of Government of Mauritius Treasury Bills and Treasury Notes to individuals and non-financial corporations.

Governor Googoolye paid a courtesy call to the Chief Commissioner of Rodrigues, Mr Louis Serge Clair, GCSK.

Main Banking and Currency activities:

- Maintain accounts of banks, Government and other institutions.
- Ensure that sufficient amount of banknotes and coins are being provided to meet local demand.
- Daily clearance of cheques through the Cheque Truncation System.

Information Technology and Facilities

The Bank has embarked on an IT Transformation Project which will be implemented in a phased manner. Phase I of the project focuses on the implementation of Accounting General Ledger, Core Banking System, Currency Inventory Management, Integrated Treasury Solution and Middleware. This project is expected to enhance the Bank's technology infrastructure and services alike. The objective of the IT Transformation Project is to build a smart service oriented IT platform with a view to streamlining processes, reducing duplication of entries and promoting as far as possible, Straight Through Processing. Interested vendors were invited to submit their Expression of Interest in supplying IT solutions concerning four main core activities of the Bank in February 2019. The shortlisting of potential vendors has been completed and the Request for Proposal for the project has been issued to shortlisted vendors. Rodrigues Office will also form part of the IT Transformation Phase I Project and it is envisaged to establish a direct link to the Bank.

With the implementation of the NPS, the IT Division has set up a new network in order to host the NPS network infrastructure. The infrastructure hosts two systems, the Card Based Switch and the Instant Payment System that are completely independent in terms of network traffic. The equipment for the Switch are hosted in a data center with all the required security facilities as well as redundancy to ensure Business Continuity for the critical systems. The NPS operates on a 24/7 basis.

The 2019-20 Budget Speech called upon the Bank to seek the collaboration and cooperation of the Financial Services Commission and any other agency for the establishment of the Central Know Your Customer (CKYC) Registry. In this respect, an Expression of Interest was launched for the CKYC project in March 2019 and shortlisting of potential vendors for the system has been completed. The Bank is currently finalising on the requirements of the system and shortlisted vendors will be required to respond to the Bank's Request for Proposal.

The Bank has completed several key projects during the year under review, including the setting up of a work area recovery centre at its Disaster Recovery site and renewal of IT equipment.

Enterprise Risk Management

The Bank is enhancing its bank-wide governance structure with the setting up of an Enterprise Risk Management (ERM) framework in order to better understand the potential strategic, financial and operational risks that the entire organisation may be exposed to. Essentially, the objective is to create a structure within the Bank that will facilitate the identification, assessment and mitigation of risks inherent to the functions of the Bank. An ERM framework is a prerequisite for sound governance and provides a greater likelihood of achieving the Bank's long-term goals.

At a functional level, the ERM framework will develop and implement different risk management tools, policies, and procedures (including the Investment Policy Statement and Risk Tolerance Statement of the Bank). It also aims at increasing awareness on risk management concepts at all levels in the Bank, as well as report to and advise Senior Management on risk-related issues that are relevant for decision-making. On a day-to-day basis, this entails reviewing and analysing risks intrinsic to the core operational functions, developing and enhancing key risk and control self-assessment models and identifying key risk indicators.

Technological innovations have fundamentally changed business processes and models in financial institutions. Notwithstanding the benefits that these advancements bring in terms of efficiency and cost saving, they also carry significant risks, as institutions become more and more interconnected and reliant on complex IT systems. Banks are also increasingly exposed to the risk of cyber-attacks. Thus, cybersecurity has become a risk for all financial institutions. The failure of an institution's IT systems can have significant adverse financial, legal, customer and reputational consequences that should not be underestimated. The Bank has consequently integrated cyber-security within its risk management framework. The IT Security Unit was, thus, merged with the Risk Department to pave the way for a holistic approach for risk management at the Bank. The Unit has been tasked with elaborating a risk mitigation strategy that is adapted to global IT and technology-related risks and challenges. The Bank's IT security policies are subsequently being enhanced and staff training is ongoing in order to monitor repel and respond to cyber threats, while meeting compliance requirements are well-established duties that need to be performed effectively.

Effective April 2019, the Financial Stability Unit of the Bank has been detached from the Supervision Department and integrated within a newly created Financial Stability and Risk & Product Control Department. This change in focus became necessary as there was growing awareness of the need and importance for the Bank to take a more holistic approach towards identifying, measuring, managing and mitigating risks in the financial system, whilst ensuring that proper risk management techniques are being adopted for its internal operations. This merger will ensure that the Bank derives operational synergies designed to handle risk.

The Financial Stability Division has already begun this change process by front-loading a well-defined nomenclature for identifying risk areas and monitoring risks. The Bank is conducting a macro-systemic risk survey among its regulatees with the objective of providing market-based intelligence on macro-financial prospects. Based on the information collected, a risk identification matrix will be produced, depicting the key areas of concern and the likelihood/severity of vulnerability occurrences. This matrix will provide material for producing the macro-systemic heatmap, which will be the Bank's main fingerprint on appraisal of risk sources. The focus towards risk also requires attaching importance to forward-looking models. The Financial Stability Division has proposed a framework of early warning indicators, which will help the Bank better identify the key risk triggers. In addition, financial soundness indicators have been supplemented with concentration and dispersion measures, such that risk is examined from a distributional perspective. Various financial stability metrics have been developed, together with a modern stress testing toolkit that enables comprehensive assessment of various sources of risks including credit, liquidity, credit concentration, market, interest rate and foreign exchange.

International Standards on Anti Money Laundering/Combating the Financing of Terrorism

Mauritius commits unflinchingly, through numerous initiatives, to combat money laundering and terrorist and proliferation financing. It has accordingly ratified and acceded to various international conventions and treaties, including its adherence to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the United Nations Convention against Transnational Organised Crime. Mauritius also adheres to the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation issued, in February 2012, by the Financial Action Task Force[1] (the 'FATF Forty Recommendations') and to its Mutual Evaluation procedure.

As a founder member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)[2], which is an associate member of the FATF, Mauritius participates in a self-assessment process to evaluate progress made in implementing the FATF Forty Recommendations. On 21 September 2018, the ESAAMLG published the Mutual Evaluation Report (MER) on its assessment of Mauritius level of compliance with the FATF Forty Recommendations and the level of effectiveness of its AML/CFT system. Mauritius brought a series of amendments to its AML/CFT framework and a new set of Regulations, namely the Financial Intelligence and Anti Money Laundering Regulations 2018, was promulgated - effective as from 01 October 2018 - to address the FATF requirements regarding Customer Due Diligence; Politically-Exposed Persons; Correspondent Banking; Money or Value Transfer Services; New Technologies; Wire Transfers; Reliance on Third Parties; Internal Control; and Foreign Branches and Subsidiaries, amongst others.

In April 2019, Mauritius was successful in obtaining technical compliance re-rating on 11 Recommendations and at the ESAAMLG Council of Ministers Meeting held in September 2019, Mauritius obtained technical compliance re-rating on 19 Recommendations. In the light of these two re-rating exercises, Mauritius is now rated Compliant on 26 FATF Recommendations and Largely Compliant on 9 FATF Recommendations. The ESAAMLG has commended Mauritius for the significant progress made following the publication of its MER in September 2018.

Money Laundering and Terrorist Financing Risk Assessment of Mauritius

The purpose of implementing AML/CFT measures is to protect the financial system from abuse. A country's efforts in developing, implementing and enforcing sound laws and regulations should focus on achieving the high-level objective of an effective AML/CFT framework. Recommendation 1 of the FATF Recommendations calls upon countries to identify, assess and understand their money laundering and terrorist financing risks and take action, including designating an authority or mechanism to coordinate actions to assess risks and to apply resources aimed at ensuring that the risks are mitigated.

A National Risk Assessment (NRA) was launched in January 2017 in order to identify, understand and assess money laundering and terrorist financing risks faced by Mauritius. The NRA paves the way to the implementation of a risk-based approach to combating money laundering and terrorism financing activities, thus making relevant stakeholders more effective in their tasks. The NRA exercise for Mauritius was carried out using the National Money Laundering and Terrorism Financing Risk Assessment Tool developed and provided by the World Bank. The main objective of the assessment was to devise an effective risk-based AML/CFT regime through the adoption of measures which will prevent or mitigate money laundering and terrorist financing on the basis of identified risks. In compliance with Recommendation 1 of the FATF, Mauritius issued its first National Money Laundering and

[1] The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

[2] The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which comprises 18 countries in the eastern and southern African region, is a Regional Body subscribing to global standards to combat money laundering and financing of terrorism and proliferation.

Counter Terrorism Financing Risk Assessment Report (NRA Report) on 29 August 2019.

A National Strategy for Combating Money Laundering and the Financing of Terrorism and Proliferation: 2019 - 2022 (the National AML/CFT Strategy) has also been rolled out to chart the approach that Mauritius will adopt to tackle money laundering, terrorist financing and proliferation financing threats over the next three years. In addition, it describes the objectives in addressing financial crime, and assists Mauritius in meeting international obligations set by the FATF. The Strategy is based on findings of the NRA Report and gaps identified in the MER of Mauritius. The National AML/CFT Strategy comprises eight core themes that enhance the ability of Mauritius to prevent and deter money laundering and the financing of terrorism and proliferation, namely:

- Strengthening the AML/CFT Legal and Regulatory Framework;
- Implementing a comprehensive risk-based supervision framework;
- Strengthening the process by which the money laundering and terrorist financing threats are detected and disrupted, criminals are prosecuted and illegal proceeds are confiscated;
- Enhancing national co-ordination and cooperation;
- Consolidating capacity building, training and awareness raising programs;
- Enhancing transparency of legal persons and arrangements;
- Implementing an effective AML/CFT data collection system in all relevant competent authorities; and
- Enhancing regional and international cooperation.

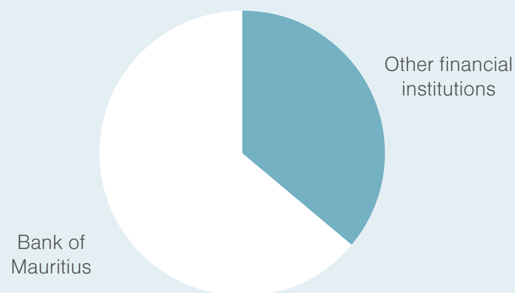
Communications and Outreach

In line with its mandate to educate consumers and help them understand the significance of policy decisions, the Bank pursued its financial literacy initiatives. The Bank, thus, devised a financial literacy programme for the media, a key stakeholder. It initiated discussions with the Mauritius Bankers Association and with the Media Trust. The collaboration led to the elaboration of complimentary media training sessions for business journalists. All local media houses were invited to attend the training in the Bank's Aunauth Beejadhur Auditorium on 03 June 2019, the first of its kind to have been organised. The audience comprised 20 business journalists from print media as well as from television, radio and online media. The media training session aimed at helping the target audience grasp the Bank's core mandate such that they have a clearer understanding of monetary policy, reserve management, supervision, AML/CFT, the evolution of the banking industry and the significance of reputational damage. The training was imparted by key officials from the Bank and by the Chief Executive Officer of the Mauritius Bankers Association.

The Bank has been very active in relationship-building and media engagement with a view to promoting transparency and raising awareness and confidence in delivering on its mandate. This has entailed consistent and seamless interaction with the media, multimedia awareness campaigns and regular financial literacy initiatives to ensure clear and coherent communication with the Bank's target audiences, ranging from stakeholders to the public at large.

Media exposure helps in defining and authenticating audiences so that communication strategies can better serve and convey information to the Bank's audiences. The exposure is valued as a gateway to further media influence, especially to educate and inform the public on policy decisions and initiatives of the Bank.

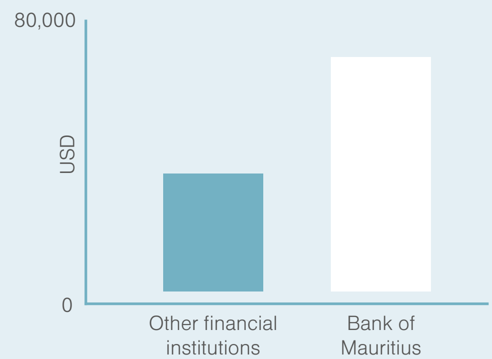
Share of Voice



Share of Voice is the percentage of the market an organisation holds in a given time period compared to that of other comparable players or competitors.

Source: Meltwater.

Advertising Value Equivalent



Advertising Value Equivalent (AVE) is used in the public relations industry to 'measure' the benefit from media coverage of a communication campaign. AVE would commonly measure the size of the coverage gained, its placement and calculate what the equivalent amount of space, if paid for as advertising, would have cost during the period under review.

Source: Meltwater.

Museum

The Bank's Museum boasts an impressive array of some 500 artefacts. This collection stems from the joining of hands of the Bank of Mauritius with the MCB Group Ltd and the HSBC (Mauritius) Ltd. The Royal Mint and the banknote producing firm Thomas De La Rue have also contributed to the setting up of the Museum. The journey starts with the Arab period (12th century) and takes us across the meanders of the centuries to present-day Mauritius. Visitors have the opportunity to look at coins minted abroad by the then-colonial governments for use in Mauritius.

The Museum welcomed an increasing number of visitors in the course of FY2018-19. Over 8,000 persons, amongst whom students, members of non-governmental organisations and senior citizens' associations, visited the Museum to learn about the evolution of currency in Mauritius and its intricate links with the country's rich history. As a member of the International Council of Museums, it also participated in worldwide celebration of the International Museum Day. The Museum team emphasised the role that museums play in the development of society. Similarly, during the round table on policies and management of Sites of Memory organised by the Ministry of Arts and Culture and UNESCO, the Bank's Museum proudly reaffirmed its role in promoting the Sites of Memory through preservation of artefacts.

ICOM international council of museums

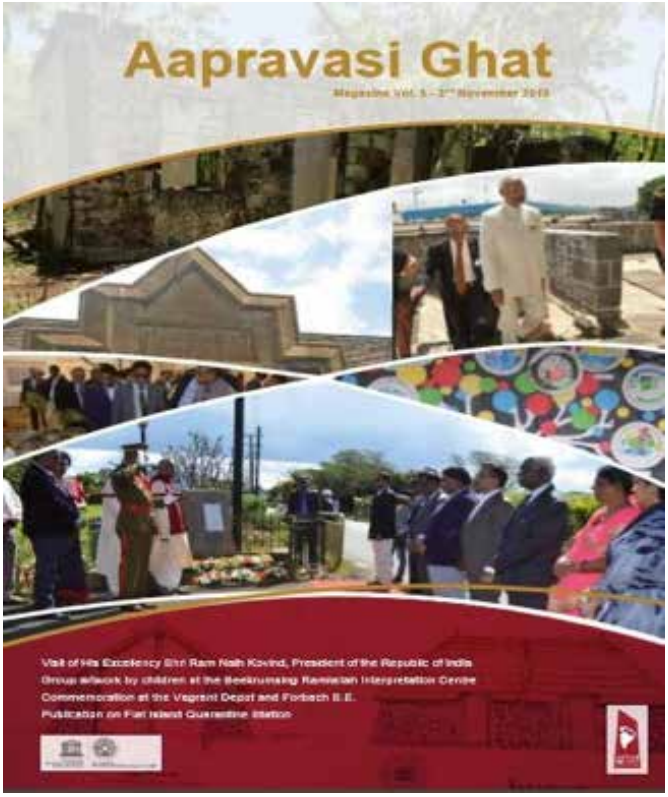
Member since March 2019

8,000
visitors

7,000
persons trained on counterfeit detection

The Museum has been very active as custodian and preserver of national heritage. From 22 to 26 April 2019, it participated in the International Day for Monuments and Sites in collaboration with the Ministry of Arts and Culture, the National Heritage Fund and the Ministry of Tourism. The celebration of the International Day for Monuments and Sites constituted a golden opportunity to explain to visitors not only the evolution of currency in Mauritius but also its socio-economic significance.

Participation of the Museum in the worldwide event - International Museum Day 2019 in May 2019.



Contribution to an article on ***'Importance of Currency during the Indentureship System in Mauritius'*** in Aapravasi Ghat Trust Fund Newsletter November 2018.

In line with the Bank's role to promote financial literacy and consumer protection, students visiting the Museum have been invited to a presentation on the role of the central bank. Visitors were also briefed on banknote security features in an attempt to create awareness on the fight against banknote counterfeiting.

Dateline of Key Events during FY2018-19

18 July 2018

Governor Googoolye delivered a speech on the occasion of the Listing of the Golden Jubilee Bond on the Stock Exchange of Mauritius.

24 July 2018

Second Deputy Governor Punchoo delivered a speech on the Impact of Basel III Reforms in the Implementation of Basel II/III in Emerging Market and Developing Economies.

25 July 2018

Governor Googoolye delivered a speech on the occasion of the signing of the Letter of Intent between the Bank of Mauritius, the Mauritius Bankers Association and IHS Markit.

20 August 2018

The Monetary Policy Committee unanimously voted to keep the Key Repo Rate at 3.50 per cent per annum.

20 September 2018

Governor Googoolye delivered a speech at a conference organised by the Financial Services Commission on Enabling Framework for Financial Technologies in Mauritius.

17 October 2018

Capital Finance International Magazine conferred the award for Best Central Bank Governance in the Indian Ocean to the Bank.

22 October 2018

Governor Googoolye delivered a speech at the Opening of the Orientation Programme for Newly Recruited Central Bank Officers organised by IMF, Afritac South and Bank of Mauritius.

09 November 2018

The Monetary Policy Committee unanimously voted to keep the Key Repo Rate unchanged at 3.50 per cent per annum.

14 November 2018

The Bank published a Guideline applicable to all banks licensed under the Banking Act 2004, for the write-off of non-performing assets.

15 November 2018

- Governor Googoolye addressed students at the ICSA Mauritius Graduation ceremony.
- Governor Googoolye delivered a speech at the Celebration of the 125th anniversary of the Mauritius Civil Service Mutual Aid Association Ltd.

22 November 2018

Governor Googoolye delivered a speech at the Launch of the Barclays Africa Financial Markets Index in Mauritius.

23 November 2018

Governor Googoolye delivered a speech at the Annual Dinner with Major Economic Stakeholders.

The Bank won the MEA Business Award as 'Leading Financial Institution of the Year 2018 – Africa'.

03 December 2018

The Bank won the 2018 Global Banking and Finance Award as Best Bank Corporate Governance.

07 December 2018

The Bank issued instruction letters to banks to implement recommendations of the Banking Your Future Report to improve customers' banking experience.

14 December 2018

The Bank published its Annual Report for the year ended 30 June 2018.

20 December 2018

The Bank issued a draft Guideline on the issue of money market instruments.

18 January 2019

The Bank withdrew the Rs2000 paper banknote from circulation.

23 January 2019

The Bank signed a Memorandum of Understanding with the China Banking and Insurance Regulatory Commission on cooperation and information sharing in the area of banking supervision.

25 January 2019

The Bank signed a Memorandum of Cooperation with the Mauritius Police Force for combating financial crimes and/or illicit activities relating to the Mauritius financial services sector.

22 February 2019

The Monetary Policy Committee unanimously voted to leave the Key Repo Rate unchanged at 3.50 per cent per annum.

27 March 2019

Governor Googoolye delivered a speech prelude to the Banquet in the context of the ADC Global Blockchain Summit.

Governor Googoolye delivered a speech on Cross-Border Regulation in Relation to Digital Assets at the ADC Global Blockchain Summit.

28 March 2019

Governor Googoolye delivered a speech on the occasion of the change of name and the unveiling of the logo of the successor entity to the "Banque des Mascareignes Ltée".

25 April 2019

Governor Googoolye delivered remarks at The Financial Connectivity Thematic Forum on How African countries can play an active role in the Belt and Road Initiative.

11 April 2019

The Bank published the first issue of its Quarterly Economic Report for March 2019.

02 May 2019

Governor Googoolye delivered a speech at the 15th Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa.

06 May 2019

Governor Googoolye delivered a speech at the Continental Seminar of the AACB for the year 2019, jointly organised by the Bank.

13 May 2019

The Bank issued its first edition of the Financial Stability Report for 2019 which covered the period June 2018 up to December 2018.

The Bank won the MEA Markets African Business Excellence Award as Best Financial Services Institution 2019.

03 May 2019

The Bank won the Best Central Bank for Corporate Governance – Indian Ocean 2019 Award from International Business Magazine.

17 May 2019

The Monetary Policy Committee unanimously decided to leave the Key Repo Rate unchanged at 3.50 per cent per annum.

27 May 2019

Governor Googoolye delivered a speech at the Correspondent Banking Academy hosted by Standard Chartered Bank.

10 May 2019

Governor Y Googoolye led discussions with the delegation of the Central Bank of Kenya, headed by the Governor Dr Patrick Njoroge, at a brainstorming session with a view to enhancing cooperation between the two central banks.

28 June 2019

The Bank issued a Guideline for the write-off of non-performing assets.

Highlights of Governor's Speeches

The Governor addressed specific audiences and gatherings on varying themes and on diverse occasions during FY2018-19. The main gist of the speeches and addresses, available on the Bank's website, are summarised below:

Listing of Golden Jubilee Bond on the Stock Exchange of Mauritius

"...a well-developed and efficient domestic bond market is a prerequisite for healthy and buoyant financial markets."

Conference on Enabling Framework for Financial Technologies in Mauritius

"...fintech must be properly regulated to maintain the stability and soundness of the financial system."

ICSA Mauritius Graduation Ceremony

"...Good governance sources from an institution's internal processes and controls... There is no doubt that accountability and transparency are major pillars in the architecture of governance."

125th Anniversary of Mauritius Civil Service Mutual Aid Association Ltd

"...The Bank expects financial institutions to maintain strong, effective and appropriate governance and risk management infrastructure so as not to compromise the safe conduct of their business."

Launching Ceremony of the Barclays Africa Financial Markets Index

"... dynamic and efficient financial markets are pre-eminent triggers of economic growth by virtue of their capability to crystallise the elements that investors look for: optimised product offerings, high returns, good governance and strong regulatory and legal frameworks."

Correspondent Banking Academy hosted by Standard Chartered Bank

"Correspondent banking... is the lifeblood of international payments and financial flows, and provides vital support to economic growth and development."

Annual Dinner with Major Economic Stakeholders

"... central banks have to become more accountable. Accountability requires increased transparency and effective communication... we have deemed it appropriate to communicate with different stakeholder groups in the broader civil society through our financial literacy programme."

ADC Global Blockchain Summit

"Adherence to a common set of standards will foster standardisation of the regulation across countries and facilitate cross-border regulation of digital assets... Blockchain, by mitigating the burden on the financial industry, is a game changer in an environment where traditional financial transaction models are quite expensive."

Change of name and the unveiling of the logo of the successor entity to the "Banque des Mascareignes Ltée

"...Our banking sector is currently experiencing an unprecedented technological transformation through Fintech... The Bank requires financial institutions to implement appropriate measures for the protection of data and information..."

Financial Connectivity Thematic Forum on How African countries can play an active role in the Belt and Road Initiative

"It is, therefore, to the advantage of countries across Africa to encourage commercial equity investment funds and private funds to participate fully in the construction of key projects stemming from the Belt and Road Initiative."

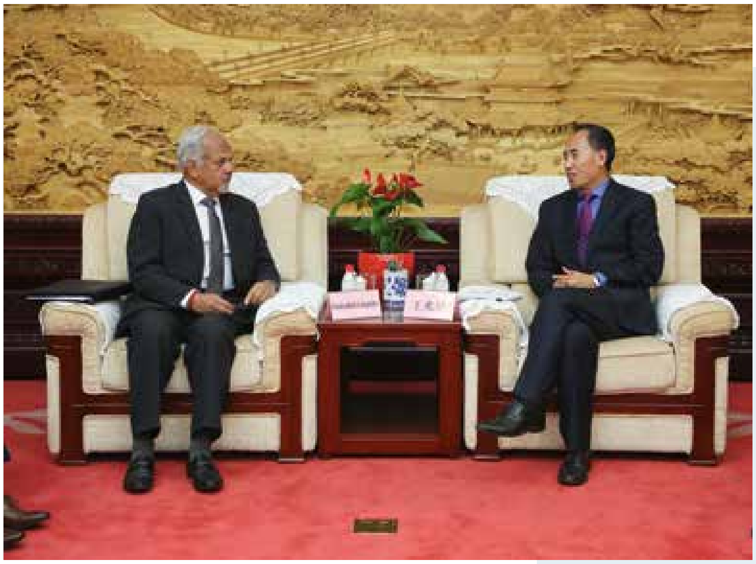
15th Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa

"In our region, the availability of information on the financial services industry needs to be further broadened, and financial literacy further enhanced."

AACB Continental Seminar

"Protectionist measures impact on the free movement of goods and services and they obviously affect economic performances across the world."

Collaboration of the Bank of Mauritius with Other Institutions



The Bank of Mauritius signed a Memorandum of Understanding on 23 January 2019 with the China Banking and Insurance Regulatory Commission on cooperation and information sharing in the area of banking supervision. The Memorandum was signed by Governor Yandraduth Googoolye on behalf of the Bank of Mauritius and by Vice Chairman Wang Zhaoxing on behalf of the China Banking and Insurance Regulatory Commission.

The Bank of Mauritius and the Mauritius Police Force ratified a Memorandum of Cooperation on 25 January 2019, which sets out the framework of their cooperation in their common pursuit in combating financial crimes and/or illicit activities relating to the Mauritius financial services sector generally. The Memorandum was signed by Governor Yandraduth Googoolye and Mr Karl Mario Nobin, PMSM, Commissioner of Police.

The Central Bank of Kenya and Bank of Mauritius held a brainstorming session on 10 May 2019 with a view to enhancing cooperation between the two central banks. Governor Dr Patrick Njoroge headed the delegation from the Central Bank of Kenya while Governor Yandraduth Googoolye led the discussions for the Bank of Mauritius.

Awards

During FY2018-19, the Bank was awarded the **Best Central Bank for Corporate Governance** by the following international institutions: Capital Finance International (CFI.co) Magazine, Global Banking and Finance Review and International Business Magazine. The Bank also received the **Leading Financial Institution of Africa of the Year 2018** and the **Best Financial Services Institution 2019** awards by the MEA Markets Magazine.

Best Central Bank for Corporate Governance Awards

WINNER *of*

the Year 2018 Award

The Award was bestowed upon the Bank following a critical assessment based on media analysis, corporate leadership, academia and extensive data analysis. The judging panel stressed the fact that *'the Bank has taken a hard stance on governance policies, adopting best international prudential standards and exacting monitoring procedures paired with innovative solutions to ensure its regulatees are adequately capitalised with sufficient liquidity buffers'.*

WINNER *of*

the Indian Ocean Award 2018

This Award recognises the Bank's expertise and excellence within the financial world. According to Governor Googoolye, *'... illustrates the great work being done by the Bank and underlines the unwavering focus on good governance at all levels of the organisation...'.*

WINNER *of*

the International Business Magazine Award Indian Ocean 2019

The International Business Magazine conferred the 'Best Central Bank for Corporate Governance Indian Ocean 2019' Award to the Bank. The judging panel commended the Bank for its unflinching focus on adhering to the highest corporate standards, ethics, and for its world-class policies and procedures.

Leading Financial Institution of the Year 2018 – Africa

WINNER *of*

the African Business Excellence Award

Best Financial Services Institution 2019

WINNER *of*

the African Business Award

The Award nominees have been *'carefully scrutinised and judged on their performance over the past year, their willingness to innovate and even their competition to ensure that only the most deserving are named as one of the [...] prestigious winners'.*

Rs2000 Banknote goes polymer

In accordance to Section 35 of the Bank of Mauritius Act 2004, the Bank issued a new polymer banknote of Rs2000 denomination on 05 December 2018 and began with the withdrawal of the 1999 family Rs2000 paper banknote as from that date. The 1999 family Rs2000 paper banknote ceased to be legal tender as from 01 February 2019.

The new polymer banknote has new security features such as:

- The new pattern of raised dots is aimed at helping the blind and visually impaired to authenticate the Rs2000 polymer banknote;
- There is a clear window when the banknote is held against light;
- Inside the clear window, the Bank of Mauritius building is printed in a gold ink that shimmers as the banknote is moved around; and
- Series of characters which appear under magnification.

Rs2000 polymer banknote in circulation as at end-June 2019:

- **Rs2.9 billion** in value terms
- **1.4 million** in volume terms

The Bank introduced polymer banknotes in August 2013, with the aim of improving the quality of banknotes in circulation as being cleaner and more durable. The Rs2000 denomination banknote was added to the set of polymer banknotes that already consisted of three other denominations, namely Rs25, Rs50 and Rs500. The polymer Rs2000 banknote represents an upgrade of the original Rs2000 paper banknote issued on 01 July 1999. The new banknote incorporates the same design as the paper banknote with, however, enhanced security features using new security technology.

Regional Conferences/Orientation Programme hosted by the Bank of Mauritius

Orientation Programme for Newly Recruited Central Bank Officers organised by IMF, Afritac South and Bank of Mauritius

The Bank of Mauritius organised an orientation programme from 22 to 26 October 2018 for its newly recruited officers as well as participants from 8 countries (Botswana, Comoros, Lesotho, Madagascar, Mozambique, Seychelles, Zambia, and Zimbabwe). This programme is the result of the collaboration between the Bank of Mauritius and the IMF through Afritac South and Africa Training Institute.

Central banking policy is interactive and requires the contribution of all departments in the central bank. Accordingly, it is crucial for newly recruited officers to have a broad overview of the central bank's mandate, objectives and functions. As a central banker, one needs to be up-to-date, and wary of both domestic and international developments. The evolution of the financial industry and, in particular, the banking industry requires a novel approach to understand and analyse developments and to prescribe the right policy for sustainable economic development.

Association of African Central Banks Continental Seminar

The Association of African Central Banks (AACB) Continental Seminar was hosted by the Bank from 06 to 08 May 2019 on the theme 'Renewed Protectionist Tendencies: Implications for Macroeconomic Policy in Africa'. The Seminar was attended by 70 delegates from 24 member central banks and 12 regional and international institutions. As part of the main recommendations, it was highlighted that the autonomy of central banks should be maintained for effective monetary policy formulation to address economic vulnerabilities related to protectionism. Participants at the Seminar recommended that member central banks, including those having dual mandates, should continue to maintain price stability as the primary objective of monetary policy. They highlighted the need for more collaboration amongst African countries in the context of the African Continental Free Trade Area in order to increase intra-regional trade and investment, thus mitigating the impact of trade shocks. Countries should make their economies more resilient through diversification and by enhancing their productive capacities.

Financial Stability Board Regional Consultative Group Meeting

The Bank hosted a meeting of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa on 02-03 May 2019. The RCG considered, *inter alia*, work to address new and emerging vulnerabilities in the financial system, including FinTech developments and cyber resilience. The meeting discussed global and regional macroeconomic and financial market developments. Members highlighted potential financial stability risks against the backdrop of rising public debt levels, weakening of fiscal and external buffers, trade tensions, risks associated with sharp increases in the cost of credit and the high level of political uncertainties, and exchanged views on possible policy responses. The RCG also considered issues and implementation challenges for developing countries to implement the Basel III framework. The meeting concluded with a discussion on the use of cloud computing in the financial sector.

Bank of Mauritius Inter Club Youth Championship 2018

The Bank, together with a number of banks operating in Mauritius, sponsored the 12th edition of the Inter Club Youth Championship. The event was organised in collaboration with the Mauritius Athletics Association and was held on Saturday 17 and Sunday 18 November 2018 at the Maryse Justin Stadium, Réduit.

1,000 athletes from different clubs in Mauritius and Rodrigues participated in the Championship.

Fifteen best athletes from Rodrigues, selected following preliminaries held at Camp Du Roi Stadium, on Saturday 03 November 2018 participated in the two-day event in Mauritius.

Nine national records were established during the championship meeting:

- Shotput - U16 Boys
- 50M - U12 Girls
- 50M - U12 Boys
- Long Jump - U12 Boys
- 150M - U14 Girls
- 60M Hurdles - U14 Boys
- 60M Hurdles - U14 Boys
- 150M - U14 Boys
- 100M Hurdles - U16 Girls

Publications

As an accountable institution, the Bank publishes a wide range of regular reports and statistical data. These publications offer a deeper insight into the Bank's activities and objectives. The Bank issues various publications including the Annual Report, the bi-annual Financial Stability Report, the Quarterly Economic Report and the Monthly Statistical Bulletin. The publications are available on the Bank's website.

The Quarterly Economic Report presents macroeconomic developments during the quarter. It aims to enhance public understanding of the policies implemented to achieve the mandate of the Bank.

The Monthly Statistical Bulletin disseminates statistical data, in accordance with the provision of Section 5(1)(d) of the Bank of Mauritius Act 2004.

The Financial Stability Report communicates the Bank's assessments of risks to financial stability with a view to identifying and mitigating vulnerabilities in the domestic financial system.

The Annual Report presents the detailed audited accounts of the Bank for its financial year, in accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, together with a review of the main activities of the Bank.

Employee Welfare

The Bank strives to remain an employer of choice by creating and promoting a professional, social and healthy work environment. During FY2018-19, the Bank organised a number of activities for staff members, particularly during the end-of-year festivities. Many staff members participated in the World Cup Challenge 2018. The International Woman's Day was duly celebrated at the Bank with the distribution of roses to female staff. The Music Day and the Christmas Carols on the eve of Christmas Day offered the opportunity to staff members to show their singing talent. The Seasons Decoration Competition was a breeding ground for creativity, craftsmanship and reinforcing team spirit.

The Bank implemented a Corporate Wellness Programme to promote the general wellbeing of its staff. Yoga and Zumba classes are conducted on the Bank's premises. The Bank's Football Team meets once a week at the Futsal Pitch of MUGA, Phoenix. Other activities conducted under this programme consisted of Blood Donation and a Cultural trip organised on the occasion of the International Day for Monuments and Sites to promote awareness on the diversity of cultural heritage in Mauritius.

World Cup Challenge 2018

The Bank organised a World Cup Prediction Challenge during the 2018 FIFA World Cup and winners were rewarded.

Christmas 2018

The Employee Welfare Committee of the Bank organised the 4th edition of the **Seasons Decoration Competition** based on the theme **Christmas around the World.**

Bank staff were called to showcase their creativity and allow their imagination to set the Christmas mood in the BoM Tower.

The three best decorations across the different levels housing Departments were rewarded.

Blood Donation

The Bank organised a Blood Donation activity in collaboration with the Blood Donors Association on 03 April 2019 to bring its contribution towards society in promoting the "Save Life Campaign" of the Association. Staff of the Bank and members of the public participated in the activity.

Cultural Trip

A cultural trip was organised on 27 April 2019 for Bank staff and their family on the occasion of the World Heritage Day. The objective of this trip was to promote awareness about the diversity of cultural heritage of humanity, their vulnerability and the efforts required for their protection and conservation.

2

Review of the Economy

Duit

The Duit was a copper Dutch coin worth 2 pfennings. To prevent smuggling, the Dutch East India Company (VOC) ordered special coins with their monogram embossed upon them. Only those pieces were valid in Indonesia. The duit was also used in the Americas and Mauritius whilst under Dutch rule.

Mauritius' economic expansion has remained resilient despite the loss of momentum in global economic activity, including for some of our major trading partners. Output has remained below potential, but the average unemployment rate for FY2018-19 has dropped to 6.7 per cent. Price pressures have remained subdued and headline inflation declined to 1 per cent in June 2019. The current account deficit is estimated to have worsened to 5.7 per cent in FY2018-19 as the merchandise trade deficit accelerated to 21.9 per cent of GDP. Nonetheless, Gross Official International Reserves (GOIR) rose to an all-time high of Rs253 billion or US$7,161 million, representing almost a year of the country's import cover for goods and services. The gross external debt of the country is estimated to have fallen to about 15.5 per cent of GDP.

Monetary policy remains accommodative to support economic growth amid subdued inflation conditions. The financial market supported the transmission of monetary policy. The financial system remained stable, aided by improved bank intermediation, adequate levels of liquidity, relatively high levels of banks' capital holding and subdued credit risk. Macroprudential policies were cautiously accommodative to support the economic growth momentum while prudently maintaining financial system stability. Payment system policy was focused on supporting economic growth through more secure and efficient payment transactions. Fiscal policy was reinforced by the implementation of infrastructure projects and acceleration of structural reforms to ensure sustainability of economic growth. It also aimed at balancing near-term aggregate demand and debt expansion.

The economy remained on a steady growth trajectory despite the prevalence of some sectoral domestic and external challenges. Real gross domestic product (GDP) grew by 3.8 per cent in 2018 for the third consecutive year. The GDP outturn in 2018 remained broad-based, with all sectors except for the 'Agriculture, forestry and fishing', contributing positively to growth. GDP growth was powered by the contributions of key services and construction sectors. On the demand side, growth was backed by a pick-up in both real consumption and real investment growth.

The services sector continued to be the primary growth engine of the Mauritian economy on the production side, while the manufacturing sector struggled to keep pace on account of challenges faced by the sugar and textile sub-sectors. The services sector expanded by 4.0 per cent in 2018, compared to 3.9 per cent in 2017. The manufacturing sector managed to add 0.1 percentage point to growth in 2018 compared to 0.2 percentage point in 2017. The construction sector remained buoyant in 2018, growing by 9.5 per cent, compared to 7.5 per cent in 2017 and the highest rate of expansion since 2008. This enabled the construction sector to contribute 0.4 percentage point to total GDP growth in 2018, from 0.3 percentage point contribution to the 2017 GDP outturn.

On the demand side, GDP performance in 2018 mainly rested on the strong performance of household spending and investment spending as the key contributors to GDP growth. Along with this, the strong performance of government spending during the year lent support to growth amid continued weak net exports performance in 2018. Gross fixed capital formation posted a 10.9 per cent growth in 2018, an improvement from the 4.7 per cent growth it posted in 2017. This enabled investment to account for 1.9 percentage points of the total 3.8 per cent GDP growth in 2018. Household spending continued with its role of being a steady and stable growth driver for the economy, maintaining growth of 3.2 per cent in 2018. Net external demand remained a drag on growth. Imports of goods continued to outgrow exports of goods in 2018, increasing by 1.4 per cent while exports rose by 0.7 per cent. Nonetheless, the increase in imports primarily reflected the current uptrend in construction activities which necessitated additional inputs of imported capital goods and other construction-related materials. Infrastructure improvements pertaining to power generation, water distribution, road networks, ports and airports would positively influence economic competitiveness and capacity. Productivity is expected to increase, consistent with the improvement of the investment climate and the positive impact of better domestic infrastructure.

Domestic inflation declined significantly, including for the core components, reflecting the fact that the economy was operating below potential and subdued global inflation, which limited its pass-through to domestic prices. The diminished impact of exchange rate depreciation on inflation also weighed on the inflation outcome. Headline inflation stood at 1 per cent in June 2019, with core inflation, food and administered prices inflation remaining broadly subdued. Cyclical factors such as falling global prices for food commodities and domestic fresh food products led to a steady decline in inflationary pressures. Inflation in FY2019-20 is projected to remain under control at below 2 per cent in the absence of exogenous factors and climate-related disruptions.

The rise in the current account deficit reflected the widening of the goods account deficit. However, net inflows on the financial account were markedly higher during FY2018-19. The current account balance mirrors the saving and investment behaviour of the economy. The rise in investment and infrastructure spending has resulted in the widening of the savings-investment (S-I) gap. Nonetheless, the current account deficit was supported by continued inflows from structural sources of foreign exchange - foreign direct investment, tourism receipts and the surplus on the investment account. The country recorded an overall balance of payments surplus of Rs17.5 billion during FY2018-19 as well as gross direct investment inflows of Rs17.4 billion.

The country's GOIR increased by Rs23 billion from Rs230 billion at end-June 2018 to Rs253 billion (equivalent to USS7,161 million) at the end of June 2019. At this level, the GOIR would finance about 11.8 months of the country's imports of goods and services or about 95 per cent of the total import bills for goods and services. GOIR were also around 330 per cent of the country's estimated short-term external debt based on original maturity. This level of GOIR provides a strong buffer for the domestic economy against external headwinds.

The rupee exchange rate broadly reflected developments on the international financial markets. On a real trade-weighted basis, the rupee depreciated against the basket of currencies of trading partners in FY2018-19. On this basis, the rupee depreciated by nearly 1 per cent over the fiscal year.

Broad money supply or domestic liquidity increased by 6.4 per cent year-on-year as at end-June 2019, following an increase of 9.4 per cent, backed by all of its components and remained supportive of the country's requirements. The growth in domestic liquidity reflected the continued expansion in claims on the domestic economy. Year-on-year, domestic claims expanded by 7.4 per cent, supported by the sustained increase in claims on the private sector. In line with the commendable economic performance, banking intermediation recorded a laudable performance. Both bank credit and bank deposits grew higher. Banks remained sound and resilient, thanks to a high aggregate capital adequacy ratio and banks' ability to manage credit risks appropriately. Banks' liquidity conditions remained sustained.

The conduct of monetary policy during FY2018-19 was conducive to preserve economic stability in a small open economy. The decision on the level of the Key Repo Rate was coherent with the price stability objective of the Bank while ensuring orderly and balanced economic development. Accordingly, the Bank conducted open market operations such that the 91-Day Bill yield remained within the corridor around its Key Repo Rate. The interest rate differential was adequate to maintain the attractiveness of domestic assets. At the same time, exchange rate policy ensured that the rupee remained broadly in line with the economy's fundamentals, playing its role as an instrument for mitigating shocks to the economy from external factors. The Bank pursued its interventions on the domestic foreign market and sterilised the rupee proceeds via Special Deposits of one year and above. This allowed to maintain exchange rate stability and to ensure an adequate level of rupee liquidity besides upholding adequate forex market liquidity.

Major international multilateral institutions have forecast that global economic growth, including the major advanced and emerging economies, would slow further than initially forecast. The deeper malaise caused by the escalation of the trade conflict between the US and the People's Republic of China and worsening prospects of a no-deal Brexit, have been weighing on business sentiment, investment and trade. Inflation has remained benign globally. Thriving private debt in various economies can pose challenges to financial stability. With slower growth and muted inflation, several countries loosened fiscal and monetary policies to support economic activity. Uncertainty has undermined private investment, leaving domestic consumption as the main support to growth. Sluggish investment, if sustained, would imply less new productive capacity going forward, which would weigh on global growth prospects.

The dynamics of the Mauritian economy in the context of the challenging global economic environment calls for a strengthening of economic resilience. As a small open economy, it is bound to face the challenges caused by global uncertainties, specifically for external sector management in both the trade and financial channels. In this vein, it is necessary to maintain low and stable inflation, a stable exchange rate, a low fiscal deficit, a stable financial system and a current account deficit within reasonable levels. The continuous improvement in competitiveness and productivity is necessary to generate momentum for sustained economic performance. In this regard, the export structure needs to be fortified. It is vital to strengthen manufacturing and tourism, and boost domestic production capability to reduce imports. At the same time, it is necessary to enhance structural reforms in the real sector to improve competitiveness, productivity, and private sector investment. The global economic environment would be challenging in the short term and ensuring a resilient domestic economic environment is essential. The collaboration among the major economic partners remains primordial to maintain macroeconomic and financial system stability. The need to boost the digital economy is welcoming given the wide-ranging opportunities provided, including employment creation, effective price setting, and higher productivity through increasing efficiency. The development of the digital economy can also bring about a more inclusive economy, given the opportunities created for small- and medium-sized enterprises. Looking ahead, the Mauritian economy would remain sound, amidst the flagging outlook for world economic growth, including for some of our trading partners and financial market uncertainty.

Mauritius' Growth Policy

Pathways to a Transformative Journey to a High Income Country

Capitalising on our youth

- Developing soft skills in the youth through training programmes
- Instil entrepreneurial spirit in young graduates under the SME Employment Scheme

Building strategic and modern infrastructure

- Modernising the land transport system with the Metro Express project, the Road Decongestion Programme and the construction and upgrading of roads
- Transforming the port into a regional hub
- Extension of the new airport terminal
- Introduction of a National Regeneration Scheme

Creating an inclusive and caring society

- Enhancing the role and participation of women in our development, through Gender mainstreaming
- Extending support to the elderly through improved health and day-care facilities

Embracing innovation

- Foster the development of a new growth pole revolving around Artificial Intelligence, Blockchain Technologies and Fintech
- Incentives to promote data hosting activities
- Scholarships and improved infrastructure to attract prospective graduates
- Creation of new licensable activities
- Introduction of financial and fiscal incentives to promote Innovative Entrepreneurship

Securing sustainable development

- Preparation of a full-fledged Land Drainage Master Plan
- Organisation of the Clean Up Mauritius and Embellishment Campaign – "Moris Nou Zoli Pei"

Adopting an Import-Substitution Industry and Reviving Export-Led Production

- Adoption of a Sheltered Farming Scheme
- Boosting the Food Security Programme
- Exploitation of the Ocean economy
- Improving infrastructure to support the manufacturing sector
- Tapping into new markets through enhanced economic diplomacy
- Improving air connectivity and encouraging community-based and inclusive tourism and inclusive tourism

Lifting the standard and quality of life

- Construction of new hospitals, medical hub, new cancer centre
- Providing a Decent Dwelling for every family
- Ensuring safety of the citizens with the Safe City Project

Source: 2019-20 Bugdet Speech.

National Income and Production

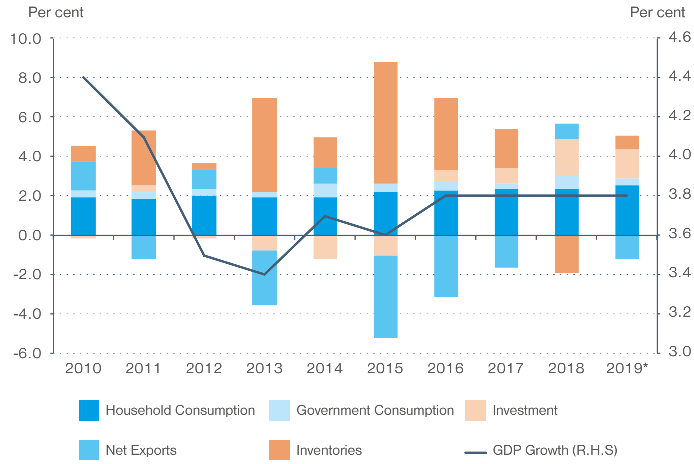
The domestic economy remained on a steady growth path in 2018 with real GDP at market prices growing by 3.8 per cent, same as in 2017. Quarterly data showed that real GDP growth picked up from 3.3 per cent year-on-year (y-o-y) in 2018Q3 to 4.0 per cent in 2018Q4, before stabilising at 3.4 per cent in 2019Q1 and 2019Q2. Growth in 2018 reflected brisk activity in key services sectors, especially 'information and communication', 'financial and insurance activities', 'professional, scientific and technical activities' and 'wholesale and retail trade'. Growth remained robust in the 'construction' sector. However, the 'manufacturing', 'accommodation and food service activities' and 'real estate activities' sectors registered a moderation in real growth rate in 2018. On the demand side, robust growth in consumption expenditure and investment sustained economic activity. In nominal terms, GDP at market prices rose by 5.3 per cent to Rs481,256 million in 2018, while per capita Gross National Income (GNI) at market prices increased by 5.3 per cent to Rs384,792.

Expenditure

Domestic demand continued to support growth during 2018. More specifically, government consumption spending and investment posted substantial increases during the year, mostly reflecting vibrant public sector building and construction activities. Aggregate final consumption expenditure grew by 3.4 per cent in 2018 compared to 2.9 per cent in 2017. Household consumption growth remained stable at 3.2 per cent, underpinned by favourable labour market conditions and buoyant consumer sentiment. In 2018, government consumption expenditure grew at a much faster rate of 4.2 per cent compared to 1.6 per cent in 2017. Growth of final consumption expenditure is forecast at 3.1 per cent in 2019.

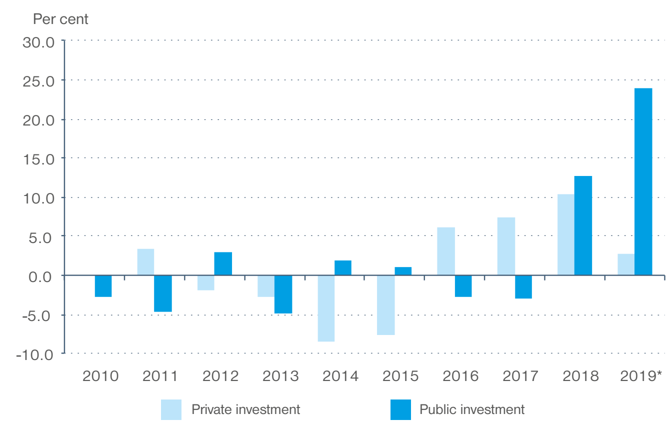
On the investment front, the contribution of Gross Fixed Capital Formation (GFCF) to real GDP growth increased in 2018, underpinned by robust infrastructure investment (Chart 2.1). GFCF expanded by 10.9 per cent in 2018 compared to 4.7 per cent in 2017. The higher investment was associated with noticeable public sector investment growth of 12.7 per cent in 2018, as well as higher private sector investment of 10.4 per cent (Chart 2.2). Exclusive of the purchase of aircraft and marine vessel, growth in GFCF rose from 5.6 per cent in 2017 to 12.2 per cent in 2018. By type of capital goods, the growth rate of spending on 'building and construction work' remained buoyant at 10.3 per cent, supported mainly by a 45.3 per cent growth in 'other construction work'. Investment in 'machinery and equipment' soared by 12.1 per cent in 2018, broadly supported by its sub-components, after growing moderately in 2017. In 2019, investment activity would benefit from the ongoing implementation of infrastructure projects and GFCF is forecast to grow by 7.9 per cent.

Chart 2.1: Contribution to GDP Growth by Demand Component



*Forecast.
Sources: Statistics Mauritius and Bank staff estimates.

Chart 2.2: Growth Rates of Public and Private Investment

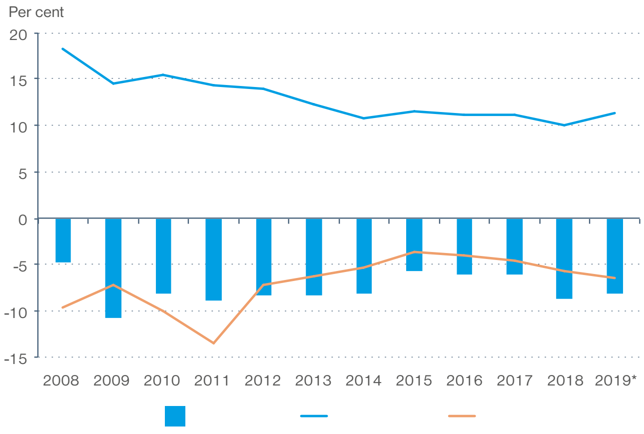


*Forecast.
Source: Statistics Mauritius.

Domestic export performance showed some signs of stabilisation towards the end of 2018. Exports of goods and services rebounded by 2.3 per cent in 2018, after contracting by 1.0 per cent in 2017. Exports of goods increased by 0.7 per cent, from a contraction of 5.2 per cent a year earlier while exports of services recorded faster annual growth of 3.4 per cent, partly driven by higher inbound tourism. Imports of goods and services grew by 0.4 per cent in 2018, led by an increase of 1.4 per cent in imports of goods, whichfully offset the delicne of 1.9 per cent in imports of services.

Gross National Savings (GNS) declined by 5.3 per cent in 2018, from Rs51,508 million in 2017 to Rs48,771 million in 2018 while Gross Domestic Savings (GDS) fell by 5.8 per cent, from Rs45,738 million in 2017 to Rs43,078 million in 2018. The Saving Rate, defined as the ratio of GNS to Gross National Disposable Income (GNDI), excluding net primary income and transfer of GBC from abroad, fell from 11.1 per cent in 2017 to 10.0 per cent in 2018. As a percentage of GDP at market prices, the Resource Balance (defined as Savings minus Investment) deteriorated from -6.1 per cent in 2017 to -8.6 per cent in 2018, reflecting principally a lower level of savings in 2018 compared to 2017 and mirroring a higher current account deficit (Chart 2.3). For 2019, the Resource Balance as a percentage of GDP is expected to improve slightly to -8.1 per cent.

Chart 2.3: Resource Balance, Saving Rate and Current Account Balance

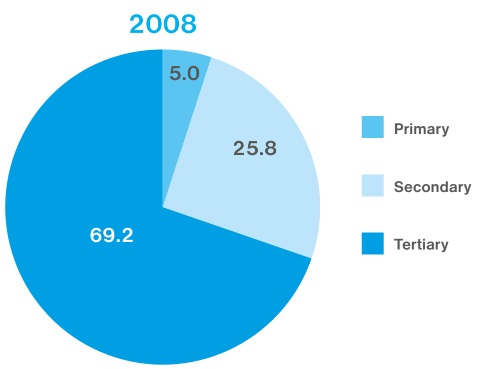


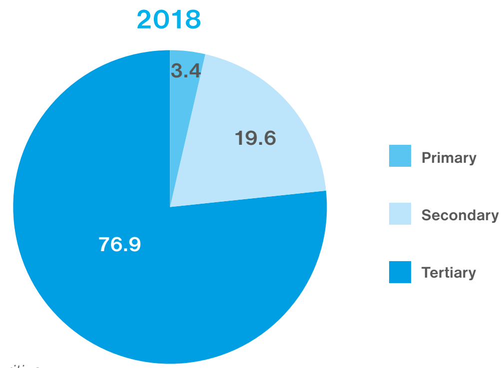
*Forecast.

Production

In value added terms, growth in the tertiary industry remained robust in 2018. In particular, the burgeoning 'information and communication' sector continued to be the fastest growing major sector, followed by the 'financial and insurance activities' sector. The secondary industry continued to grow, underpinned mainly by a commendable growth in the 'construction' sector, while the 'manufacturing' sector registered lower growth due to lacklustre performances of the 'sugar' and 'textile' sub-sectors. As growth in the tertiary industry continued to outpace other sectors, its value-added share in the overall economy rose further to 76.9 per cent in 2018, from 69.2 per cent in 2008. The share of the secondary industry fell from 25.8 per cent to 19.6 per cent over the same period while that of the primary sector declined from 5.0 per cent to 3.4 per cent (Chart 2.4).

Chart 2.4: Share of Primary, Secondary and Tertiary Sectors in GVA, Per cent

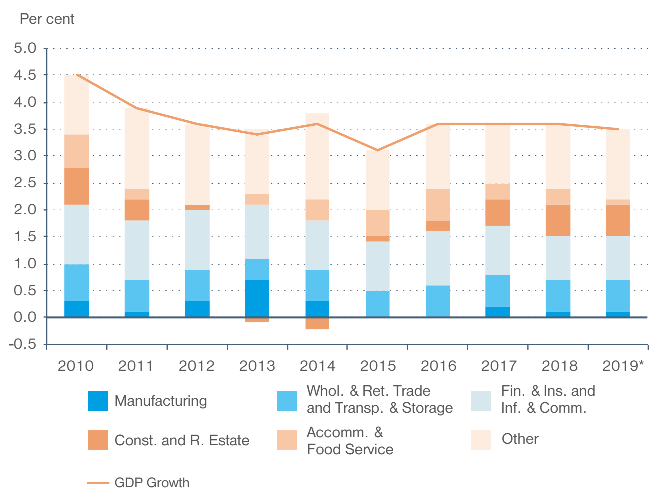




Source: Statistics Mauritius.

All the major economic sectors contributed positively to the 3.6 per cent GDP growth rate registered in 2018, with the services sectors making the largest contributions (Chart 2.5). Value added in services continued to be sustained, with an estimated growth of 4.0 per cent in 2018, albeit lower than an average of nearly 5.0 per cent over the high growth phase of 2010 to 2015. Among major sectors of the economy, the contributions of 'financial services', 'distributive trade', 'transport and storage', 'construction' and 'real estate' have been noteworthy. The contribution from the 'manufacturing' sector, while still positive, declined in 2018.

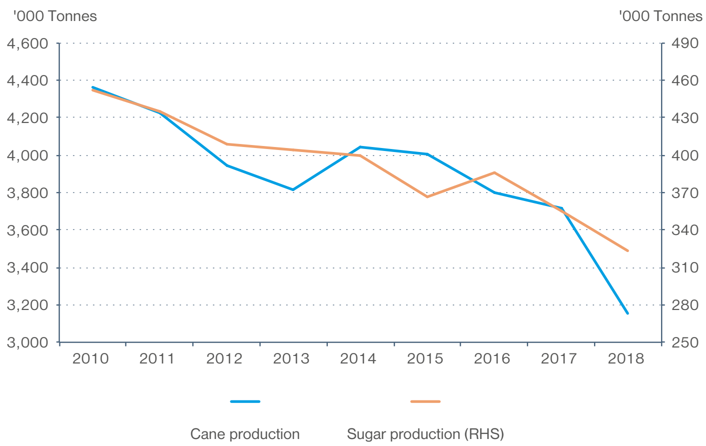
Chart 2.5: Contribution to GDP Growth by Sector



Forecast.
Source: Statistics Mauritius.

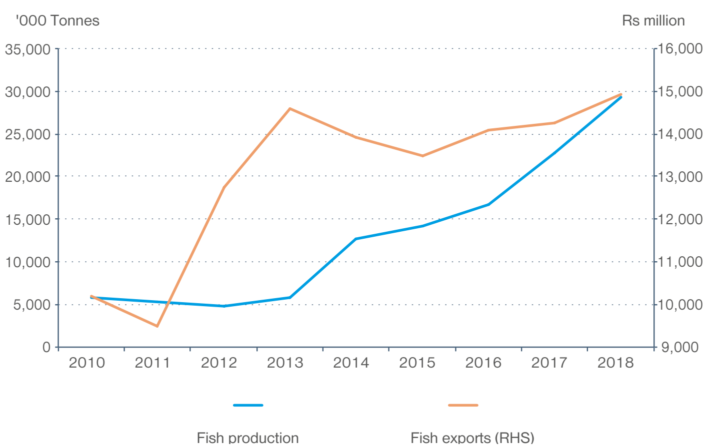
The 'agriculture' sector contracted by 1.3 per cent in 2018, reflecting the dwindling 'sugarcane' sub-sector and lower sugar prices. Sugar production fell by around 9.0 per cent in 2018, from 355,213 tonnes in 2017 to 323,406 tonnes and the area under sugarcane cultivation dropped by 5 per cent to 47,678 hectares (Chart 2.6). The share of sugar exports in total exports fell from 11.6 per cent in 2017 to 7.3 per cent in 2018. The fishing industry remained robust, with fish production increasing by 28.7 per cent, from 22,732 tonnes in 2017 to 29,255 tonnes in 2018. The share of 'fish and fish preparations' exports in total domestic exports rose from 19.9 per cent in 2017 to 22.1 per cent in 2018 (Chart 2.7). Following the 2019-20 Budget, new incentives have been provided to consolidate and expand the fisheries and seafood industry. In 2019, the agricultural sector is projected to grow by 3.4 per cent, based on an estimated increase in sugar production to around 325,000 tonnes.

Chart 2.6: Cane and Sugar Production



Source: Statistics Mauritius.

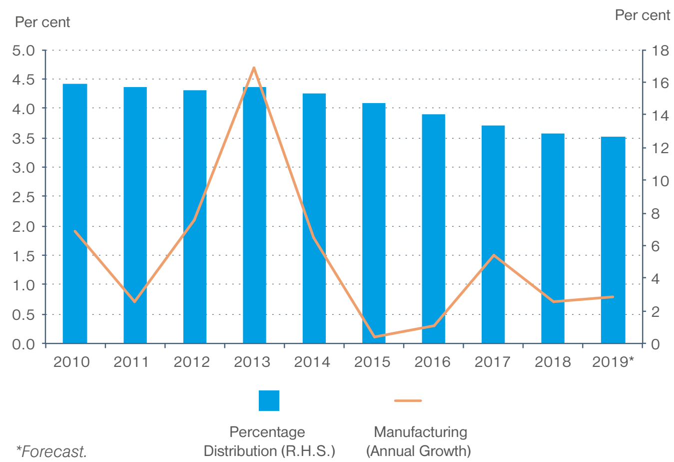
Chart 2.7: Fish Production and Exports



Source: Statistics Mauritius.

The 'manufacturing' sector grew at a slower pace of 0.7 per cent in 2018 compared to 1.5 per cent in 2017 (Chart 2.8). The decline was due to a contraction in both the 'sugar milling' and 'textile' sub-sectors. The 'sugar milling' sub-sector contracted by 19.0 per cent in 2018 as against a growth of 2.4 per cent in 2017, while 'textile' contracted by 6.8 per cent, reflecting difficulties faced by operators in the sector. Value added by the manufacturing sector continued to decline and represented 12.9 per cent of total value added in the economy in 2018. In 2019, the sector is expected to grow by 0.8 per cent, partly supported by budgetary measures to boost export competitiveness.

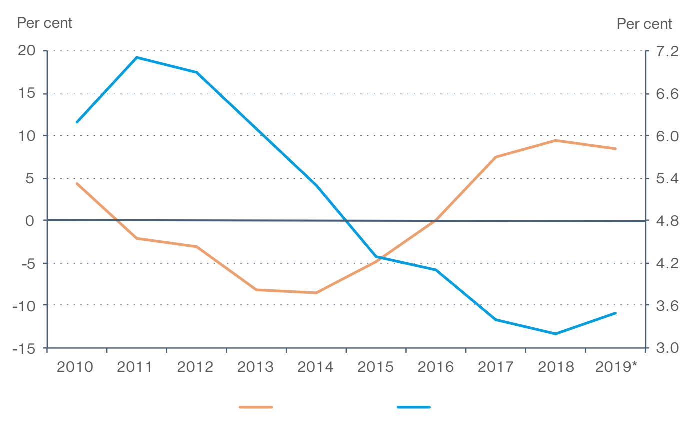
Chart 2.8: Real Growth Rate and Percentage Distribution of the Manufacturing Sector



**Forecast.*
Source: Statistics Mauritius.

The 'construction' sector remained one of the key drivers of economic activity in 2018 and grew by 9.5 per cent, mainly on the back of ongoing implementation of public infrastructure projects (Chart 2.9). The construction sector contributed 0.4 percentage point to GDP growth in 2018. While the number of building permits for residential buildings rose from 6,377 in 2017 to 6,760 in 2018, those for non-residential buildings fell from 526 to 484 over the same period. For 2019, the sector is forecast to continue experiencing robust growth of 8.5 per cent. Growth in the 'real estate' sector slowed to 3.2 per cent in 2018, from 3.4 per cent in 2017. However, with the unfolding of some smart city projects, real estate sector growth is expected to regain some momentum and grow by a slightly higher rate in 2019.

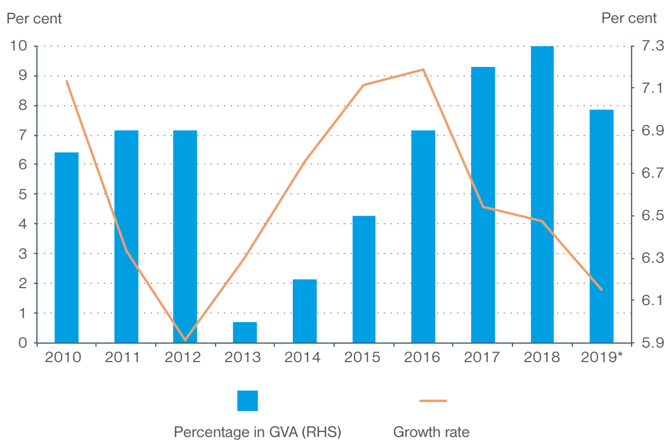
Chart 2.9: GVA Growth in Construction and Real Estate



**Forecast.*
Source: Statistics Mauritius.

Growth in the 'accommodation and food service activities' sector moderated to 4.1 per cent in 2018, from 4.6 per cent in 2017 (Chart 2.10). The sector had a contribution of 0.3 percentage point to overall GDP growth in 2018. Tourist arrivals increased by 4.3 per cent in 2018, supported by higher arrivals from France (4.3 per cent), Germany (11.7 per cent), UK (1.4 per cent) and South Africa (14.2 per cent). Gross tourism earnings for the year were Rs64 billion, higher by 6.2 per cent, from Rs60.3 billion in 2017 (Chart 2.11). In the first half of 2019, tourist arrivals rose by 0.5 per cent compared to a growth of 3.4 per cent for the same period in 2018. Tourist arrivals by sea rose by 87.7 per cent, driven by higher number of cruise ships, while tourist arrivals by air registered a contraction of 1.3 per cent. Among major source markets, arrivals were higher from France (4.1 per cent), Germany (4.0 per cent) and South Africa (1.1 per cent). However, the performance of other traditional markets such as the UK, Reunion Island and emerging markets – India and China – have been rather disappointing. For 2019, the sector is forecast to expand at a relatively lower rate of 1.8 per cent as it remains fraught with uncertainty in the light of global and domestic economic conditions.

Chart 2.10: Share and Growth of Accommodation and Food Service Activities



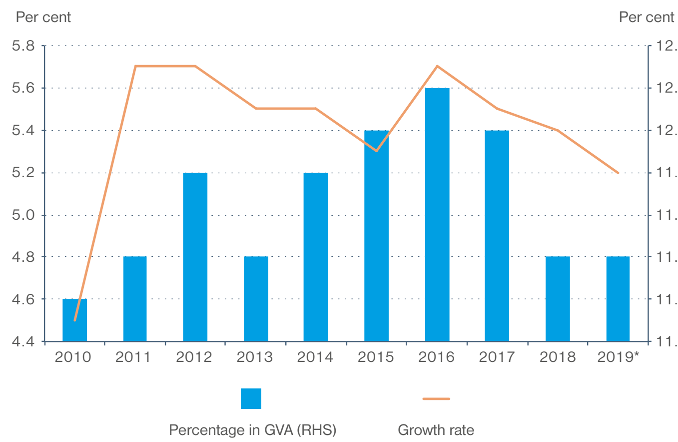
** Forecast.*
Source: Statistics Mauritius.

Chart 2.11: Tourist Arrivals and Tourism Receipts

Sources: Statistics Mauritius and Bank of Mauritius.

The 'financial and insurance activities' sector grew by 5.4 per cent in 2018, slightly lower than the 5.5 per cent growth registered in 2017, with 'monetary intermediation' and 'insurance, reinsurance and pension funding' sub-sectors registering lower growth of 5.7 per cent and 4.8 per cent, respectively. Growth in 'financial, leasing and other credit granting' remained unchanged at 6.5 per cent in 2018 while 'other financial intermediaries' registered solid growth of 4.5 per cent compared to 3.8 per cent in 2017. The 'financial and insurance activities' sector added 0.6 percentage point to real GDP growth in 2018. The pace of economic activity of the sector is expected to moderate to 5.2 per cent in 2019 (Chart 2.12).

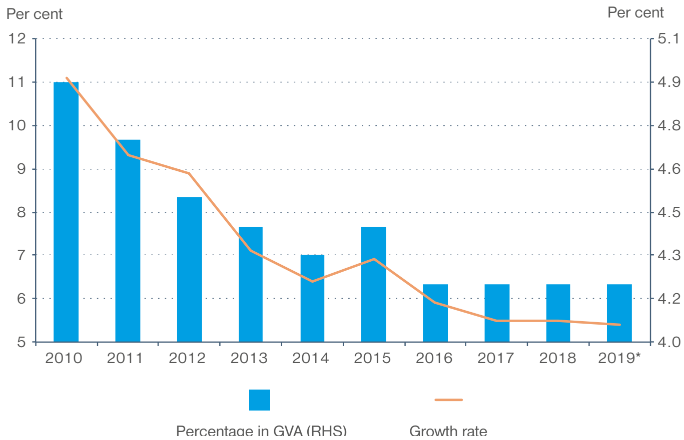
Chart 2.12: Share and Growth of Financial Sector



** Forecast.*
Source: Statistics Mauritius.

The 'information and communication' sector remained resilient and grew by 5.5 per cent in 2018, unchanged from 2017 (Chart 2.13). The sector added 0.2 percentage point to real GDP growth in 2018 and continued to be underpinned by higher demand for both computer services and data communication. The number of mobile cellular telephone subscriptions per 100 inhabitants has increased steadily from 139.5 in 2015 to 151.6 in 2018, suggesting multiple subscriptions by individuals. Internet access has also improved considerably, from an average of 66.6 subscriptions per 100 inhabitants in 2015 to 107.1 in 2018. The ICT sector is projected to grow at a slightly lower rate of 5.4 per cent in 2019 even though the sector's share in GVA is expected to remain unchanged at 4.2 per cent.

Chart 2.13: Share and Growth of ICT Sector

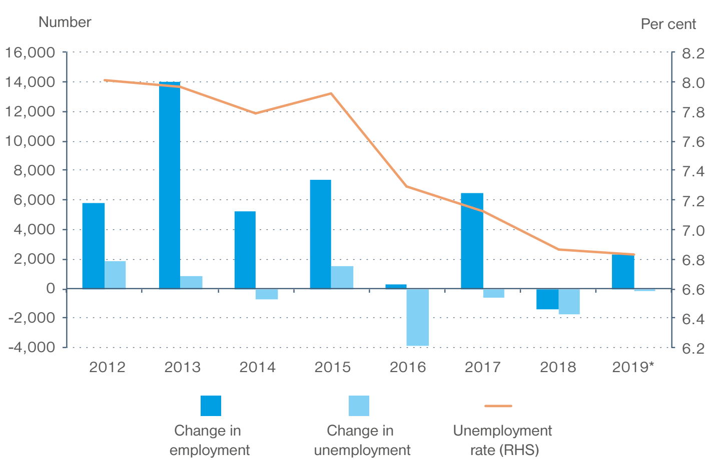


** Forecast.*
Source: Statistics Mauritius.

LABOUR MARKET DEVELOPMENTS

Labour market conditions remained favourable in 2018, with the unemployment rate falling to 6.9 per cent, the lowest since 2001 (Chart 2.14). Unit labour cost increased at a slower pace as a result of an acceleration in labour productivity growth. Labour market performance is likely to improve in the medium term as employment creation in sectors such as 'construction', 'wholesale and retail trade' and 'public administration' is expected to be sustained and could outweigh potential job losses in ailing sectors. Moreover, measures in the 2019-20 Budget pertaining to the labour market such as the extension of the SME Employment Scheme and the creation of a National Skills Matching Platform are expected to address youth unemployment.

Chart 2.14: Unemployment Rate, Change in Employment and Unemployment



** Forecast.*
Source: Statistics Mauritius.

Wage Rate Index

The Wage Rate Index, reflective of changes in labour costs across the economy, continued to increase nominally by around 4-5 per cent annually in recent years. Nominal wages grew by 4.2 per cent in FY2018-19, driven by increases in private sector wages. The index for the private sector rose by 5.3 per cent in FY2018-19, underpinned by higher wages in sectors such as manufacturing (9.5 per cent), administrative and support activities (7.9 per cent) and wholesale and retail trade and transport and storage (6.3-6.4 per cent each). The index for the public sector increased by 2.8 per cent, on account of higher wages in financial and insurance (10.8 per cent), electricity (8.3 per cent) and transport and storage (6.4 per cent). The index for General Government increased by 1.2 per cent in FY2018-19.

Labour Force, Employment and Unemployment

Based on the Continuous Multi-Purpose Household Survey, the total labour force, inclusive of foreign workers, stood at 613,200 for the year 2018 of which 374,100 were males and 239,100 were females. The number of foreign workers in the labour force increased from 28,400 in 2017 to 29,400 in 2018. These workers were primarily employed in four major sectors in the economy, namely 'manufacturing' (81.3 per cent), 'construction' (6.8 per cent), 'accommodation and food service activities' (2.4 per cent) and 'information and communication' (2.0 per cent).

The Mauritian labour force contracted from 586,900 in 2017 to 583,800 in 2018, despite an increase in the population aged 16 years and over from 984,000 to 990,900 over the same period. The combined effect of the rise in the population (+6,900) and the drop in the labour force (-3,100) contributed to a rise in the inactive population by 10,000 and consequently a fall in the activity rate from 59.6 per cent in 2017 to 58.9 per cent in 2018. However, the potential labour force[1] , one of the measure of labour underutilisation, declined from 5,800 in 2017 to 3,800 in 2018. In 2019, Statistics Mauritius has estimated the domestic labour force to increase to around 589,300.

Total employment, including foreign workers, was marginally down by around 0.1 per cent from 573,500 in 2017 to 573,100 in 2018. The slight fall in total employment in 2018 mainly reflected a drop in male employment (-2,000) which outweighed an increase in female employment (+1,600). In terms of sectoral change in total employment in 2018, higher employment was mainly registered in the 'construction' sector (+100), but was more than offset by declines in employment in the 'manufacturing' (-300) and 'agriculture, forestry and fishing' (-200) amid the challenging environment faced by these sectors. Employment of Mauritians is projected to increase by 5,800 to reach 549,500 in 2019.

The unemployment rate fell from 7.1 per cent in 2017 to 6.9 per cent in 2018, the lowest level since 2001. The fall in the unemployment rate was the result of a decline in the labour force (-3,100) which surpassed the fall in employment (-1,400), thereby reducing the number of unemployed by 1,700. In 2019, the number of unemployed is projected decline slightly by 300 and the unemployment rate is forecast to drop to 6.8 per cent.

Productivity and Unit Labour Cost

Labour productivity, a key determinant of competiveness gains and growth performance, improved in 2018. Labour productivity growth rose from 2.4 per cent in 2017 to 3.7 per cent in 2018 while average compensation of employees increased from 4.8 per cent to 5.2 per cent over the same period. Consequently, unit labour cost, which measures the remuneration of labour per unit of output, increased by 1.4 per cent in 2018 compared to 2.3 per cent in 2017. However, in US dollar terms, unit labour cost rose at a higher rate of 3.3 per cent due to the appreciation of the rupee by 1.8 per cent against the US dollar in 2018.

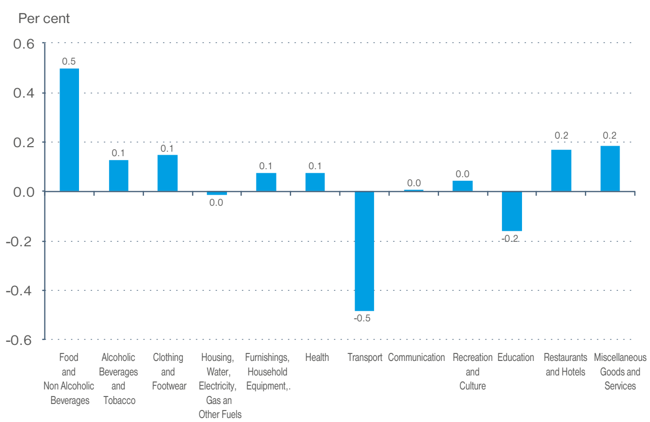
In the 'manufacturing' sector, average compensation of employees grew at a much faster pace than labour productivity, thereby driving unit labour cost higher by 2.4 per cent in 2018 compared to a slight drop of 0.1 per cent in 2017. In US dollar terms, the rise in unit labour cost was more pronounced at 4.3 per cent. Similar dynamics were observed in the export sector, with unit labour cost increasing at a higher rate of 6.9 per cent in rupee terms and 8.8 per cent in US dollar terms. With demographic changes foreseen to become more of a drag on population and employment growth in the longer term, productivity growth may be the most prominent channel for future economic growth.

PRICE DEVELOPMENTS

Domestic inflation in FY2018-19 remained at low levels against a background of moderate global economic activity, low global inflation and subdued domestic demand conditions. Headline inflation, as measured by the percentage change in the yearly average Consumer Price Index (CPI), remained on a downtrend and reached a trough of 1.0 per cent in June 2019. Y-o-y inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, showed contrasting path, albeit moderate, reflecting the inherent dynamics in the CPI as a result of the impact of gyrations in the prices of vegetables and to some extent, the base effect. Y-o-y inflation went up from 1.0 per cent in June 2018 to 1.8 per cent in December 2018 before receding to 0.6 per cent in June 2019 on account of the downward adjustment in the prices of both fresh vegetables and some administered goods.

Overall, the CPI increased by 0.6 point, or 0.6 per cent, from 102.8 in June 2018 to 103.4 in June 2019. The main contributors to the CPI increase were 'Food and non-alcoholic beverages' (0.5 per cent), followed by 'Restaurants and hotels' (0.2 per cent), 'Miscellaneous goods and services' (0.2 per cent), 'Alcoholic beverages and tobacco' (0.1 per cent), 'Clothing and footwear' (0.1 per cent), 'Furnishings, household equipment and routine household maintenance' (0.1 per cent) and, 'Health' (0.1 per cent). These increases were partially offset by declines of 0.5 per cent in the 'Transport' division and 0.2 per cent in the 'Education' division. The remaining divisions recorded negligible contributions. Chart 2.15 shows the main contributors by divisions to the change in CPI during the period under review.

Chart 2.15: Contribution by Divisions to the Change in CPI between June 2018 and June 2019



Sources: Statistics Mauritius and Bank of Mauritius Staff calculations.

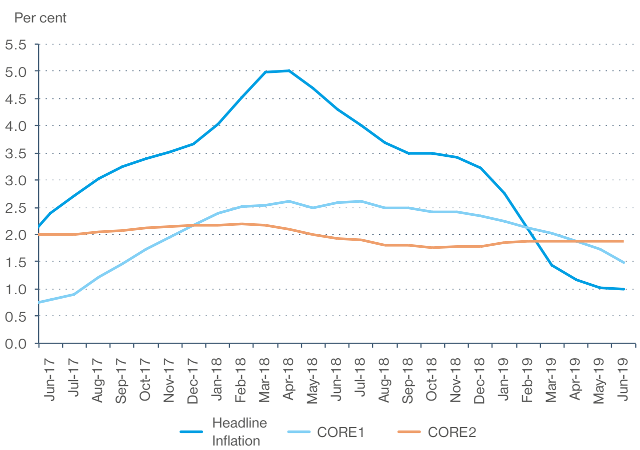
Core Inflation

The underlying inflationary pressures, as reflected in the Bank's CORE1 and CORE2 measures of inflation, remained subdued during FY2018-19. On a 12-month average basis, CORE1 inflation fell from 2.6 per cent in June 2018 to 1.5 per cent in June 2019, while CORE2

[1] The potential labour force refers to those who are available for work but not looking for work and those who are looking for work but not available for work in a reference week. These individuals are considered to be unemployed as per the ILO definition.

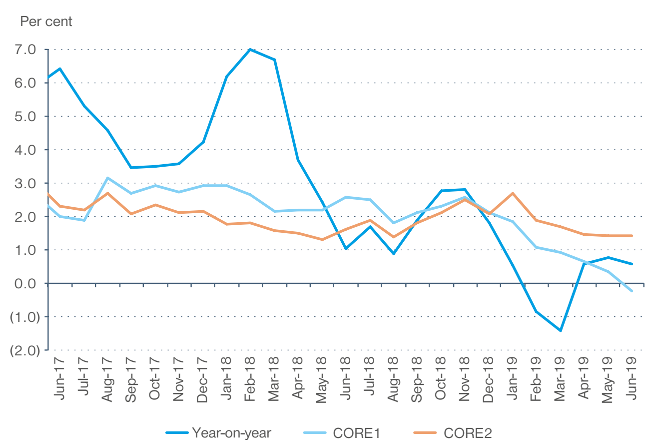
inflation remained unchanged at 1.9 per cent compared to June 2018. On a y-o-y basis, CORE1 inflation stood at -0.2 per cent in June 2019, lower compared to 2.6 per cent in June 2018, while CORE2 inflation also remained at moderate levels and closed FY2018-19 at 1.4 per cent. Chart 2.16 shows the movements of headline and core inflation over the period June 2017 through June 2019 while Chart 2.17 shows the y-o-y movements of CPI and core inflation over the same period.

Chart 2.16: Headline and Core Inflation (12-Month Average)



Sources: Statistics Mauritius and Bank of Mauritius Staff calculations.

Chart 2.17: CPI and Core Inflation (Y-o-y)



Sources: Statistics Mauritius and Bank of Mauritius Staff calculations.

Inflation Expectations

Inflation expectations (headline) assessed in the surveys carried out by the Bank during FY2018-19 drifted down, in line with the prevailing low headline inflation. The mean inflation expectation for a year ahead eased from 5.1 per cent in the survey month of May 2018 to 3.9 per cent in the survey month of November 2018 and further to 2.8 per cent in the survey month of May 2019.

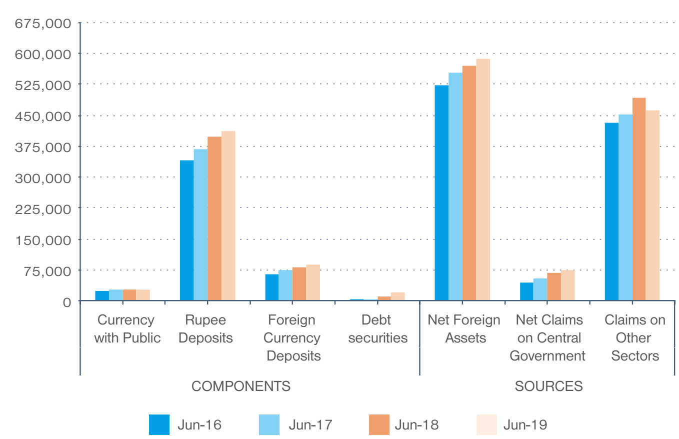
Costs

Both Producer Price Inflation-Agriculture (PPI-A) and Producer Price Inflation-Manufacturing (PPI-M) in FY2018-19 remained at moderate levels. Y-o-y PPI-M went down from 2.9 per cent in June 2018 to 1.7 per cent in June 2019, reflecting lower prices in the manufacturing of food products and beverages. Y-o-y PPI-A remained in negative territory, on account of subdued inflationary pressures in the prices of crop products and animals & animal products. Y-o-y PPI-A stood at -5.8 per cent in June 2019, up from -12.8 per cent in June 2018. Over the 12-month period, PPI-M edged down from 2.6 per cent to 2.5 per cent in June 2019 while PPI-A also eased from -2.0 per cent to -4.5 per cent in June 2019.

MONETARY AGGREGATES AND KEY MONETARY RATIOS

Growth in Broad Money Liabilities (BML) slowed in FY2018-19, albeit being backed by all of its components and the overall growth of loans to the private sector continued on a gradual uptrend. The annual growth rate of BML slowed from 9.4 per cent as at end-June 2018 to 6.4 per cent at the end of June 2019 and was broadly consistent with the nominal increase in GDP. Currency with public and deposit liabilities rose by 3.3 per cent and 5.4 per cent, respectively, in FY2018-19 compared to 2.2 per cent and 7.1 per cent in FY2017-18. Debt securities included in the BML grew at much slower pace of 35.6 per cent in FY2018-19 compared to 201.1 per cent in FY2017-18. Growth in rupee deposits included in BML slowed from 6.4 per cent in FY2017-18 to 4.7 per cent in FY2018-19. Chart 2.18 shows the components and sources of BML as at end-June 2016, 2017, 2018 and 2019.

Chart 2.18: Components and Sources of BML, Rs million



Y-o-y, the net foreign assets (NFA) of depository corporations (DCs) contracted by 2.6 per cent to Rs592.0 billion as at end-June 2019, reflecting mainly a decline of 10.1 per cent in the NFA of other depository corporations

(ODCs) which more than offset the rise of 9.9 per cent in the NFA of the Bank of Mauritius. In FY2017-18, the NFA of DCs stood at Rs607.6 billion. Domestic claims of depository corporations rose by 7.4 per cent to Rs559.3 billion, compared to a drop of 1.3 per cent recorded in FY2017-18. Net claims on Central Government grew by 14.5 per cent to Rs81.2 billion as at end-June 2019, driven to a large extent by the increase in ODCs' holdings of Government Securities. The expansion of claims on other sectors (excluding financial derivatives) was steady at 6.6 per cent over the year ended June 2019, compared to 6.7 per cent at end-June 2018.

The monetary base contracted by 3.0 per cent, from Rs109.0 billion at the end of June 2018 to Rs105.7 billion at the end of June 2019, as against an increase of 35.1 per cent in the preceding year. The drop was mainly driven by the decline of 7.1 per cent in banks' deposits held with the Bank of Mauritius, which more than offset the rise of 6.1 per cent in currency in circulation. On the sources side of the monetary base, among the main components, NFA of the Bank grew by 9.9 per cent in FY2018-19 compared to 27.6 per cent in FY2017-18. Domestic claims went up by 20.6 per cent, mostly due to the increase in net claims on Central Governments arising from the drop in Government deposits.

The income velocity of money, which refers to the frequency of monetary transactions in an economy, edged down to 0.90 at the end of June 2019, from 0.91 at the end of June 2018, somewhat reflecting economic agents' preference for keeping money for effecting transactions. The average broad money multiplier maintained its downtrend and dropped further from 5.5 as at end-June 2018 to 5.3 as at end-June 2019, as the monetary base expanded at a higher pace compared to BML. The BML to GDP ratio, which is an indication of financial depth, maintained its uptrend, from 110.3 as at end-June 2018 to 111.4 as at end-June 2019. Currency with public to GDP ratio edged down from 6.3 to 6.0, reflecting to some extent the increased use of card-based payment services together with internet and mobile banking transactions. Table 2.1 gives details on monetary ratios for the years ended June 2015 through to June 2019.

Table 2.1: Monetary Ratios

	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
1. Monthly Average for year ended (Rs million)					
A. Monetary Base	68,506	70,691	77,763	93,861	103,453
	18.1	*3.2*	*10.0*	*20.7*	*10.2*
B. Broad Money Liabilities (BML)	397,079	437,190	476,601	518,398	552,770
	9.4	*10.1*	*9.0*	*8.8*	*6.6*
I. Currency outside Depository Corporations	23,350	25,760	27,804	29,563	29,698
	8.2	*10.3*	*7.9*	*6.3*	*0.5*
II. Deposit Liabilities	370,109	406,767	443,084	478,050	500,221
	9.5	*9.5*	*8.9*	*7.9*	*4.6*
III. Debt Securities	3,620	4,663	5,713	10,784	22,852
	7.4	*28.8*	*22.5*	*88.8*	*111.9*
2. Selected Monetary Ratios (Per cent)					
I. Income velocity of Money Supply (BML)	1.01	0.97	0.94	0.91	0.90
II. Average Broad Money Multiplier [1]	5.8	6.2	6.1	5.5	5.3
III. BML to GDP	99.1	103.6	106.8	110.3	111.4
IV. Currency with Public to GDP	5.8	6.1	6.2	6.3	6.0

Figures may not add up to totals due to rounding.

[1] The average Money Multiplier for Broad Money Liabilities is defined as the ratio of average Broad Money Liabilities to average Monetary Base.

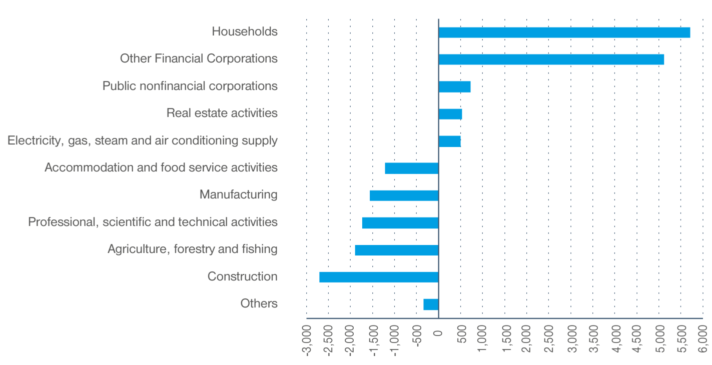
Figures in italics are year-on-year change in per cent.

Bank Loans[2] to Other Nonfinancial Corporations, Households and Other Sectors[3]

The Bank introduced a new format for the collection and compilation of statistics on bank credit to the private sector. The new report, which was disseminated as from October 2018, provides details on loans (including overdrafts and finance leases) disbursed by banks to Other Nonfinancial Corporations (ONFCs), Households, Public Nonfinancial Corporations and Other Financial Corporations. Loans to ONFCs are classified as per the United Nations International Standard Industrial Classification of All Economic Activities ('ISIC') and loans to households as per the purpose of the loans.

Bank loans to the private sector (excluding GBCs) expanded by 1.0 per cent or Rs3.1 billion, from Rs301.4 billion as at end-October 2018 to Rs304.5 billion as at end-June 2019, reflecting additional borrowings from both households and corporates. Household borrowings increased by 5.6 per cent or Rs5.7 billion between end-October 2018 and end-June 2019, largely due to households availing of facilities for housing purposes. Mortgages, which continued to make up the lion's share of loans to households, went up by 5.5 per cent or Rs3.6 billion. The growth in loans to Other Financial Corporations was largely supported by the increase in bank lending to 'Financial Auxiliaries and Other Financial Intermediaries' and 'Holding Companies'. Loans to ONFCs contracted by 5.3 per cent or Rs8.4 billion between October 2018 and June 2019. The 'Construction', 'Agriculture, forestry and fishing', 'Professional, scientific and technical activities' and 'Manufacturing' sectors together contributed to more than 90 per cent of the decrease in loans to ONFCs (Chart 2.19). The decline also reflected repayments by some corporates arising from the issue of bonds, the proceeds of which went to repay part of outstanding loan obligations.

Chart 2.19: Contribution to Increase in Bank Loans Between October 2018 and June 2019, Rs million



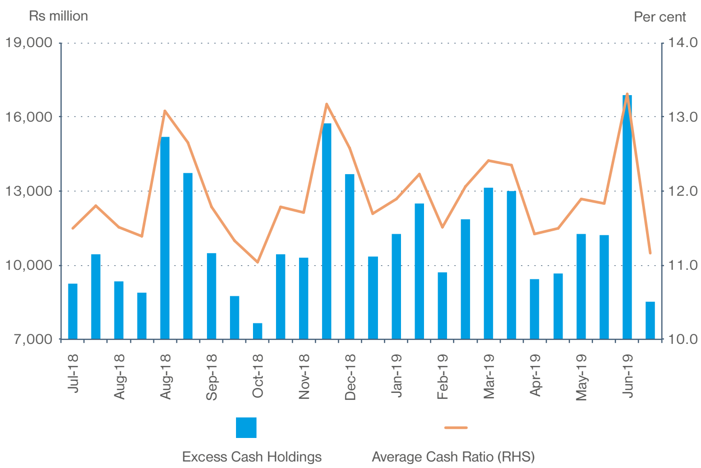
Loans granted to the 'Accommodation and food service activities' sector fell by 3.1 per cent to Rs37.6 billion between end-October 2018 and end-June 2019, mainly reflecting net-repayments from 'Resort Hotels'. As a result, its share in total bank loans declined from 12.9 per cent to 12.3 per cent. Borrowings by operators in the 'Manufacturing' sector dropped by 6.8 per cent to Rs21.3 billion, most notably on account of the decrease in loans to the 'Manufacture of food products' sub-sector. The share of the 'Manufacturing' sector in total bank loans fell from 7.6 per cent as at end-October 2018 to 7.0 per cent as at end-June 2019. The 'Construction' sector accounted for 5.8 per cent of total bank loans as at end-June 2019, lower compared to its share of 6.8 per cent as at end-October 2018. Loans extended to this sector contracted by 13.2 per cent, largely explained by net-repayments in the 'Construction of Buildings' sub-sector. Loans granted to the 'Agriculture, forestry and fishing' sector decreased by 12.2 per cent to Rs13.7 billion as at end-June 2019, primarily due to the fall in loans to the 'Crop and animal production, hunting and related service activities' sub-sector. Consequently, the share of the sector edged down from 5.2 per cent to 4.5 per cent. On the other hand, bank lending to the 'Real estate activities' sector increased by 3.8 per cent to Rs14.5 billion as at end-June 2019. This sector accounted for 4.8 per cent of total bank loans as at end-June 2019, marginally higher compared to 4.7 per cent as at end-October 2018.

Maintenance of Cash Reserve Ratio

During FY2018-19, the fortnightly minimum cash reserve ratio that banks are required to maintain on their rupee and foreign currency deposits remained unchanged at 9.0 per cent and 6.0 per cent, respectively. Banks' average rupee excess reserves ranged between Rs7.6 billion and Rs16.9 billion in FY2018-19 and the annual average rupee excess reserves stood at Rs12.2 billion, up from Rs8.0 billion in the previous financial year. The excess liquidity was skewed towards a few banks and included voluntary reserves held by banks. The average foreign currency excess reserves held by banks ranged between Rs9.4 billion and Rs22.6 billion in FY2018-19 and the annual average reserves worked out to Rs14.5 billion, compared to Rs9.7 billion in FY2017-18. In sum, the rise in the overall average cash ratio was mainly driven by foreign currency cash ratio, with banks' reserves partly serving as unencumbered high quality liquid assets to meet their Liquidity Coverage Ratio. Chart 2.20 shows the evolution of excess rupee cash holdings and average rupee cash ratio.

[2] *Loans include only facilities extended by banks in the form of loans, overdrafts and finance leases.*
[3] *Other sectors include only Other Financial Corporations and Public Nonfinancial Corporations.*

Chart 2.20: Rupee Excess Cash Holdings and Average Rupee Cash Ratio



Interest Rate

The Key Repo Rate (KRR) was kept unchanged at 3.50 per cent per annum at the four MPC meetings held during FY2018-19. Despite an unchanged KRR, several banks had adjusted up their Savings Deposit Rate (SDR), as the yields on short-term Treasury Bills increased but left their Prime Lending Rate (PLR) unchanged. Banks' SDR, which fluctuated between 1.20-2.00 per cent in July 2018, rose to 1.35-2.00 per cent in August 2018 and further to 1.35-2.10 per cent in September 2018 and remained same till June 2019. The PLR remained unchanged within a range of 5.65-8.50 per cent during FY2018-19.

The weighted average rupee deposit rate of banks picked up from 1.65 per cent in July 2018 to 1.74 per cent in March 2019, but dropped to 1.71 per cent in June 2019. Banks' weighted average lending rate hardly moved during FY2018-10 and inched down from 6.23 per cent in July 2018 to 6.22 per cent in June 2019. The spread between the weighted average lending and deposits rates varied between 4.48 per cent and 4.68 per cent during FY2018-19 compared to a range of 4.45-4.64 per cent during the preceding year.

FINANCIAL ACCESS AND INCLUSION

Financial inclusion refers to the access of individuals and businesses to useful and affordable financial products and services, delivered in a responsible and sustainable way. Besides enhancing conventional financial access, the Bank has endeavoured to facilitate access to technologically advanced financial products to Mauritians who are already financially-integrated to traditional financial products and services.

According to IMF Financial Access Survey (FAS) data compiled by the Bank, over the ten-year period ending December 2018, the number of bank deposit accounts held per Mauritian aged 15 years and above rose from 2.11 to 2.16 while the outstanding loan amount to this population segment rose from Rs0.19 million to Rs0.28 million per person.

The number of active mobile money accounts doubled from 0.07 in 2017 to 0.14 in 2018. The number of mobile banking and mobile payments' transactions per Mauritian population aged 15 years and above rose from 0.9 to 1.2. The number of internet banking transactions per person of this population segment grew to 0.45 in 2018, up from 0.37 in 2017. Total value of card transactions, which are related to credit cards, debit cards, ATMs and Merchant Points of Sale, increased by nearly 3.0 per cent over a five-year period, from Rs15.7 billion in 2013 to Rs20.2 billion in 2018.

Gradually, more women are having access to financial products and services. The gender gap fell in December 2018 in terms of both the number of female to male depositors and their relative outstanding amount of deposits. The latter ratio rose from 0.66 at the end of December 2017 to 0.68 as at end-December 2018. Of note, female outstanding deposits as a percentage of the total female population increased from 16.7 per cent as at end-December 2017 to 17.4 per cent as at end-December 2018.

As per FAS indicators, the number of SME depositors rose by around 3 per cent to about 40,000 as at end-December 2018 while the number of SME deposit accounts at banks edged up by around 2 per cent to about 52,000. The number of SME depositors as a percentage of total banks' depositors rose from 1.98 per cent to 2.03 per cent. Similarly, the number of SME deposit accounts as a percentage of total commercial banks' deposit accounts rose from 2.27 per cent to 2.31 per cent. The total amount of credit facilities approved under the Small and Medium Enterprises Financing Scheme (inclusive of Small and Micro Enterprises with a turnover under Rs10 million) rose by more than 13 per cent, from Rs8.6 billion in 2017 to Rs9.7 billion in 2018 (cumulated as from December 2011). The total number of Credit Unions and Credit Cooperative Institutions rose from 178 in 2017 to 205 in 2018, further contributing to financial access of SMEs.

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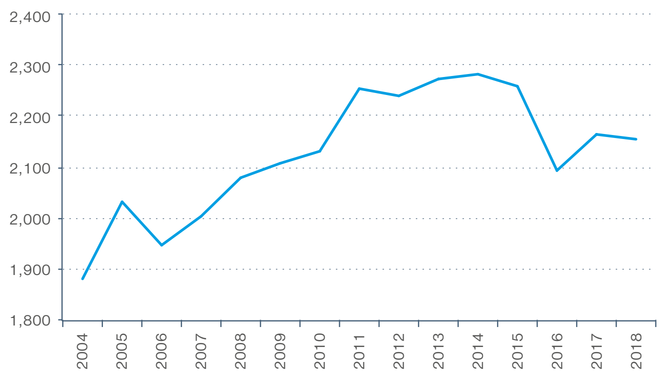
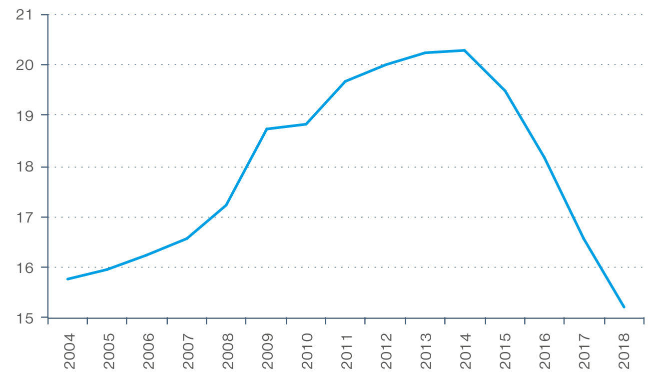
Indicators of Financial Access

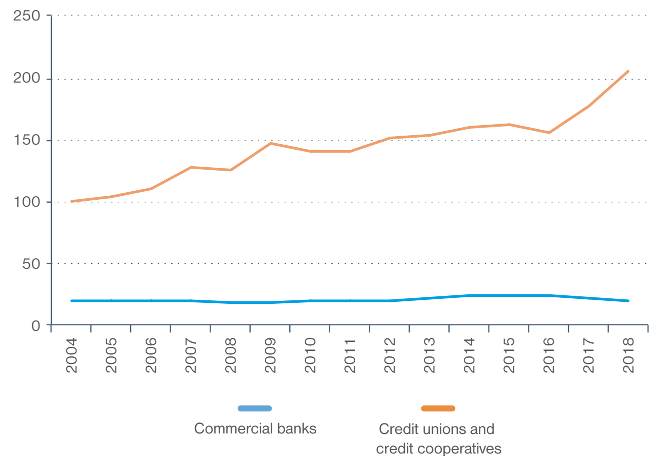
Number of deposit accounts per 1,000 population aged 15 and above



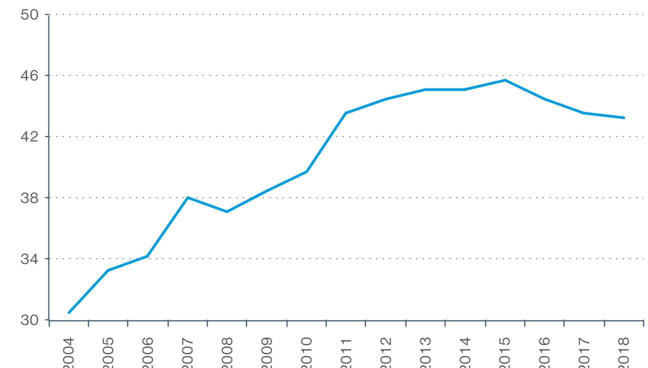
Number of branches per 100,000 population aged 15 and above



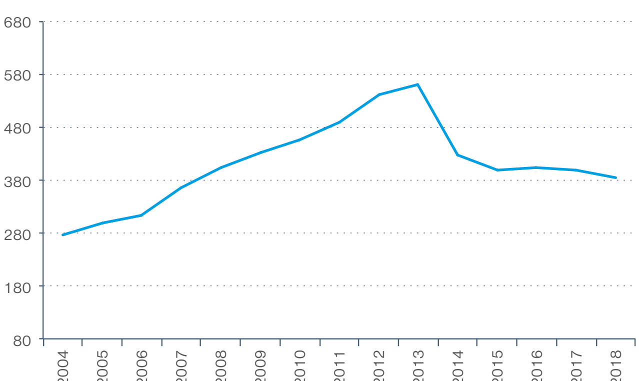
Number of Other Depository Corporations



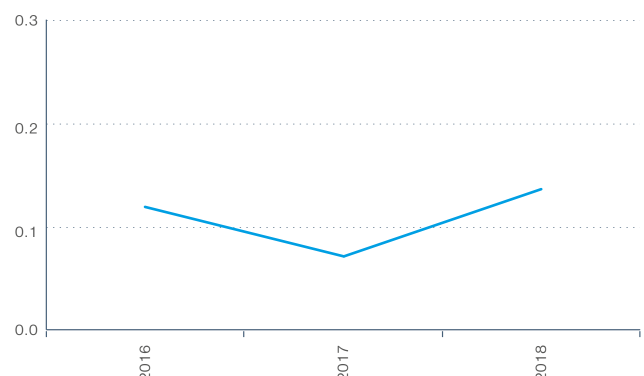
Number of ATMs per 100,000 population aged 15 and above



Number of Loan accounts at Commercial Banks (thousand)



Number of active Mobile money accounts per population aged 15 and above



EXTERNAL TRADE AND BALANCE OF PAYMENTS

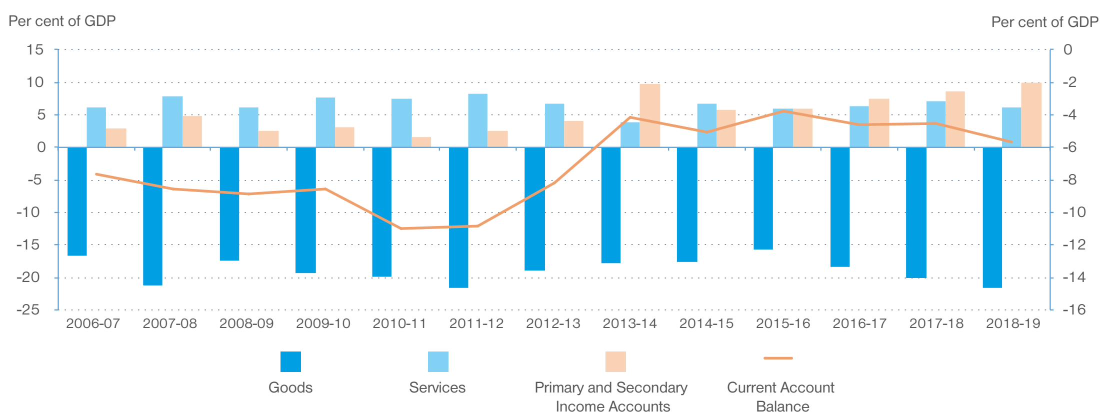
The current account deficit is estimated to have deteriorated in FY2018-19, on account of the widening goods account deficit. However, the net borrowing on the financial account, inclusive of reserve assets, was more than adequate to finance the estimated current account deficit. The current account deficit is estimated to have widened from Rs21.4 billion in FY2017-18 to Rs28.0 billion in FY2018-19. As a ratio to GDP, the current account deficit would have risen from 4.6 per cent to 5.7 per cent over that period. The goods account deficit deteriorated by Rs12.8 billion, from Rs94.9 billion (or 20.2 per cent of GDP) in FY2017-18 to Rs107.7 billion (or 21.9 per cent of GDP) in FY2018-19.

Total imports (c.i.f) soared by Rs17.7 billion, from Rs182.6 billion in FY2017-18 to Rs200.3 billion in FY2018-19, reflecting to a large extent higher imports related to infrastructure projects and refined petroleum products. This rise is mainly explained by an increase of 15.5 per cent in "Mineral fuels, lubricants and related products" coupled with an increase of 12.3 per cent in "Machinery & transport equipment" which represented 19.3 per cent and 23.1 per cent of total imports, respectively, in FY2018-19.

Total exports (f.o.b.) increased by Rs3.2 billion, or 4.0 per cent, from Rs78.9 billion (or 16.8 per cent of GDP) in FY2017-18 to Rs82.1 billion (or 16.7 per cent of GDP) in FY2018-19, reflecting the pick-up in the exports of 'Ship's stores and bunkers', 'Domestic exports' and 'Re-exports'. On a y-o-y basis, exports, excluding 'Ship's Stores and Bunkers', rose by 2.0 per cent in FY2018-19 on account of increase in "Fish" (+4.9 per cent), which more than offset the fall in "Cane sugar" (-2.2 per cent), and "Articles of apparel & clothing accessories" (-1.5 per cent). All these three categories represented 60.2 per cent of total exports.

The surplus on the services account declined from Rs33.3 billion (or 7.1 per cent of GDP) in FY2017-18 to Rs30.2 billion (or 6.2 per cent of GDP) in FY2018-19 due to lower tourism receipts. Gross tourism earnings declined from Rs64.4 billion in FY2017-18 to Rs61.6 billion in FY2018-19. The surplus on the primary income account increased from Rs50.1 billion in FY2017-18 to Rs58.9 billion in FY2018-19. The deficit on the secondary income account declined from Rs9.9 billion to Rs9.4 billion over the same period. Chart 2.21 shows the main components of the current account for FY2006-07 through FY2018-19.

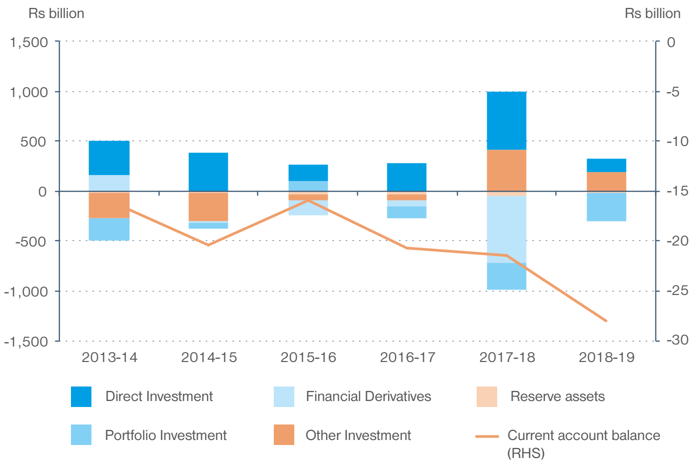
Chart 2.21: Components of the Current Account



Capital and Financial Account

Net inflows on the capital and financial account have been estimated at Rs31.9 billion in FY2018-19, higher than the Rs19.8 billion net inflows recorded in FY2017-18. Inclusive of GBLHs' transactions, the direct investment account is estimated to have registered net inflows of Rs141.3 billion in FY2018-19 compared to Rs588.4 billion recorded in the previous fiscal year. Non-GBLHs' investment by non-residents in Mauritius, net of repatriation, reached Rs13.4 billion. As in recent years, the 'real estate' sector was the major recipient. Excluding GBLHs' transactions, direct investment abroad, net of repatriation, was estimated at Rs2.9 billion in FY2018-19. The portfolio investment account, inclusive of GBLHs' transactions, is estimated to have recorded net outflows of Rs285.5 billion in FY2018-19. The asset breakdown shows that there was a fall of investment in equity coupled with a turnaround to net disinvestments of debt instruments by residents from abroad. On the liability side, there was a turnaround from net investments by non-residents in FY2017-18 to net disinvestments in FY2018-19. Non-residents' net disinvestments from the domestic capital market amounted to Rs2.4 billion in FY2018-19 compared to net disinvestments of Rs2.0 billion in FY2017-18. Chart 2.22 shows the financing of the current account from FY2013-14 through FY2018-19.

Chart 2.22: Financing of the Current Account

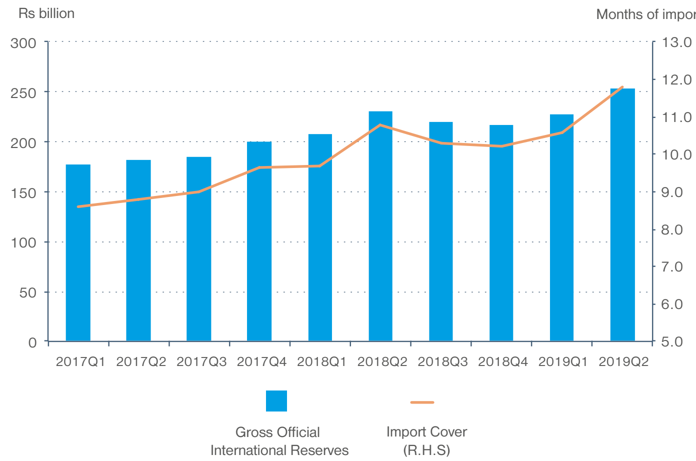


The 'other investment' account, inclusive of GBLHs' transactions, is estimated to have recorded net inflows of Rs194.6 billion in FY2018-19 compared to Rs409.9 billion in FY2017-18, driven mainly by the pick-up in withdrawals of assets held abroad by 'other sectors', consisting mostly of GBLHs. The general government sector registered higher net outflows of Rs4.0 billion compared to net outflows of Rs2.2 billion in FY2017-18.

Gross Official International Reserves

The Gross Official International Reserves (GOIR) of the country, comprising principally the gross foreign assets of the Bank of Mauritius and reserve position in the IMF, increased by Rs22.9 billion, from Rs230.5 billion as at end-June 2018 to Rs253.4 billion as at end-June 2019 (Chart 2.23). In US dollar terms, the GOIR increased from USD6,668.5 million as at end-June 2018 to USD7,161.4 million as at end-June 2019. Based on the value of imports of goods (f.o.b.) and non-factor services for the calendar year 2018, the GOIR of the country represented 11.8 months of imports as at end-June 2019 compared to 10.8 months as at end-June 2018. The high level of GOIR provides adequate buffer against potential external headwinds.

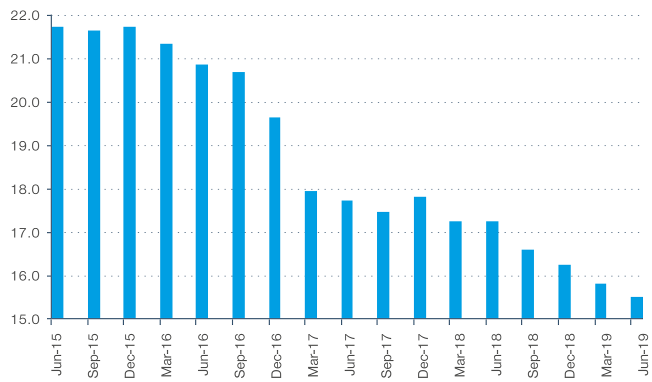
Chart 2.23: Gross Official International Reserves and Import Cover



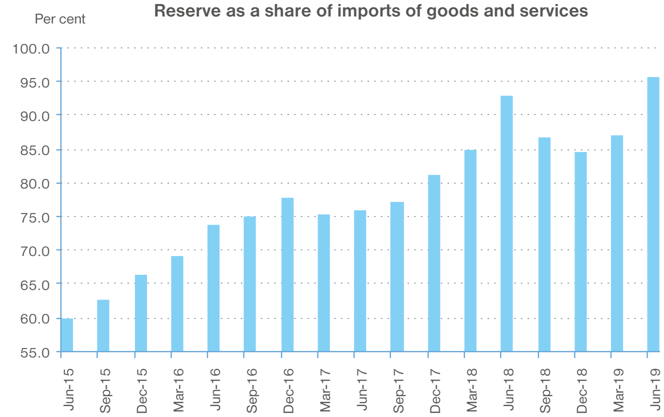
EXTERNAL VULNERABILITIES INDICATORS

Higher exports of goods and gross international reserves as well as a lower gross external debt contributed to the easing of the external vulnerabilities of the Mauritian economy during FY2018-19. The gross external debt of the country declined from Rs81.1 billion (or 17.3 per cent of GDP) as at end-June 2018 to Rs77.0 billion (or 15.7 per cent of GDP) as at end-June 2019. The ratio of gross external debt to exports of goods and services edged down to 41.1 per cent as at end-June 2019, from 43.5 per cent a year earlier, while the level of gross official reserves were more than three times the stock of gross external debt. The ratio of external debt servicing to exports of goods and services declined from 5.9 per cent in FY2017-18 to 4.2 per cent in FY2018-19.

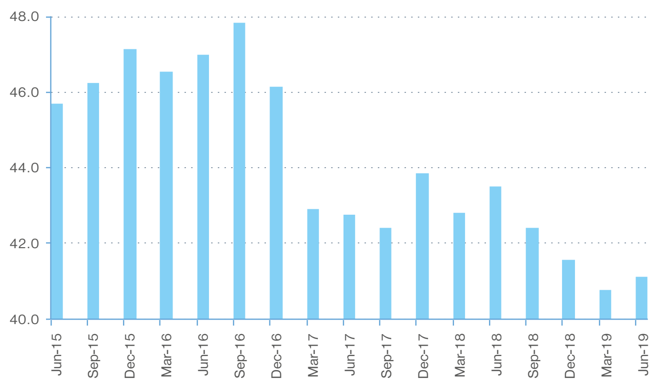
Gross External Debt as a share of GDP



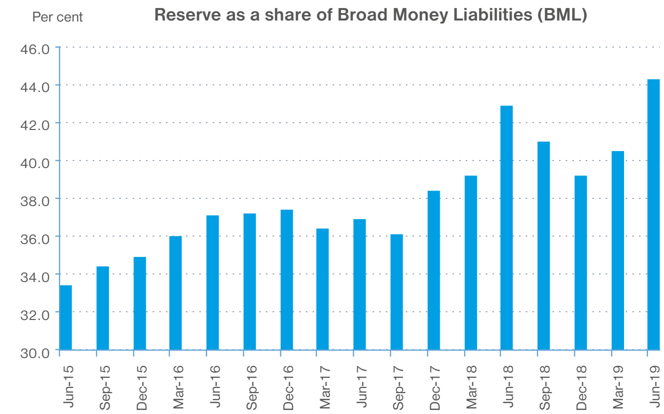
Reserve as a share of imports of goods and services



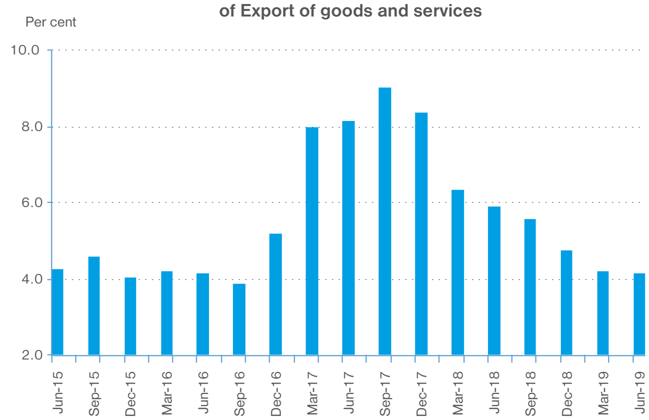
Gross External Debt as a share of exports of goods and services



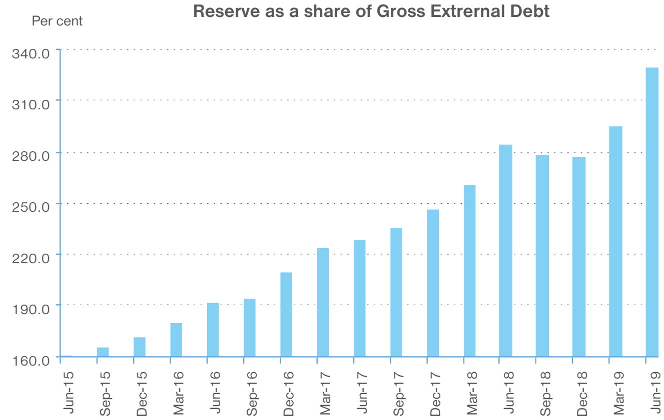
Reserve as a share of Broad Money Liabilities (BML)



External Debt Service as a share of Export of goods and services



Reserve as a share of Gross Extrernal Debt



Workers' Remittances

Inward workers' remittances in FY2018-19 have been estimated at Rs2,790 million, compared to Rs2,123 million in FY2017-18, higher by 31.4 per cent. The top ten source countries for inward workers' remittances accounted for 73.8 per cent of the total inward remittances in FY2018-19 compared to 74.7 per cent in FY2017-18 (Table 2.2). As a percentage to GDP, inward remittances stood at 0.6 per cent for FY2018-19 compared to 0.5 per cent in FY2017-18.

Table 2.2: Inward Workers' Remittances, Top 10 Source Countries

	2017-18		2018-19	
	Amount (Rs million)	Share (%)	Amount (Rs million)	Share (%)
Inward remittances	**2,123**		**2,790**	
France	583	20.9	719	25.8
United Kingdom	332	11.9	410	14.7
USA	165	5.9	262	9.4
Ireland	101	3.6	149	5.3
Italy	83	3.0	111	4.0
Canada	69	2.5	100	3.6
Switzerland	70	2.5	96	3.4
United Arab Emirates	72	2.6	87	3.1
Australia	64	2.3	70	2.5
Belgium	46	1.7	55	2.0

Outward workers' remittances summed to Rs6,627 million in FY2018-19 compared to Rs5,330 million in FY2017-18. Some 75 per cent of the total outward remittances were directed to the Asian continent, with Bangladesh and India, receiving Rs2,398 million (or 36.2 per cent of total) and Rs2,114 million (or 31.9 per cent of total), respectively. Foreign workers employed in the manufacturing sector effected the largest transfers in FY2018-19. Table 2.3 shows the top five destination countries for outward remittances.

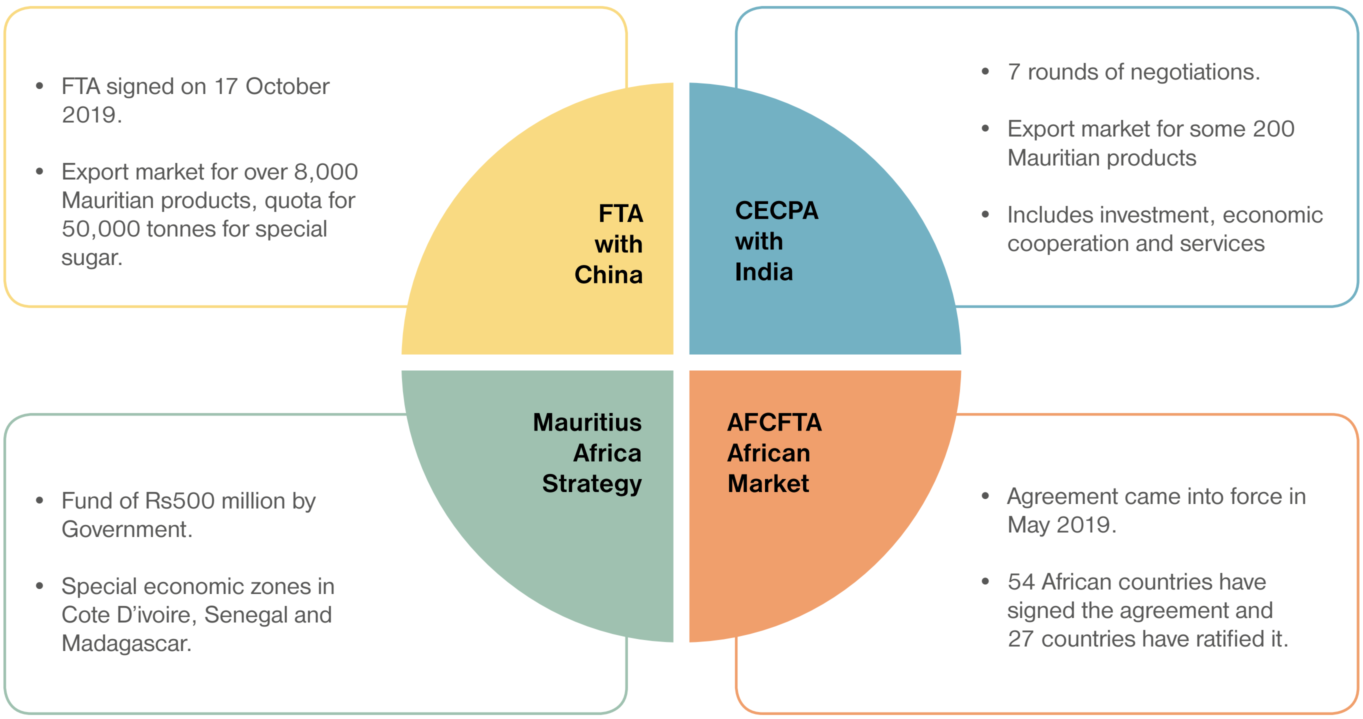
Table 2.3: Outward Workers' Remittances, Top 5 Destination Countries

	2017-18		2018-19	
	Amount (Rs million)	**Share** (%)	**Amount** (Rs million)	**Share** (%)
Outward remittances	**5,330**		**6,627**	
Bangladesh	1,880	28.4	2,398	36.2
India	1,571	23.7	2,114	31.9
France	359	5.4	431	6.5
Madagascar	159	2.4	262	3.9
China	143	2.2	169	2.5

The overall charge for inward and outward remittances in FY2018-19 averaged 0.07 per cent and 0.8 per cent, respectively, compared to 0.05 per cent and 1.0 per cent, respectively in FY2017-18. Mauritius remains compliant with the United Nations Sustainable Development Goals, target 10.c, that is, to reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent by 2030.

Regional Integration Initiatives

Mauritius has continued to strengthen its bilateral and regional networks. As a small and open economy, the trade channel remains key for growth and development, the more so that the country has limited factor endowments and a small market size. As a member of SADC and COMESA, the country benefits from preferential access to the Sub-Saharan African market although intra-trade within these trading poles has been limited, with the exception of trade with South Africa and Madagascar. Trade with major emerging economies such as China and India has been more significant but uneven as these countries are primarily a source of imports rather than export markets.



Free Trade Agreement – China

Mauritius has signed a Free Trade Agreement (FTA) with China on 17 October 2019 in Beijing, the first FTA which China has signed with a country of the African continent. The FTA will give the country access to a huge market of 1.4 billion inhabitants, with a GDP of some US$13 trillion and enable Mauritius to benefit from duty free access on the Chinese market on some 8,227 products, representing 96 per cent of the Chinese tariff lines. These products include key export items such as rhum, frozen fish, noodles and pasta, wafers and biscuits, fresh fruits, juices, mineral water, linen, garments, watches and articles of leather. The FTA covers 17 chapters, such as trade in goods and services, intellectual property, investment, economic cooperation, e-commerce, competition policy, among others. The agreement also consists of an export quota of 50,000 tonnes of special sugar for Mauritian sugar producers, on which import duty will be applicable and increased progressively to a maximum of 15 per cent by the eighth year. As regards trade in services, Mauritius service providers will have access to various services sector, including financial services, telecommunications, ICT, professional services, construction and health services.

Mauritius has traditionally run a large trade deficit with China. In FY2018-19, Mauritius imported about Rs34 billion of goods from China, but exported about Rs1.3 billion of goods which consisted mainly of fish exports, refined copper and animal feeds. The FTA is likely to support exports growth to the world's second largest economy and diversify the euro-centric exports base.

Comprehensive Economic Cooperation and Partnership Agreement (CECPA) – India

The first round of negotiations on the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India started in 2017, with seven rounds of negotiations held till date. The agreement covers four aspects of trade, namely trade in goods, trade in services, investment and economic cooperation. The trade agreement will be implemented in stages, with trade in goods more likely to be initiated in the first phase. CECPA will provide access to the Indian market for some 200 Mauritians goods, such as sugar, textile products, rhum, medical equipment and jewellery, among others. The agreement is expected to be signed in the near future. Mauritius also runs a significant trade deficit with India.

In FY2018-19, Mauritius imported Rs37.8 billion worth of goods from India, of which over 80 per cent pertained to petroleum products, but exported just below Rs1 billion of goods to India, which consisted mainly of vanilla, medical equipment and jewellery to a lesser extent.African Continental Free Trade Area (AfCFTA)

African Continental Free Trade Area (AfCFTA)

In December 2010, African countries decided to create a continent-wide FTA by eliminating tariffs and quotas on goods and services. This was endorsed by respective Heads of State and Governments at the African Union Summit in January 2012. Mauritius signed the Agreement establishing the AfCFTA in March 2018, along with 44 African countries. The agreement consists of three protocols, namely on trade in goods, services and rules and procedures for the settlement of disputes. While negotiations have been ongoing since 2015, modalities on trade in goods and services have been agreed, with 90 per cent of tariff lines on goods expected to be eliminated. Trade in services will focus on five main priority sectors, namely financial, transport, communication, tourism and business sectors. The AfCFTA came into force on 30 May 2019. The main objectives of the AfCFTA are to (i) create a single continental market for goods and services, with free movement of business persons and investments; (ii) expand intra-Africa trade; and (iii) enhance Africa's competitiveness and support its economic transformation. To-date, 54 African Member States, including Mauritius, have signed the AfCFTA, which was ratified by 27 countries. However, while the Agreement has come into force, work still remains in terms of the finalisation of rules of origin and market access for both trade in goods and trade in services. The final market access offers of African Union Member States for trade in goods as well as the Schedule of Specific Commitments will be submitted to the January 2020 Session of Assembly of the African Union. In FY2018-19, exports to the African continent (excluding Reunion Island) accounted for around a quarter of total exports, albeit dominated mainly by exports to South Africa, Madagascar and Kenya. The share of exports to Africa is expected to expand further with the AfCFTA.

Mauritius Africa Strategy (MAF)

Mauritius aims to position itself as a platform for trade and investment in Africa. In this respect, the Mauritius Africa Fund, first introduced in Budget 2012, was set up to encourage domestic enterprises to invest in Africa. Key objectives of the Fund were to establish a clear strategy for promoting Mauritian investments into Africa; to steer the development of integrated projects; including Special Economic Zones in selected African countries; to assist in developing joint ventures and partnership agreements between African and Mauritian firms; and to establish financing instruments for companies to enter the African market, especially for small and medium-sized enterprises (SMEs). To that end, The Senegal Cargo Village and Cote d'Ivoire Technology Park have been set up, and a special economic zone in Madagascar, the Madagascar Industrial Zone, is in the pipeline. Government has committed to invest an amount of Rs500 million in the Fund over a period of five years. To some extent, large Mauritian companies have already invested in Africa in sectors such as financial services (banks and insurance companies), textiles, agriculture (sugar) and tourism.

Trade with SADC and COMESA countries has been somewhat limited. Main trading partners in these blocs included South Africa, Madagascar and Kenya. In FY2018-19, Mauritius imported Rs17.2 billion of goods from South Africa and exported Rs7.5 billion worth of goods, mainly comprising textiles. Over the financial year, Mauritius ran a trade surplus with Kenya and Madagascar. The country imported Rs1.5 billion both from Kenya and Madagascar in FY2018-19, but exported Rs2.2 billion to Kenya and Rs4.6 billion to Madagascar. Exports to Kenya consisted mainly of sugar and electronics, while exports to Madagascar were more diverse, consisting of textiles, instant noodles, articles of plastics, electronics and medicine, amongst others. Kenya and Madagascar accounted for almost 80 per cent of total COMESA exports from Mauritius, while Madagascar and South Africa constituted nearly 90 per cent of total SADC exports.

GOVERNMENT FINANCE

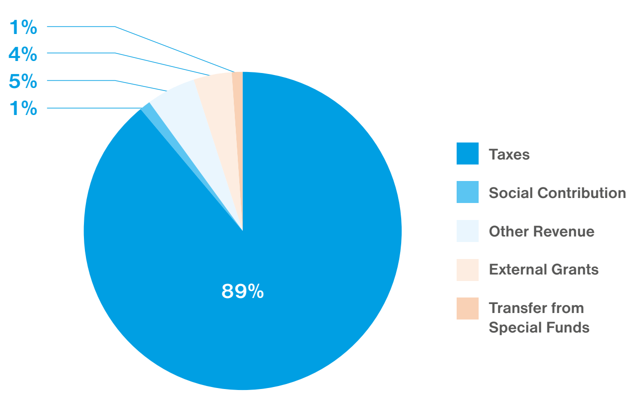
The budget deficit increased from 2.9 per cent of GDP in FY2017-18 to 3.2 per cent in FY2018-19, and was wholly financed from domestic sources. Total government revenue increased from Rs105.8 billion in FY2017-18 to Rs110.7 billion in FY2018-19 or by 4.6 per cent compared to 12.5 per cent in FY2017-18. Tax revenue, which accounted for nearly 91 per cent of recurrent revenue, rose from Rs91.5 billion to Rs98.9 billion over the fiscal year ended June 2019, or by 8.1 per cent compared to 8.7 per cent in FY2017-18 (Chart 2.24). The tax buoyancy fell from 1.6 FY2017-18 to 1.5 in FY2018-19. Taxes on income, profits, and capital gains rose by 13.9 per cent, from Rs23.3 billion to Rs26.6 billion in FY2018-19, compared to a growth rate of 7.1 per cent in FY2017-18. Taxes on goods and services, which accounted for about 60.0 per cent of recurrent revenue, rose by 6.3 per cent to Rs63.1 billion in FY2018-19. Social contributions remained almost unchanged at Rs1.3 billion in FY2018-19, which nonetheless translates into a decline of 2.3 per cent in FY2018-19 compared to a fall of 2.1 per cent in FY2017-18. Capital revenue dropped by 31.5 per cent in FY2018-19 on account of the decline of 81.4 per cent in transfer from special funds which decreased from Rs4.8 billion to Rs0.9 billion in FY2018-19 that was partly offset by a rise of 61.5 per cent in external grants which increased to Rs4.2 billion during the period under review.

Total government expenditure rose by 6.0 per cent from Rs119.4 billion in FY2017-18 to Rs126.5 billion in FY2018-19. Recurrent expenditure also increased from Rs104.6 billion in FY2017-18 to Rs113.2 billion in FY2018-19, or by 8.3 per cent compared to 5.0 per cent in the in FY2017-18. Compensation of employees, social benefits and grants were the major components of recurrent expenditure, which together accounted for about 74.7 per cent of recurrent expenditure (Chart 2.25). Compensation of employees amounted to Rs31.4 billion or about 6.2 per cent of GDP, while social benefits stood at Rs32.0 billion or 6.4 per cent of GDP in FY2018-19. Capital expenditure fell by 10 per cent from Rs14.8 billion in FY2017-18 to Rs13.3 billion in FY2018-19. A lower growth of 5.5 per cent was registered in acquisition of non-financial assets compared to 25.6 per cent in FY2017-18. Implementation rate of capital projects was about 73 per cent of the estimated FY2018-19 amount compared to about 64 per cent in FY2017-18.

Budget Balance and Financing

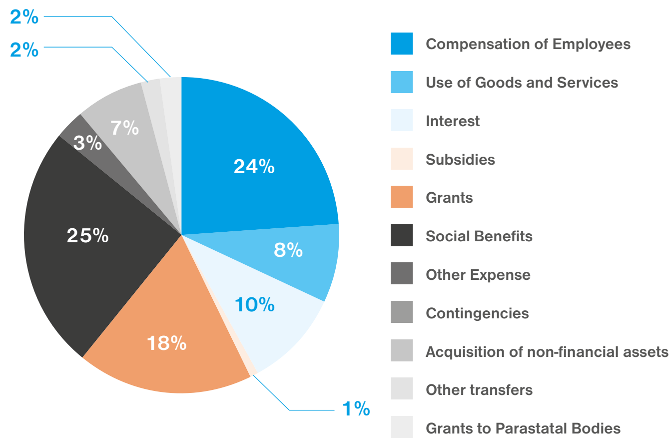
The budget balance deteriorated from a deficit of Rs13.5 billion in FY2017-18 to Rs15.9 billion in FY2018-19, mainly due to lower capital revenue. The recurrent budget deficit widened from Rs6.2 billion in FY2017-18 to Rs7.6 billion in FY2018-19, reflecting higher recurrent expenditure. The capital deficit was higher at Rs8.2 billion, due to lower capital revenue which exceeded capital expenditure during FY2018-19. The budget deficit as a share to GDP stood at 3.2 per cent, compared to 2.9 per cent in FY2017-18. The deficit was financed exclusively from domestic sources. The primary deficit, which is computed by deducting interest payments from the budget deficit, stood at 0.6 per cent of GDP compared to 0.5 per cent in FY2017-18.

Chart 2.24: Sources of Government's Total Revenue in FY2018-19



Source: Ministry of Finance and Economic Development.

Chart 2.25: Components of Government's Total Expenditure in FY2018-19



Source: Ministry of Finance and Economic Development.

Budgetary Estimates for FY2019-20

The budget deficit has been estimated at Rs16.9 billion in FY2019-20 or 3.2 per cent of GDP, unchanged from FY2018-19. The recurrent budget deficit is estimated to decline to 1.3 per cent as a share to GDP. However, capital budget deficit as a ratio to GDP is projected to widen to 1.9 per cent, with capital expenditure increasing from Rs13.3 billion in FY2018-19 to Rs17.0 billion in FY2019-20, mainly due to higher expenditure on acquisition of non-financial assets. The budget deficit is projected to be financed mainly through domestic sources, while the primary deficit is estimated to remain unchanged at 0.6 per cent as a share of GDP.

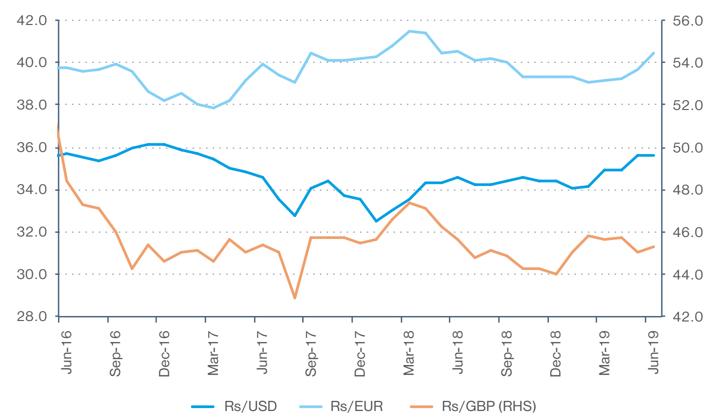
Public Sector Debt

Public sector debt increased by 7.6 per cent, from Rs298.1 billion as at end-June 2018 to Rs320.7 billion as at end-June 2019, reflecting a build-up in public enterprises' domestic debt. As a share to GDP, public sector debt rose from 63.4 per cent as at end-June 2018 to 64.6 per cent as at end-June 2019. Public sector domestic debt increased by 11.2 per cent, from Rs240.8 billion as at end-June 2018 to Rs267.7 billion as at end-June 2019, representing 53.9 per cent as a share to GDP. However, public sector external debt declined by 7.6 per cent, from Rs57.3 billion as at end-June 2018 to Rs53.0 billion as at end-June 2019. Public sector external debt as a ratio to GDP dropped to 10.7 per cent, from 12.2 per cent as at end-June 2018.

Debt obligations of public enterprises increased by 19.6 per cent to Rs35.6 billion as at end-June 2019. Public enterprises domestic debt rose by almost 35 per cent to Rs22.9 billion. Both guaranteed and non-guaranteed public enterprises domestic debt increased over the year. However, public enterprises external debt declined by 0.5

per cent to Rs12.7 billion. Budgetary central Government external debt remained concentrated in the two most liquid and largest reserve currencies: euro (41.9 per cent) and the US dollar (31.8 per cent) as at end-June 2019. The relative share of debt denominated in Chinese Yuan and Japanese Yen fell by 1.6 percentage points and 0.1 percentage point, respectively, compared to a year ago. Debt denominated in Pound sterling remained unchanged over the year while those denominated in US dollar rose by 0.5 percentage point. The share of debt carrying a floating interest rate tag was 57.0 per cent while that with fixed interest rates was at 42.3 per cent. The debt service ratio, a key indicator of a country's external debt burden, fell to 4.0 per cent as at end-June 2019, from 5.5 per cent at end-June 2018.

Chart 2.26: Nominal Exchange Rate



EXCHANGE RATE DEVELOPMENTS

During FY2018-19, the rupee exchange rate evolved broadly in line with developments on the international markets. On a point-to-point basis, between end-June 2018 and end-June 2019, the weighted average dealt selling rate of the rupee depreciated by 2.7 per cent against the US dollar from Rs34.623 to Rs35.768. In contrast, the rupee appreciated by 0.2 per cent against the euro from Rs40.557 to Rs40.465 and by 0.9 per cent vis-à-vis the Pound sterling from Rs45.670 to Rs45.276 (Chart 2.26). On an annual average basis, the rupee weakened by 2.5 per cent against the US dollar during FY2018-19 as against an appreciation of 5.3 per cent in the preceding financial year. On the other hand, the rupee strengthened by 2.0 per cent and 1.5 per cent vis-à-vis the euro and Pound sterling, respectively, during the year under review as against depreciation of 3.6 per cent and 0.6 per cent in FY2017-18.

During FY2018-19, the rupee fluctuated within a narrow range against the US dollar, posting a monthly average of Rs34.591, and maintaining a depreciating trend to end the financial year at Rs35.589. Movements of the rupee against the euro also remained within a tight range. The rupee initially strengthened against the euro to reach a high of Rs38.910 in February 2019 but subsequently lost ground to settle at Rs40.269 in June 2019. In tandem with the weakness of the Pound sterling on international markets arising mainly from Brexit-related uncertainties, the rupee appreciated vis-à-vis the Pound sterling during FY2018-19 and fluctuated from a low of Rs43.698 in December 2018 to a high of Rs45.860 in March 2019.

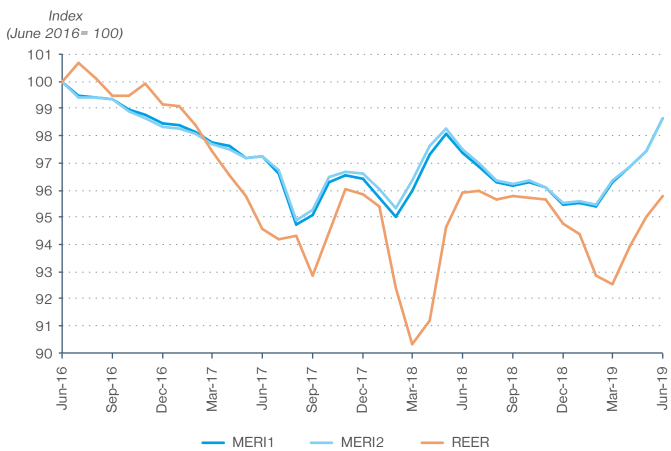
Overall, the strength of the US dollar on international financial markets, with respective appreciation of 4.1 per cent and 2.9 per cent of the DXY and Dow Jones Dollar Index in FY2018-19, weighed on the rupee. Upbeat economic data releases, including robust US economic activity and favourable labour market conditions, coupled with strong investor confidence in the US economy, boosted the US dollar, although gains were capped by more dovish stance by the US Fed and ongoing trade tensions with China and other countries, including Mexico, Canada, the European Union and Turkey. On the other hand, the rupee strengthened against the euro amid underperformance of the Eurozone, lingering political tensions and idiosyncratic factors in a number of Eurozone member countries, which impacted adversely on the euro. Further, weak inflation in the single currency bloc compelling the European Central Bank to adopt a more dovish monetary policy stance also took a toll on the euro. In parallel, the rupee gained vis-à-vis the Pound sterling which is still under the spell of intensified uncertainty surrounding the terms governing the exit of the UK from the European Union.

In nominal effective terms, as measured by MERI1 and MERI2, the rupee bore the brunt of the strength of the currencies of major trading partners and depreciated by 1.4 per cent and 1.2 per cent, respectively, from 100.331 and 99.445 in June 2018 to 101.707 and 100.649 in June 2019. In FY2018-19, MERI1, on average, depreciated marginally by 0.2 per cent as against appreciation of 2.2 per cent in FY2017-18. MERI2, on its part, remained flat during the period under review, following an appreciation of 1.9 per cent in the preceding financial year.

In real effective terms, based on trade weights and on a point-to-point basis between June 2018 and June 2019, the rupee appreciated marginally by 0.1 per cent from 102.246 to 102.095. On an annual average basis, the rupee depreciated by 0.9 per cent in FY2018-19 as against appreciation of 4.7 per cent in FY2017-18, mostly reflecting a favourable inflation differential for Mauritius relative to trading partner countries. Chart 2.27 illustrates the evolution of MERI1, MERI2 and REER.

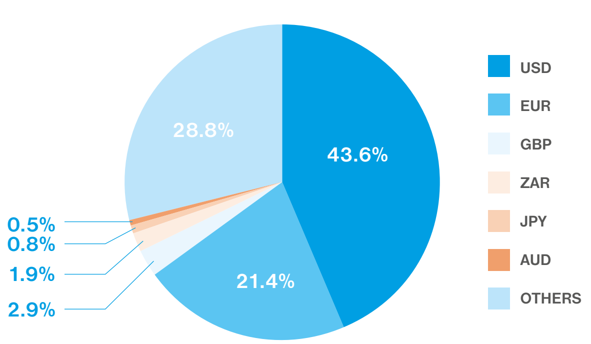
Volatility in the rupee exchange rate against the US dollar, as computed by the standard deviation of the Rs/USD daily exchange rate, declined to 0.135 in FY2018-19 compared to 0.196 in FY2017-18, reflecting, to some extent, lower volatility of the US dollar on international markets from 1.764 to 0.933 over the same period as well as intervention by the Bank on the domestic foreign exchange market.

Chart 2.27: Evolution of MERI1, MERI2 and REER



Total turnover on the domestic foreign exchange market (including spot and forward dealt transactions, but excluding interbank transactions and interventions of the Bank) increased from an equivalent of US$11.4 billion in FY2017-18 to an equivalent of US$12.5 billion in FY2018-19. The two major currencies, notably the US dollar and the euro, made up for nearly two-third of total transactions (Chart 2.28). Nonetheless, transactions in both the US dollar and euro, as respective shares of total transactions, declined from 45.5 per cent and 23.3 per cent in FY2017-18 to 43.6 per cent and 21.4 per cent, in FY2018-19.

Chart 2.28: Foreign Exchange Transactions by Banks and Foreign Exchange Dealers: Turnover by Currency



STOCK MARKET DEVELOPMENTS

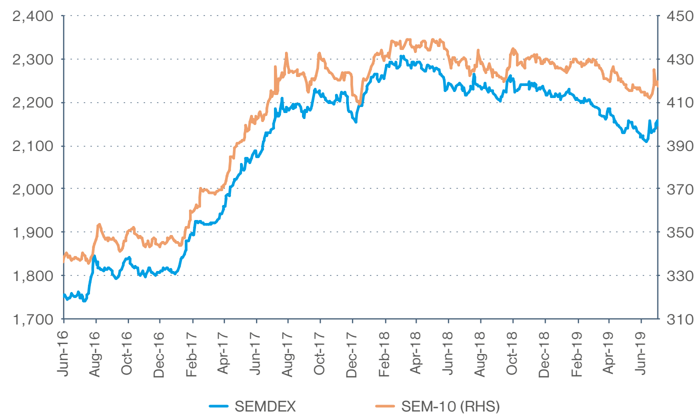
The domestic stock market remained broadly on a general downtrend in FY2018-19, mainly reflecting the underperformance of operators in the tourism, transport, real-estate and sugar-linked sectors. The SEMDEX shed around 5.2 per cent, from 2,245 as at end-June 2018 to 2,128 as at end-June 2019. The SEM-10, which comprises blue chip companies on the Official Market, dropped by 2.9 per cent over the same period. On an annual average basis, the SEMDEX and SEM-10 fell by 1.4 per cent and 0.9 per cent, respectively, in FY2018-19 as against increases of 18.4 per cent and 18.2 per cent, respectively, in FY2017-18 (Chart 2.29).

The share prices of listed companies in the tourism sector, namely Lux Island Resorts, Sun Limited and New Mauritius Hotels, fell by 18.9 per cent, 29.6 per cent and 31.4 per cent, respectively, during the period under review, as a result of tepid performances. Sugar-linked companies also underperformed during FY2018-19, mainly reflecting the impact of low sugar prices prevailing on international markets. With respect to the financial sector, the write-off of non-performing loans in a constituent company led to a significant decline in the share price of that company.

Total market capitalisation on the Official Market stood at Rs252.7 billion as at end-June 2019 compared to Rs269.0 billion as at end-June 2018, representing a decline of 6.1 per cent as against an increase of 6.0 per cent recorded in FY2017-18. Total turnover of transactions on the Official Market dropped by 16.7 per cent to Rs13.6 billion in FY2018-19. In volume terms, 526.1 million shares were traded on the Official Market in FY2018-19 compared to 698.6 million shares in FY2017-18, reflecting a fall of nearly 25 per cent.

Foreign disinvestment on the Official Market accentuated during period under review. Net sales by foreigners amounted to Rs2.5 billion during FY2018-19, significantly higher compared to net sales of Rs1.4 billion in FY2017-18. The higher net sales by non-residents reflected lower purchases by foreigners, which fell from Rs4.2 billion during FY2017-18 to Rs4.1 billion during FY2018-19, in addition to higher sales which rose from Rs5.6 billion to Rs6.6 billion over the same period. Notwithstanding the disinvestment in shares listed on the SEM, holdings by foreign investors increased by 0.2 per cent to Rs59.6 billion as at end-June 2019, from Rs59.5 billion as at end-June 2018, reflecting valuation changes that include the appreciation of the US dollar. Measured as a percentage of total market capitalisation, foreign investors' holdings rose to 19.2 per cent as at end-June 2019, from 17.9 per cent a year earlier.

Chart 2.29: Evolution of the SEMDEX and SEM-10



Source: Stock Exchange of Mauritius.

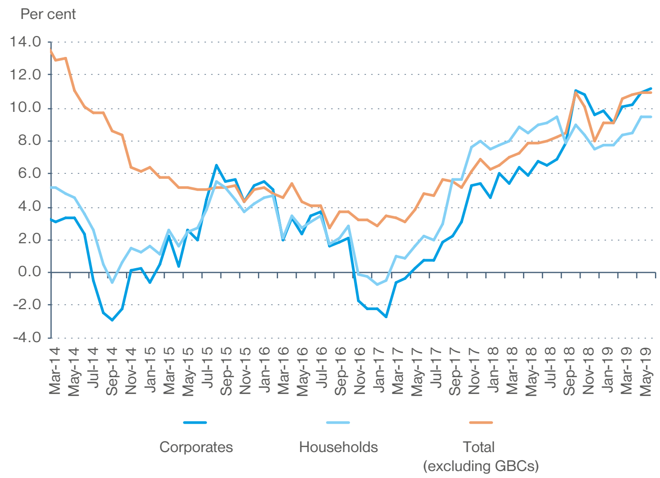
DEBT INDICATORS OF HOUSEHOLDS AND CORPORATES

Bank exposure to households and corporates bears important consideration for financial stability. High indebtedness has detrimental impact on the economy. Highly-geared households and businesses respond to economic disturbances by reducing consumption and postponing investments. Households will typically curtail all non-compulsory consumption and increase their savings while businesses will respond to the resulting shortfall in demand by reducing output, resulting in layoffs and redundancies. These can result in lower demand for bank credit and induce higher risk of bankruptcy in industries that are sensitive to the business cycle, thereby leading to loan losses, weakening the capital adequacy and lending capacity of banks. Reduced lending can weaken aggregate demand.

As at end-June 2019, bank exposure to households and corporates, excluding facilities extended to the GBC sector, constituted about 25 per cent of their total assets and about 71 per cent of GDP compared to 24 per cent and 67 per cent, respectively, at the end of June 2018. Demand for credit was backed by the abolition of the limit on Loan-to-Value (LTV) in July 2018. Borrowing costs have remained contained with the Key Repo Rate at an all-time low since September 2017. Consumers and businesses remained optimistic with regards to the economic outlook.

Growth of bank credit to the private sector (excluding GBCs) accelerated to 9.5 per cent y-o-y in June 2019, from 8.0 per cent in June 2018 and was driven by higher credit facilities availed by both households and corporates (Chart 2.30). The rapid loan growth has been primarily underpinned by active housing loan market which is an attractive product for a bank securing stable income at a relatively low risk. Household credit growth rose from 7.9 per cent in June 2018 to 10.9 per cent in June 2019, whereas corporate credit growth declined from 9.5 per cent to 8.8 per cent. Excluding public corporations, growth of corporate credit accelerated to 11.2 per cent as at end-June 2019, up from 6.8 per cent as at end-June 2018.

Chart 2.30: Year-on-year Growth of Credit to the Private Sector



Note: Credit extended to corporates include Public Corporations.

Reflecting the increase in credit facilities availed, total private sector credit[4] as a ratio to GDP went up to 70.5 per cent as at end-June 2019, from 65 per cent as at end-June 2018. Household credit-to-GDP ratio rose to 21.8 per cent as at end-June 2019, from 20.3 per cent in June 2018, while corporate credit-to-GDP ratio went up from 44.9 per cent to 48.3 per cent over the same period. Household credit accounted for 31.1 per cent of total private sector credit as at end-June 2019, up from 30.7 per cent in June 2018 whereas the share of corporate credit in total credit declined to 68.9 per cent, from 69.3 per cent.

Household consumption depends upon the household income, wealth, returns to savings, preferences, and their economic conditions. Over the year to June 2019, bank credit to households increased by 10.9 per cent compared to 7.9 per cent in FY2017-18, supported by increases in both housing credit and credit granted to households for other purposes[5] . Household indebtedness continued to be positively influenced by the low interest rate environment during the period under review, in addition to the abolition of the LTV limit. Banks are free to apply their own LTV limits based on their risk appetite as an integral part of their credit risk management policy. Whilst the share of housing credit in total household credit declined from 67.4 per cent in June 2018 to 64.6 per cent in June 2019, the share of credit availed by households for other purposes went up from 32.6 per cent to 35.4 per cent over this period, as households availed of higher credit facilities destined to the purchase of motorcycles. Bank credit for housing purposes grew by 4.0 per cent in FY2018-19 compared to 6.0 per cent in FY2017-18. Households in

Mauritius borrow mainly for housing purposes which account for about two-third of total household borrowing from banks. In addition, most of their borrowing are in the domestic currency. As such, foreign exchange risk that may arise from banks' foreign currency exposure to households is mostly mitigated.

Indebtedness of households, as measured by the ratio of bank credit to households to GDP, rose to 21.8 per cent as at end-June 2019, from 20.6 per cent as at end-June 2018, and remained broadly under check. Aggregating household credit from banks, NBDTIs, insurance and leasing companies, the measure of household indebtedness fell slightly to 33.4 per cent as at end-June 2019, from 34.0 per cent as at end-June 2018. The higher household credit-to-GDP ratio shifted the household credit-to-GDP gap into positive territory as from 2018Q3 (Chart 2.32). While consistent with the evolution of credit extended to households, the credit-to-GDP gap[6] is an important tool under Basel III for activating countercyclical policies and dynamic provisioning. The credit-to-GDP gap increased from -0.1 per cent at the end of June 2018 to 0.9 per cent as at end-June 2019 as households took on additional debt.

Household debt service ratio - measured as the ratio of household debt service cost to GDP – ticked up during the period under review, reflecting higher debt service cost as households accumulated higher debt. The increase in nominal GDP was offset by the higher debt service cost, which resulted in a slightly higher household debt service-to-GDP ratio, estimated at 6.5 per cent as at end-June 2019 compared to 6.3 per cent as at end-June 2018 (Chart 2.31).

Chart 2.31: Household Debt Service Cost and Interest Rates

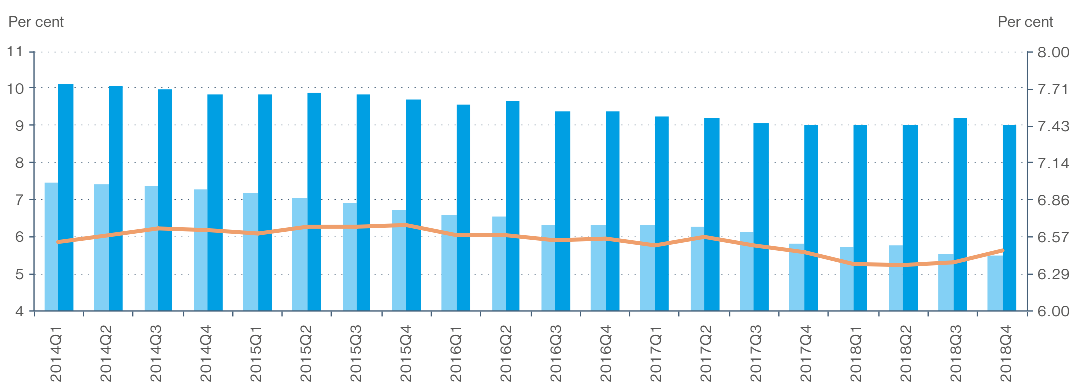
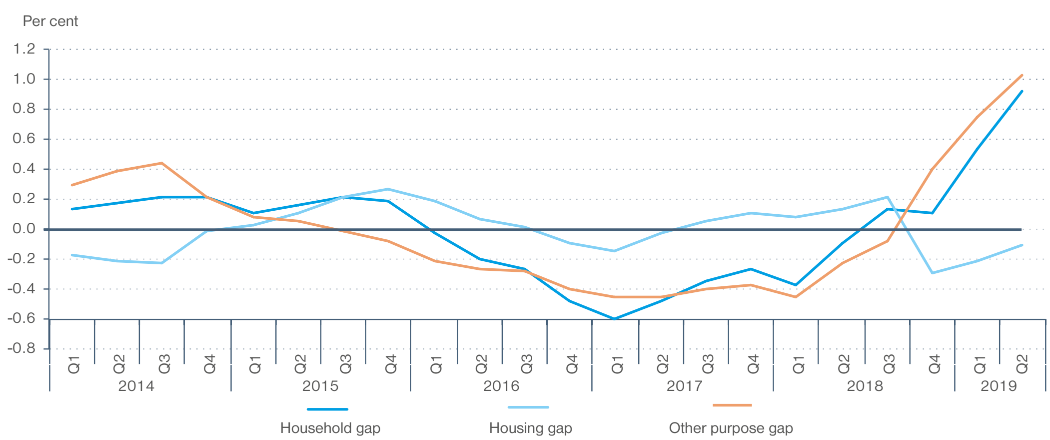


Chart 2.32: Household Credit-to-GDP Gap



Exposure of banks to domestic corporates accounted for around 69 per cent of total private sector credit and 17 per cent of their total assets as at end-June 2019. Gross Operating Surplus (GOS), which may be used as a proxy for the value added provided by incorporated enterprises' operating activities after deducting for labour input costs, appear to corroborate with nominal GDP growth. For 2019, growth of GOS is estimated to be rather flat at around 5 per cent, reflecting sustained expansion in economic activity that would add to higher internal sources of investment.

[4] *Exclusive of facilities extended to the GBC sector.*

[5] *Credit extended to households for other purposes include purchase of other consumer durable goods, purchase of land, purchase of motor vehicles, education purposes, medical purposes, investment purposes and other unspecified purposes.*

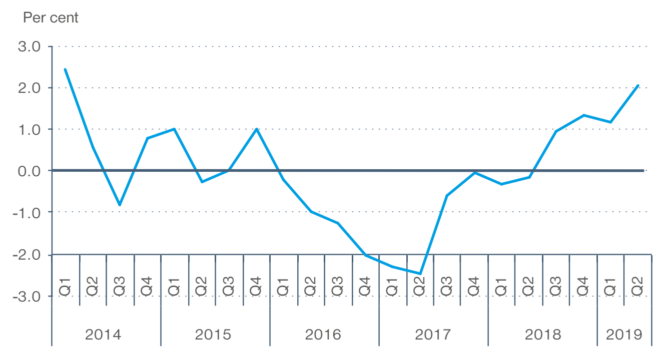
[6] *The credit-to-GDP gap is estimated as the percentage deviation between the credit-to-GDP ratio and an estimate of its trend using the Hodrick-Prescott filter.*

Domestic debt of corporates accounted for nearly 92 per cent of total corporate debt as at end-June 2019 and 50 per cent of GDP compared to 48.5 per cent as at end-June 2018. External debt of corporates, which accounted for around 8.2 per cent of total corporate debt, declined as a ratio to GDP, from 3.6 per cent as at end-June 2018 to 3.5 per cent as at end-June 2019. The rather flat external debt stock of corporates was reflected in an improvement of the external debt to Gross Official International Reserves ratio, from 9.6 per cent as at end-June 2018 to 8.7 per cent as at end-June 2019. External debt of corporates as a ratio to total export proceeds fell slightly from 11.4 per cent to 11.3 per cent.

Domestic debt of corporates grew by 8.5 per cent as at end-June 2018 and was driven by credit to operators in almost all key sectors of the economy including construction, tourism, distributive trade, manufacturing as well as financial and business services. With buoyant construction activity, the share of the construction sector in GDP has increased but its share in credit has remained more or less unchanged. In 2019, the construction sector is estimated to account for 4.9 per cent of GDP, while operators in the sector availed of credit facilities which represented 6.0 per cent of total private sector credit as at end-June 2019. As regard the accommodation and food service sector, though it still accounted for the highest share in total private sector credit as at end-June 2019, its share in credit has dwindled over the past years, reflecting deleveraging from bank credit by operators in the sector. Nevertheless, sustained growth of tourism activities has resulted in a higher share of the sector in GDP which is estimated at 7.1 per cent in 2019. This contrasts with the share of GDP represented by operators in the manufacturing sector which has declined over the years. This drop was not fully reflected in their share in total private sector credit.

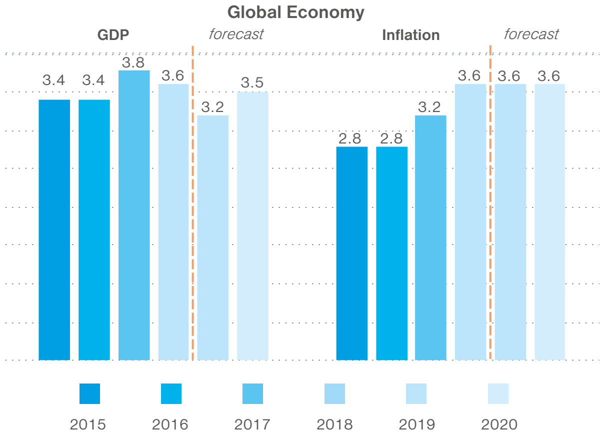
With the improvement in credit extended by banks to operators of the private sector in Mauritius, the credit-to-GDP gap has improved and moved into positive territory in 2018Q3. Private sector credit-to-GDP gap has continued to increase in 2019H1 and was estimated at 3.0 per cent in June 2019. The higher credit-to-GDP gap points to higher leveraged corporates and may point to the building up of vulnerabilities, the more so, as some large corporates have had recourse to the capital market to raise funds. Corporate credit-to-GDP gap has increased consistently for four consecutive quarters in 2019Q2 (Chart 2.33).

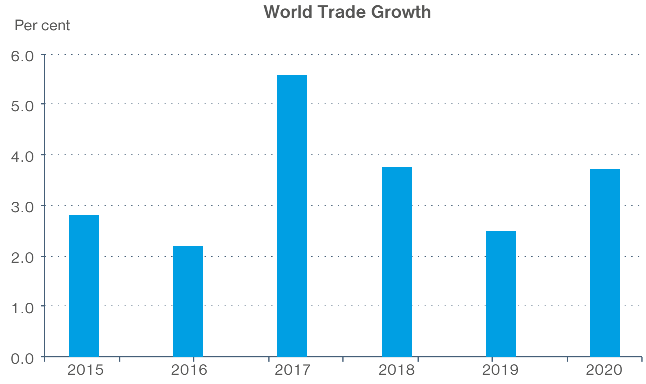
Chart 2.33: Corporate Credit-to-GDP Gap

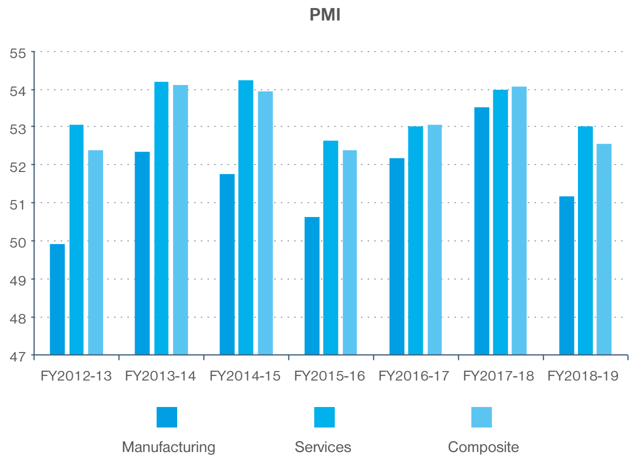


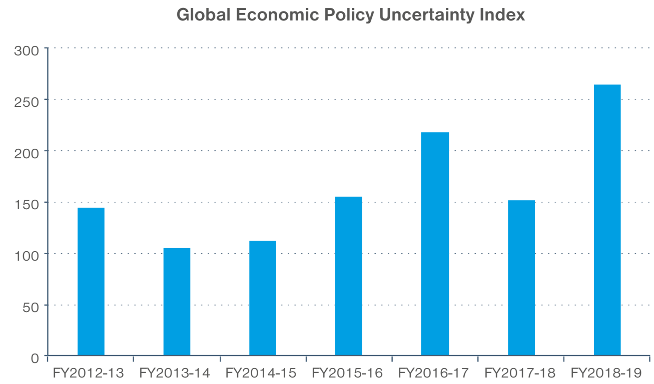
Note: Data on the sectorwise distribution of credit as from October 2018 is based on a new reporting template as per the United Nations International Standard Industrial Classification (ISIC) of all economic activities and thus may not be strictly comparable.

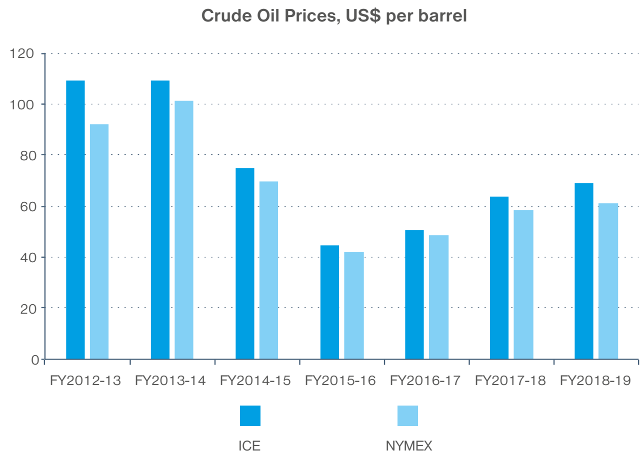
GLOBAL ECONOMIC DEVELOPMENTS

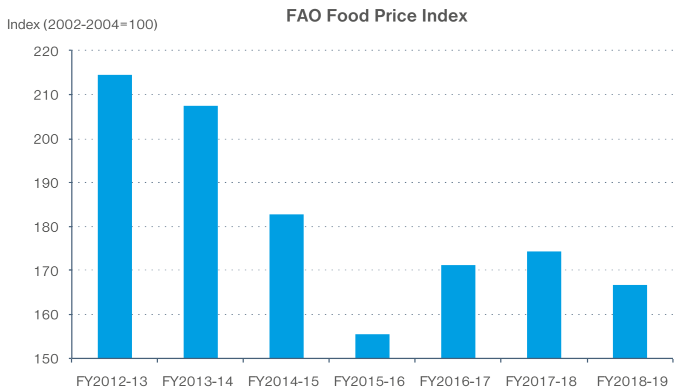












Sources: July 2019 IMF WEO Update, Reuters, http://www.policyuncertainty.com/ and FAO.

During FY2018-19, developments on the global economic scene were heavily conditioned by the protectionist pressures that prevailed over world trade liberalisation processes; the persistent risk of the UK's exit from the European Union without an agreement; increase in US interest rates which caused about episodic bouts of volatility; a correction in the prices of the riskiest assets in advanced economies; volatility in oil prices and geopolitical strains.

The global economy grew at a slower rate of 3.6 per cent in 2018 compared to 3.8 per cent in 2017, falling short of expectations of a stronger performance. This reflected the progressive deterioration of the economic situation, first in emerging economies and, then, in many advanced countries. Specific factors, partly of a temporary nature, such as the natural disasters that hit Japan and the stalling of the auto industry in the euro area, interacted with the high degree of uncertainty at the global level, which was mainly due to trade tensions between the US and China. This took a toll on investment expenditure and international trade, which slowed sharply.

On 14 November 2018, the EU and the UK came to an understanding concerning the withdrawal agreement and the political declaration regarding their future relationship, which were subsequently approved by the British government and the European Council. The British Parliament has repeatedly rejected the ratification of the withdrawal agreement and in order to avert a no-deal Brexit, the British government twice requested and obtained from the European Council an extension of the 29 March deadline, first to 12 April and then to 31 October 2019. While postponed, the risk of a no-deal Brexit has not, however, been averted.

Economic activity in Emerging Market and Developing Economies (EMDEs) decelerated overall, but the effects of the deterioration of foreign demand and of the less favourable financial conditions differed from country to country. The Chinese economy continued its rebalancing towards a greater supply of services and a greater contribution of domestic demand, especially household and government expenditure. The current account surplus of China's balance of payments was virtually eliminated.

Trends observed in the international financial markets mirrored changing expectations regarding the stance of monetary policy, economic growth outlook, and global tensions, with bouts of severe turbulence. Tensions in some of the emerging countries considered most vulnerable, e.g. Argentina and Turkey, fueled uncertainty further. Long-term interest rates in main advanced economies rose in September, in anticipation of a further rise in the Federal Reserve's monetary policy rate, but began to fall again thereafter owing to heightened fears of a global slowdown and ensuing accommodative stance among major central banks.

The US dollar appreciated against the main currencies, reflecting both the US economy's robust growth and progressive normalisation of monetary policy. Tensions were recorded in stock markets in 2019Q1, ascribable to fears of a more rapid tightening of monetary conditions by the Federal Reserve and the exacerbation of trade dispute between the US and China. Heightened uncertainty about world growth led to a fall in share prices and to a simultaneous increase in US risk premium on high-yield corporate bonds. In emerging economies, external financial conditions became less favourable overall as they were affected by the US monetary policy normalisation process and the greater risk aversion of international investors.

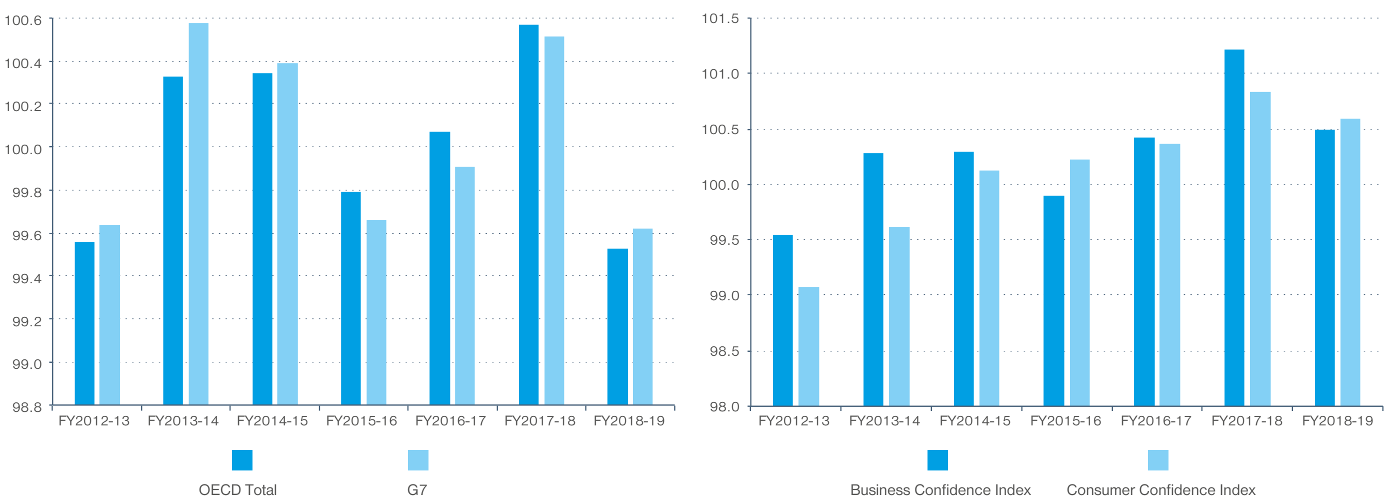
Global growth softened during FY2018-19, driven by weaker economic performance in both advanced economies and EMDEs. The lower growth momentum reflected, to a large extent, the intensification of trade tensions between major economies, which weighed on investment spending amid declining business confidence, lower industrial production and weak external demand. Lower growth in advanced economies mirrored mostly a deterioration of economic conditions in the euro area, largely on account of weaker business and consumer confidence, lower automotive production in Germany due to new emission regulations, policy uncertainty in Italy and weak consumption spending in France amid protests. Brexit-related effects on financial markets and businesses continued to dampen economic performance in the UK, contributing to a contraction of the economy on a q-o-q basis in 2019Q2. In contrast, US economic growth maintained its momentum, associated with a tight labour market and solid consumption growth. The US economy recorded a nearly 50-year low unemployment rate of 3.6 per cent in 2019H1. The IMF downgraded growth of advanced economies from 2.4 per cent in July 2018 to 2.2 per cent in July 2019 for 2018, and from 2.2 per cent to 1.9 per cent for 2019.

EMDEs equally experienced broad-based weaknesses in manufacturing and exports. The implementation of additional tariffs by the US on Chinese goods, combined with regulatory tightening in the banking sector, put pressure on economic activity in China, although monetary and fiscal stimulus contained these effects somewhat. Economic performance in Brazil worsened markedly against a background of uncertainty around the reform process of the new government. In Russia, activity weakened as a result of a VAT rate hike in 2019 and continued restrictions to oil production. The sharp deceleration in global trade growth, together with concerns over global demand for commodities, have dragged down the performance of commodity exporters in emerging economies. As such, the IMF marked down growth of EMDEs from 4.9 per cent in 2018 and 5.1 per cent in 2019 in July 2018 to 4.5 per cent and 4.1 per cent, respectively, in July 2019. Several EMDEs experienced substantial financial market pressures in 2018H2, associated with country specific vulnerabilities, the tightening of global financial conditions and volatile investor sentiment linked to trade disputes. This trend was reversed in 2019, however, with a recovery in portfolio flows to EMDEs on improved market sentiment, and to a certain extent, due to the anticipation of looser global financial conditions.

World trade growth slowed considerably in 2018 and is expected to decelerate further in 2019, on account of a combination of factors like the tariff increases introduced by the US and China on bilateral imports; the subsequent impact on the global value chains and global manufacturing activity; and increased global economic uncertainty. Weak import demand in Europe and Asia also dampened global trade volume growth given their share in world trade. Global trade growth decelerated from 5.5 per cent in 2017 to 3.7 per cent in 2018. As demand from major economies continues to moderate, export growth is expected to decelerate across EMDEs in the short to near term. World trade would continue to face strong headwinds in 2019 and growth in trade volume is projected to ease further to 2.5 per cent. The Baltic Dry Index declined by about 6 per cent, from 1,270 index points in FY2017-18 to 1,190 index points in FY2018-19 as a result of trade tensions and fall in hire rates for capesize ships, as China's demand for commodities such as iron ore and coal was muted. Going forward, trade frictions would continue to weigh on the index.

Global Composite PMI, which are broad indicators of world economic activity, lost momentum, on account of the manufacturing sector. During FY2018-19, global manufacturing PMI dipped below the 50 level threshold, its lowest reading since October 2012 and moved into contraction territory as production volumes stagnated and new orders declined. Services PMI, while remaining into the expansionary zone, headed south, reflecting slower growth of the services sector. OECD's Total Composite Leading Indicator (CLI) steadily declined from an average of 100.6 in FY2017-18 to an average of 99.5 in FY2018-19, as the CLI for most of the largest individual OECD economies pointed to growth having lost steam. The G7 CLI echoed a similar trend. The uncertain international economic environment that prevailed in the face of lingering trade tensions took a toll on both business and consumer confidence indices (Chart 2.34).

Chart 2.34: Composite Leading Indicators and Confidence Indices



Source: OECD.

Global policy uncertainty remained elevated during FY2018-19, predominantly fueled by unresolved trade conflict between the US and China, but also due to the US interest rate normalisation process amidst more accommodative monetary policy stances of major central banks; protracted uncertainty surrounding Brexit and rising geopolitical strains. The Global Economic Policy Uncertainty Index soared, on average, by 74 per cent, from 151.5 in FY2017-18 to 263.4 in FY2018-19, amid US-China mounting trade frictions that escalated to other countries, including Mexico and European Union (EU) countries, and as a result, targeted countries took retaliatory actions. In Europe, heightened uncertainties were reflected through political instability in some countries, and worries over the noticeable slowdown in economic growth of major economies. Uncertainty about the future economic relationship between the UK and the EU and the appointment of a new Prime Minister in the UK, raised fears of a hard-Brexit.

Inflationary pressures remained broadly contained globally in FY2018-19, thanks to rather low global commodity prices on the back of oversupply of both oil and food commodities and weak demand conditions. Most advanced countries' inflation outcomes remained below target. Inflation in a number of EMDEs were also contained, reflecting waning pass-through effects of currency depreciation. The IMF expects inflation in advanced economies to drop from 2.0 per cent in 2018 to 1.6 per cent in 2019, due to the subdued global economic outlook and weak commodity prices. In EMDEs, inflation is expected to remain unchanged at 4.8 per cent in 2019 amid poor dynamics for commodity prices.

Global Economy

2018	2019	2020
3.6%	3.6%	3.6%

Advanced Economies

2018	2019	2020
2.0%	1.6%	2.0%

Emerging Market and Developing Economies

2018	2019	2020
4.8%	4.8%	4.7%

The recovery in oil prices inspired the US to increase its crude oil production, particularly shale oil, to become the world's largest producer with over 12 million barrels produced daily. The shale oil production revolutionised the US energy sector, and impacted the world market. Since October 2018, oil prices have declined, following weakening world demand and production increases in Russia, Saudi Arabia and the US. Global inventories increased to levels in line with the average for the previous five-year period. At the end of the year, the slope of the term structure of futures contracts turned negative, and indicated a glut in the spot market and expectations of further decreases in prices. The renewal of the OPEC+ agreement to make new production cuts starting in early 2019, compounded by the cuts in Canada and the restrictions on crude oil production in Venezuela and Iran on account of the sanctions applied by the US government, contributed to the recovery in oil prices in the early months of this year and to the rebalancing of the market. Oil prices for ICE Brent and NYMEX WTI stood at US$69.2 and US$60.9 per barrel, on average, in FY2018-19, up from US$63.9 and US$58.6 per barrel, respectively, in FY2017-18, representing increases of 8 per cent and 4 per cent. Brent crude oil prices slumped to a low of US$50 per barrel at end-December 2018, from a peak of US$86 per barrel in early October 2018. Going forward, oil prices are expected to hover around their current levels.

The Food and Agriculture Organisation (FAO) Food Price Index declined during FY2018-19, pulled down by almost all of its sub-components, barring cereals. The Index lost 4 per cent, falling from 174.3 in FY2017-18 to 166.8 in FY2018-19. The downtrend in food prices was mostly the result of exceptional yields, which boosted production amid sluggish global import demand. However, the Sugar Price Index tumbled by 10 per cent in FY2018-19, reflecting higher sugarcane yields in India, the world's largest sugar producer, bringing a glut in the sugar market. The International Grains Council's (IGC) Grains and Oilseed Index mirrored the trend in FAO's Food Price Index and declined from 199.3 in FY2017-18 to 193.3 in FY2018-19. Large export supplies and expectations of record world production weighed on grains prices. The highest decline was registered in soyabeans (9 per cent), followed by rice (5 per cent). Looking ahead, the performance of agricultural markets remains subject to the direction of energy and fertilizer prices; the ongoing trade frictions; strengthening of the US dollar and adverse weather conditions.

Equity markets were increasingly volatile during FY2018-19 and came under pressure, as the VIX increased by almost 25 per cent, from 13.4 in FY2017-18 to 16.8 in FY2018-19, reflecting heightened concerns over policy uncertainty, trade disputes and dampened growth prospects for the world economy. Volatility indices for Europe and Emerging Markets also rose sharply in FY2018-19 by 6.3 per cent and 11.8 per cent, respectively, compared to FY2017-18. The MSCI Emerging Markets and MSCI Frontier Markets indices lost about 9 per cent each compared to FY2017-18. MSCI World ticked up marginally by about 1 per cent. The US markets reflected a two-tier diverse performance, with a market sell-off at the end of 2018 due to policy uncertainty arising from the partial US government shutdown and a rebound in 2019 on the back of an increasingly dovish stance by the Federal Reserve. European equities were weaker in 2018H2, with trade tariffs feud, slower China's economic growth, Brexit issues and worries over the Italian budget triggering concerns for investors. However, the main indices recovered in 2019 amidst the announcement of sustained monetary policy stances by major central banks. Equities in emerging markets underperformed in 2018H2, before partially recovering in 2019H1 over ongoing policy support for the Chinese economy and optimism over the US decision to suspend tariff hikes on Chinese goods.

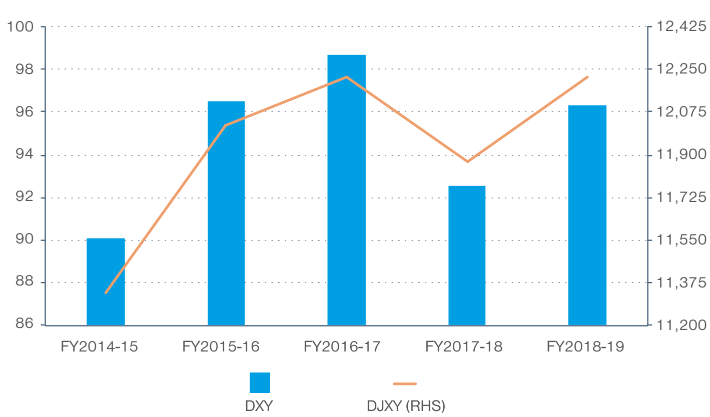
The US dollar appreciated, on average, during FY2018-19 on the back of strength of the US economy as well as a hawkish stance by the Fed. Safe-haven demand amid US-China trade tensions also supported the US currency. Gains were capped, however, in 2019H1 due to concerns over a partial shutdown of the US government and more dovish stance by the Fed, reflecting rising uncertainty over the US economic outlook. The DXY and Dow Jones

Dollar Index appreciated by 4.1 per cent and 2.9 per cent, respectively, in FY2018-19 compared to FY2017-18 (Chart 2.35). The euro weakened during the year under review over pessimism relating to the Eurozone economic outlook, which included contraction of the industrial sector in Germany and budget dispute between Italy and the European Commission, amongst others. The accommodative stance of the European Central Bank (ECB) also weighed on the euro. The currency traded at an average of US$1.141 in FY2018-19 compared to US$1.193 in FY2017-18. The Pound Sterling depreciated during FY2018-19, clouded by the ongoing uncertainty surrounding Brexit which pushed investors to shy away from the currency. Political turbulence further weakened the currency, although the extension of the Brexit date lent some support to the embattled currency. The Pound Sterling traded at an average of US$1.294 in FY2018-19, compared to US$1.347 in FY2017-18.

Responding to slowing growth momentum and subdued inflation, major central banks have adopted a dovish tilt in 2019H1, reversing their cautious tone of 2018. The US Fed was set to continue its tightening cycle in December 2018 and even forecast two rate hikes in 2019. However, as economic events unfolded, the Fed took a patient position towards its monetary policy stance. At its July 2019 Federal Open Market Committee meeting, the US Fed lowered the Federal Funds rate to 2.00-2.25 per cent and left the door open to potential rate cuts (Chart 2.36). The ECB also shifted its stance, reflecting the growth slowdown in major European countries. The ECB left its main refinancing operations rate unchanged at zero per cent in FY2018-19 and ended its asset purchase programme of €15 billion in December 2018. At its meeting in June 2019, the Governing Council of the ECB signaled that it might consider a hike in its policy rate in 2020H2. The Bank of England (BoE) increased its Bank Rate by 0.25 percentage point to 0.75 per cent at its MPC meeting in August 2018 to return inflation sustainably to the 2 per cent target. Despite increasing uncertainties surrounding Brexit, the BoE judged that tighter monetary policy could be required to bring inflation back to target. The BoE maintained its asset purchase target at £435 billion.

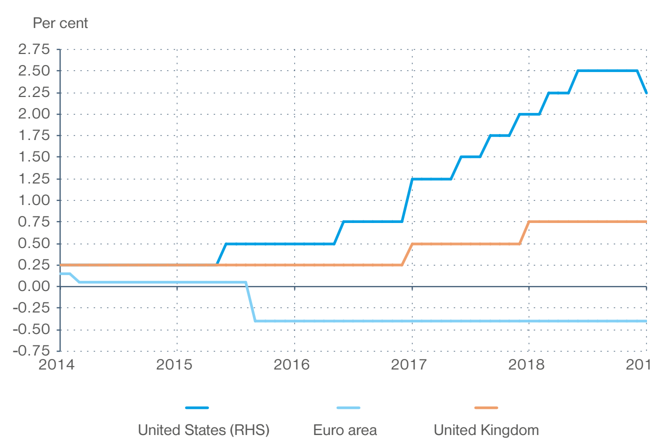
Major emerging markets central banks also loosened their monetary policy stance during FY2018-19 to support growth. The Reserve Bank of India shifted its monetary policy stance from neutral to accommodative, taking into account the deteriorating global economic conditions and slowdown in investment and private consumption in the domestic economy. The central banks of Brazil, Australia and New Zealand also cut the policy rate to bolster their economies. The South African Reserve Bank tightened monetary policy in 2018H2 to tame above target inflation but adopted a more dovish tone in 2019H1, indicating that future decisions would depend on economic data.

Chart 2.35: Dollar Index



Source: Reuters

Chart 2.36: Main Policy Rates of Major Central Banks



Source: Central banks' websites

Monetary Policy in Mauritius during FY2018-19

The Bank's Monetary Policy Committee (MPC) met on four occasions during FY2018-19 and voted unanimously at these four regular meetings to keep the Key Repo Rate (KRR) unchanged at 3.50 per cent per annum. The MPC deemed that the monetary policy stance was appropriate, after a careful assessment of domestic and international economic and financial developments as well as the balance of risks to the domestic growth and inflation outlook. The MPC endeavoured to ensure that monetary policy remains appropriately supportive of sustained non-inflationary economic growth over the medium term.

Decisions of the MPC on the Key Repo Rate

Date of MPC meeting	Decision on the Key Repo Rate	Key Repo Rate (per cent per annum)	Voting pattern
20 August 2018	Unchanged	3.50	Unanimous
9 November 2018	Unchanged	3.50	Unanimous
22 February 2019	Unchanged	3.50	Unanimous
17 May 2019	Unchanged	3.50	Unanimous

At its 48th meeting held on 20 August 2018, the MPC noted that heightened uncertainty had clouded global economic prospects and leading indicators of world economic activity had weakened since 2018Q2. The trade dispute between the US and China was hampering investment. The exit of the UK from the EU continued to be surrounded by doubts while China's slowing economy constituted a downside risk to global growth. The MPC was of the opinion that the domestic economy was performing well, supported by contributions of the services and construction sectors, pro-growth budgetary measures, robust household consumption spending and capital expenditure on major infrastructure projects. The unemployment rate maintained its downward trajectory. Inflation was subdued, reflecting the waning of adverse shocks to food prices and decline in prices of administered products. Real GDP was projected to grow at about 4 per cent for both 2018 and 2019. The forecast for headline inflation for 2018 was revised down from 4.2 per cent to 3.5 per cent. For 2019, it was estimated at 3.0 per cent.

The 49th MPC meeting was held on 09 November 2018. The MPC noted that global growth projections were lowered since its August 2018 meeting as global economic uncertainty intensified. The global growth outlook was subject to adverse developments in trade policies, Brexit negotiations and geopolitical issues. Globally, inflation has remained subdued. The MPC judged that global economic conditions would remain difficult, as downside risks continued to plague the outlook. MPC Members underscored that domestic real GDP growth was appreciable in an environment characterised by contained inflationary pressures. The economy has been evolving mostly as expected. Domestic inflationary impulses were contained, with underlying inflation measures remaining low. Real GDP growth projections were unchanged. The 2018 forecast for headline inflation was revised down to around 3.2 per cent, mirroring the joint impact of muted demand-pull and cost-push factors on CPI inflation. For 2019, it was left unchanged at 3 per cent, barring major supply shocks.

At the 50th MPC meeting held on 22 February 2019, MPC Members viewed that global economic activity and trade had been losing steam. Major multilateral institutions had once again lowered their global growth projections for 2019 and 2020, due to the escalation of trade tensions, uncertainties associated with Brexit and geopolitical tensions. Global inflationary pressures remained muted, reflecting relatively subdued commodity prices amid a slowdown in global economic activity. The MPC concurred that domestic growth was somewhat resilient, with the exception of some weaknesses in specific sectors. Inflationary pressures were contained. Real GDP growth projection for 2019 was lowered to 3.9 per cent, reflecting the current global economic uncertainty and downward revision of the growth outlook of some of our major trading partners. In the absence of major supply shocks, headline inflation was forecast at around 2.1 per cent in 2019, reflecting favourable base effects and contained cost pressures.

The last MPC meeting for FY2018-19 took place on 20 May 2019 (51st meeting). MPC Members noted the continuous downgrade in global growth performance as trade tensions amplified and monetary policy in major advanced and emerging market economies remained cautiously accommodative. Members discussed on the various reasons for the prevalence of low global inflation and noted that domestic macroeconomic developments had remained mostly on track, albeit some sectoral challenges. The MPC evaluated that growth in 2019 would be broad-based. They viewed that price pressures had continued to ease and that inflation would remain on a downtrend. Real GDP was expected to grow at 3.9 per cent, while headline inflation was being projected at below 1.5 per cent for 2019 and forecast at about 2 per cent for 2020.

Real GDP Growth and Inflation Projections for 2019

3

Regulation and Supervision

Gold Dinar

The Gold Dinar is an Islamic gold coin first issued by Arabs in the 7th century. The word dinar comes from the Latin denarius, which was a silver coin. The Arabs who named Mauritius "Dina Arobin", a subtle reference to the dinars which have circulated across the Indian Ocean for several centuries.

THE MAURITIAN BANKING SECTOR

The financial sector in Mauritius is dominated by banks. Banks, Non-Bank Deposit-Taking Institutions (NBDTIs) and cash dealers are regulated by the Bank of Mauritius whereas other financial corporations fall under the regulatory aegis of the Financial Services Commission (FSC). The banking sector plays a significant role in the economy and as at end-June 2019, total assets of banks accounted for about 279 per cent of GDP[1].

The banking landscape is relatively concentrated, with the two largest banks accounting for over 40 per cent of market shares for total deposits, advances and assets. In addition to traditional banking facilities, 15 banks offered card-based payment services such as credit cards and debit cards and 17 banks offered internet banking facilities. Six banks provided mobile banking services[2], including payment facilities to their customers. The salient features of the banking sector in Mauritius as at end-June 2019 are depicted below.

Banks

20 Banks

9 Domestic-owned banks

8 Subsidiaries of foreign-owned banks

3 Branches of foreign banks

172 Physical branches in Republic of Mauritius (including 5 in Rodrigues)

9 Counters

8,188 Persons employed in the sector (128 expatriates)

443 Automated Teller Machines (ATMs)

1 Mobile van

[1] *GDP at market prices for fiscal year 2018-19.*

[2] *As at end-June 2019, one non-bank entity offered mobile based facilities to customers.*

Ensuring the stability and soundness of the financial system of Mauritius is one of the mandates of the Bank of Mauritius and this is enshrined in Section 4(2) (b) of the Bank of Mauritius Act 2004. All banks, NBDTIs and cash dealers comprising foreign exchange dealers and money-changers fall under the regulatory purview of the Bank. The Bank is also the AML/CFT supervisor of those institutions. The Bank carries out its AML/CFT supervisory activities within a supervisory framework, which, as from September 2018, segregates prudential supervision from AML/CFT supervision and revolves mainly around off-site monitoring and on-site examinations. To this end, a dedicated AML/CFT Unit has been set up in the Supervision Department which focuses solely on AML/CFT supervision, and carries out on-site examinations and off-site monitoring of AML/CFT issues of banks. The examiners in the unit are exposed to AML/CFT training programmes to enhance their knowledge and skills for an effective supervision of the institutions.

The Bank has the power to regulate and supervise ultimate and intermediate financial holding companies having at least one subsidiary as bank or non-bank deposit taking institution within the group.

DEVELOPMENTS IN THE BANKING AND NBDTI SECTORS DURING FY2018-19

Banking Landscape

Deutsche Bank (Mauritius) Ltd surrendered its banking licence in December 2018. Banque des Mascareignes Ltee changed its name and a Banking Licence in the name of BCP Bank (Mauritius) Ltd was issued to the institution on 28 March 2019.

Cessation of Deposit Taking Business Activities

Cim Finance Ltd and Mauritian Eagle Leasing Company Limited are in the process of surrendering their Deposit Taking Business Licence and ceased the business of deposit taking with effect from 18 April 2019 and 19 April 2019, respectively.

Foreign Exchange Dealer Licence

A Foreign Exchange Dealer Licence was issued on 27 August 2018 to Mauritius Post Foreign Exchange Co Ltd to provide solely money value transfer services in Mauritius.

The National Risk Assessment (NRA) Exercise

The AML/CFT Mutual Evaluation Report (MER) of Mauritius was published in September 2018. In an effort to enhance the country's compliance to AML/CFT requirements, an NRA exercise was initiated during 2017 and a public version of the NRA report was disseminated by the Ministry of Financial Services and Good Governance in August 2019. The report highlighted the threats and vulnerabilities across several sectors and, additionally, the overall risk for each sector was identified and assessed. The Bank participated in working groups with other authorities for this risk assessment exercise.

The findings revealed that both banks and 'other financial institutions supervised and regulated by the Bank', i.e.NBDTIs and cash dealers, were assigned an ML risk rating of "Medium High".

Mauritius Deposit Insurance Scheme

A Mauritius Deposit Insurance Legislation has been enacted in April 2019 to provide for the establishment of the Mauritius Deposit Insurance Scheme ("Scheme"). The objects of the Scheme, shall be to protect insured depositors of banks and NBDTIs through the provision of insurance against the loss of insured deposits. The Scheme shall also contribute to the stability of the financial system.

Under the Mauritius Deposit Insurance Scheme Act 2019, the Scheme will be administered and managed by the Mauritius Deposit Insurance Corporation Ltd ("MDIC"), a company that will be incorporated and registered under the Companies Act.

For the purpose of the Scheme, there will be a Deposit Insurance Fund which will be used mainly to compensate insured depositors as and when required. Banks and NBDTIs will contribute premium into this Fund. On the other hand, the Scheme will provide a deposit coverage of up to Rs300,000 per insured depositor per bank and per NBDTI. This limit will cater for the full coverage of around 90% of individual depositors, that is, the large majority of small depositors will be fully covered which is in line with the objective of a deposit insurance scheme of protecting small depositors.

The Bank is currently working towards the operationalisation of the MDIC. The Bank will incorporate the MDIC and subscribe to its share capital. The MDIC will also initially be located at the Bank. It is, however, envisaged that the MDIC will, after some years of successful operations, be taken over by another institution for complete independence, in line with the Core Principles on Deposit Insurance Systems.

Risk Based Supervision (RBS) Framework

In 2018, the Bank initiated the implementation of a Risk Based Supervision framework with the assistance of the World Bank. During the year ended 30 June 2019, considerable progress was made in the rolling out of the RBS framework. The Bank is presently working on the control risk parameters and expects to conduct pilot runs in 2020.

Since May 2019, the Bank has finalised its AML/CFT RBS framework for banks.

Banking Your Future Report

The Banking Your Future (BYF) Report aims at achieving a fairer bank-customer relationship with more focus on customers' interests and a more inclusive banking sector. The implementation of the 100 recommendations contained in the report started in 2018. After extensive consultations with the Mauritius Bankers Association and its member banks, instructions to implement a first series of recommendations were issued in December 2018. Of note, banks were instructed to implement 20 recommendations and the Mauritius Bankers Association was invited to oversee the implementation of a further 3 recommendations. It is pointed out that the instructions issued to banks had as objective to provide more transparency on fees and charges, give more information on products and services and simplify the language and style of bank documents for the benefit of bank customers and the public at large.

The Bank is currently finalising the implementation approach of a second and final series of the 100 recommendations of the BYF Report, wherein the concept of Treating Customers Fairly will play an important role for the benefit of the public.

IFRS 9

The International Accounting Standards Board issued the IFRS 9 Financial Instrument as a replacement to the IAS 39 on 24 July 2014. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. The new Standard aims to address the shortcomings in IAS 39 which were highlighted during the financial crisis of 2007-2008. The main changes brought about by IFRS 9 relates to the classification and measurement of financial instruments, which now rely on principle-based assessments of business models and contractual cash flow characteristics of the financial instruments. Of particular concern to the banking sector, was the need to recognize loss allowance for expected credit losses on those financial assets which are measured at amortised cost.

Since 2016, the Bank has engaged with banks, non-bank deposit-taking institutions and their external auditors with regard to the implementation of IFRS 9. A survey was conducted in 2018 whereby banks were requested to provide details on their implementation of IFRS 9 as well as the impact of IFRS 9 on their profitability and capital adequacy. The responses received indicated that, while there would be a mild impact on the capital base of banks, all banks would still be adequately capitalised after the implementation of IFRS 9. The Bank has also been engaging with external parties for capacity building of its staff.

The Guideline on Credit Impairment Measurement and Income Recognition was revised in June 2019 with a view to providing references, wherever relevant, to the provisions of IFRS 9. As a means of addressing the potential risks in ECL modeling of banks, banks are required to adhere to minimum prudential floors to provisioning. Further, in order to assess the adequacy of models used in determining accounting provisions related to IFRS 9, the Bank rolled a reporting requirement on IFRS 9 in August 2019 to collect information from banks and non-bank deposit-taking institutions.

Stress testing

The Bank has carried out several stress-testing exercises to assess the resilience of banks to a number of macroeconomic shocks. The results indicated that banks hold adequate capital buffers to withstand a range of severe shocks including a deterioration in the quality of banks' loan portfolio and changes in interest rates and exchange rates. All banks have also passed a Liquidity Coverage Ratio stress test, based on the assumption that the high-risk-high-impact GBC deposits are withdrawn.

POLICY GUIDELINES ISSUED IN FY2018-19

1

The Guideline for Institutions Conducting Islamic Banking Business was amended in July 2018 to make it optional for Islamic banking institutions (IBIs) to adopt standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions provided that this does not lead to a breach of the provisions of the Banking Act or any guideline issued thereunder. Further, the IBIs were required to include adequate compliance disclosures in the additional notes to financial statements.

2

A new Guideline for the Write-off of Non-Performing Assets was issued in November 2018. It sets out a broad framework for the write-off of non-performing assets. Banks are accordingly required to have in place a board-approved write-off policy and ensure that the write-off of exposures, where prospects of recovery are bleak, is conducted in a timely manner. However, the maximum timeframe for the full write-off of exposures towards corporate and retail (including mortgages) should not exceed 7 years and 5 years, respectively. The guideline was subsequently revised in June 2019 to extend its scope of application to non-bank deposit taking institutions with effect from 1 July 2019.

3

With a view to having a closer monitoring of the liquidity position of banks, the Guideline on Liquidity Risk Management was revised in April 2019 to require banks to report their LCR on a bi-monthly basis instead of a monthly basis.

4

The Guideline on Credit Impairment Measurement and Income Recognition was revised in June 2019. The revised guideline shall be effective as from 1 January 2020. The prudential requirements with regard to asset classification, provisioning requirements and income recognition were enhanced in line with international standards and best practices. The revised guideline also provides references, wherever relevant, to the accounting standard IFRS 9 – Financial Instruments.

The Finance (Miscellaneous Provisions) Act 2019

The Finance (Miscellaneous Provisions) Act 2019, which has been gazetted on 25 July 2019 as Act No. 13 of 2019, has brought the amendments set out hereunder, to the Bank of Mauritius Act 2004 and Banking Act 2004. These amendments are deemed to have come into operation on 25 July 2019.

Bank of Mauritius Act 2004

(i) Section 2 - Interpretation

The definitions of the terms "central government", "consultant" and "Financial Services Commission" used in the Bank of Mauritius Act, have been added in Section 2 of the Act.

(ii) Section 6 – Powers of the Bank

Section 6(1) of the Act has been amended in paragraph (ba) to clarify that the Bank of Mauritius ('Bank') shall promote the development of foreign exchange and derivative markets and in paragraph (e)(ii) by substituting the words "commercial papers" with the words "money markets instruments".

(iii) Section 9 – Limitations on activities of Bank

A technical amendment was brought to Section 9(1)(h) of the Act, by replacing Section 48(3) with Section 48(1) which is the appropriate cross-reference.

(iv) Section 25 – Consultants and other persons engaged to perform services

Section 25(1) of the Act has been amended to provide that notwithstanding the Equal Opportunities Act, the Bank may, on such terms and conditions as the Board may determine, engage any consultant or other person, suitably qualified to provide such services to the Bank as it thinks fit.

(v) Section 33 – Transparency

Section 33 of the Act has been repealed and replaced by a new section 33 which mandates the Bank to promote open discussions and comments on its monetary and financial stability policies and publish at least twice a year, a report on its monetary policy and a report on financial stability. These reports must include a review of price and financial stability as well as an assessment of the policies of the Bank in relation thereto, followed during the reference period of the relevant report.

(vi) Section 46 – Official foreign reserves

Section 46 of the Act has been repealed and replaced by a new section 46 which provides that the Bank shall maintain and manage, on a best effort basis, the official foreign reserves of Mauritius consisting of all or any of the assets set out in that section, namely gold, foreign exchange in the form of currency or bank balances, holdings of Special Drawing Rights issued by the International Monetary Fund, securities denominated in convertible currencies and claims resulting from their purchase or sale and repurchase and such other assets denominated in convertible currencies as the Board may approve.

The composition of the official foreign reserves must be determined by the Board. The Board must also aim to achieve their security, liquidity and return in that order of priority.

The Board shall determine the investment policy regarding the management of the official foreign reserves of Mauritius and may appoint any consultant, or other person, of international repute and with proven experience, to manage the official foreign exchange reserves on its behalf.

(vii) Section 47 – Special Reserve Fund

Section 47(5) has been repealed and replaced by a new subsection (5) which provides for the order of priority of use of the funds in the Special Reserve Fund, namely, for the purpose of increasing the amount paid as capital of the Bank and, in exceptional circumstances and with the approval of the Board, for monetary policy purposes and for repayment of central government external debt obligations, provided that this is not likely to adversely affect the efficient discharge by the Bank of its functions under the Bank of Mauritius Act.

(viii) Section 50 – Power to issue instructions

Section 50(6)(a) of the Act has been amended to allow the Bank to impose administrative penalty for breaches of any instructions or guidelines issued by the Bank or requirement imposed under the banking laws.

(ix) Section 52 – Establishment of Credit Information Bureau

Section 52 has been amended to allow crowdlending platforms to have access to and become participants of the Mauritius Credit Information Bureau.

The term 'crowdlending platform' has also been defined in subsection (7) as an online portal or electronic platform to facilitate the offering, execution or issuance of funds between prospective lenders and borrowers and which holds an appropriate licence issued by the Financial Services Commission.

(x) Section 52A – Establishment of Central KYC Registry

Two new subsections (1A) and (1B) have been added to Section 52A to, inter alia, provide that the Bank may seek the collaboration or co-operation of the Financial Services Commission and other relevant agencies, other than the Financial Intelligence Unit or the Counterterrorism Unit, for the establishment of the Central KYC Registry. The Financial Services Commission and the relevant agencies may extend such collaboration and assistance as they may determine to the Bank for the prompt and efficient establishment of the Registry.

Banking Act 2004

(i) Section 7 – Grant or refusal to grant banking licence

Section 7(3) of the Act has been amended by extending its scope of application to subsidiaries of banks as well. Accordingly, where an applicant for a banking licence is the subsidiary of a bank incorporated abroad, the Bank shall, inter alia, satisfy itself that the bank incorporated abroad is a reputable international bank.

(ii) Section 11 – Revocation, suspension and surrender of banking licence

Section 11 has been amended by adding a new subsection (6A) thereto which vests upon the Bank, the power to suspend the licence of a bank which fails to comply with the provisions of the Banking Act or any condition attached to its banking licence.

The new subsection (6A) further sets out the procedure to be followed for the suspension of the banking licence.

(iii) Section 17 – Procedure in cases of urgency

Section 17 has also been amended to vest upon the Bank the power to suspend a banking licence in cases of urgency as specified thereunder.

(iv) Section 18 – Limitations on management and remuneration

A new subsection (8A) has been added to section 18 of the Banking Act to require directors, in the circumstances set out therein, to forthwith inform the Bank of any transaction or condition in a financial institution which affects its well-being.

Furthermore, the new subsection (8B) provides that the director making the disclosure under subsection (8A) shall benefit from similar protection afforded to whistleblowers under section 54A of the Banking Act.

(v) Section 48 – Disclosure of interest

Section 48(1) has been amended to require a director or senior officer of a financial institution to disclose in writing to the board of directors of the financial institution, any direct or indirect interest in relation to any matter or undertaking which he may have with the financial institution.

A new subsection (3A) has also been added to section 48 to require every financial institution to implement policies and procedures requiring their employees to disclose any direct or indirect interest in relation to any matter or undertaking which they may have with the financial institution.

(vi) Section 54A – Protection of whistleblowers

A new section 54A has been added to the Banking Act, which offers protection from civil or criminal liability as well as disciplinary action, to a director, senior officer, employee or agent of a financial institution who discloses to the Bank, that the financial institution or any of its customer may have been involved in an act which constitutes a breach of the banking laws.

The Bank is further proscribed from disclosing the identity of the whistleblower without the latter's consent. In addition, any person who commits an act of victimization against a person who has made a disclosure shall commit an offence which is punishable by a fine and imprisonment.

(vii) Section 63 – Bank holidays

Section 63(3) has been amended to clarify that any obligation which is required to be fulfilled at a financial institution and which falls on a Saturday, shall be deemed to fall due on the following working day.

(viii) Section 64 – Confidentiality

Section 64(7A)(a) of the Act has been amended to enable a financial institution to disclose any information relating to the affairs of the financial institution or its customers, to its head office or holding company or any other designated person, for the purpose of conducting such risk management functions as may be approved by the Bank.

PERFORMANCE OF THE BANKING SECTOR

Total assets of banks increased by 5.7 per cent, from Rs1,338 billion as at end-June 2018 to Rs1,415 billion as at end-June 2019 compared to a rise of 4.9 per cent recorded during FY2017-18. Acceptances, guarantees and documentary credits, which are part of off-balance sheet assets, grew by 4.8 per cent to Rs105.4 billion as at end-June 2019, significantly lower compared to the growth of 43.1 per cent in the preceding year.

Total deposits of the banking sector increased by 2.5 per cent, from Rs1,005 billion as at end-June 2018 to Rs1,030 billion as at end-June 2019. Advances extended by the banking sector increased by 9.2 per cent to Rs766.9 billion as at end-June 2019. Banks' total profits increased from Rs17.2 billion in FY2017-18 to Rs20.0 billion for FY2018-19, reflecting a rise in net interest income. Non-performing loans as a ratio to total outstanding loans stood at 5.5 per cent as at end-June 2019, unchanged from end-June 2018.

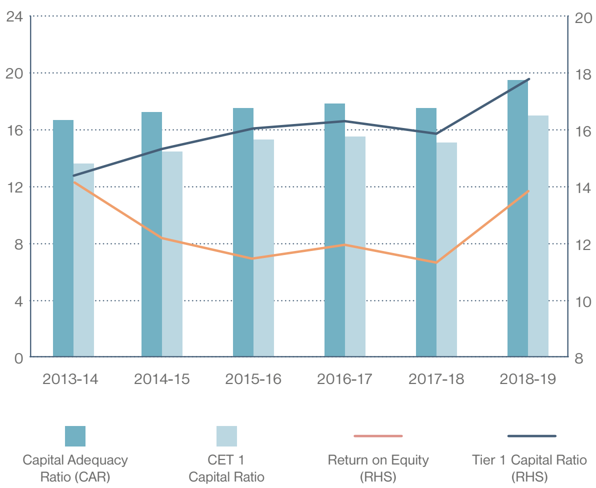
Key Highlights

	FY2017-18	FY2018-19
Number of Banks	21	20
Capital Adequacy Ratio (Per cent)	17.2	19.2
Loans-to-deposit Ratio (Per cent)	69.8	74.4
Pre-tax Return on Assets (Per cent)	1.5	1.7

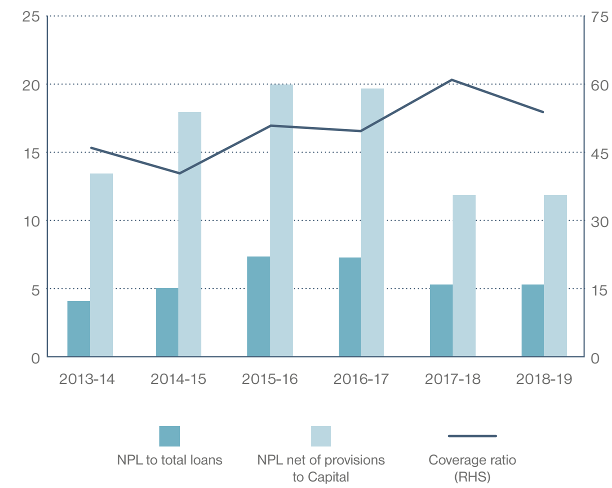
	FY2017-18	FY2018-19
Total Assets (Billion)	Rs 1,338	Rs 1,415
NPL to Total Loans (Per cent)	5.5	5.5
Liquidity Coverage Ratio (Per cent)	167.5	246.0
Post-tax Return on Equity (Per cent)	11.2	13.4

Banking Sector Indicators

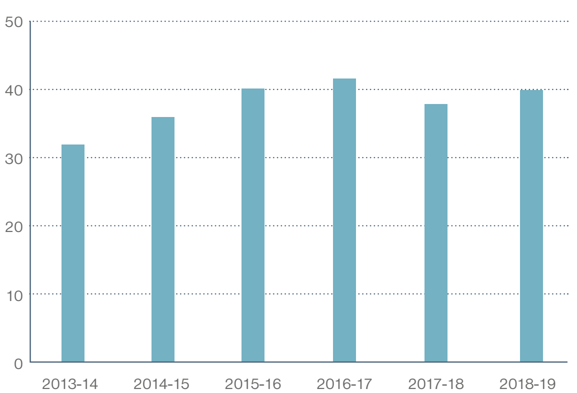
Capital Adequacy Ratios and Return on Equity (Per cent)



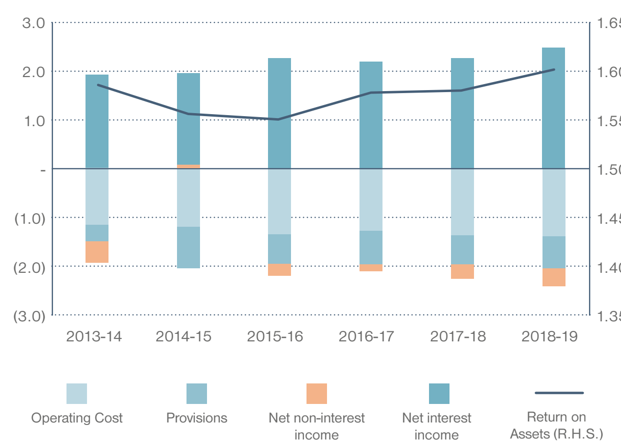
Non-performing Loans (Per cent)



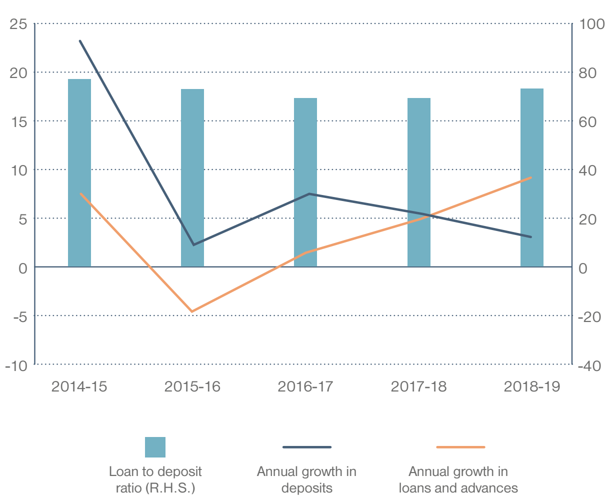
Liquid Assets to Total Assets (Per cent)



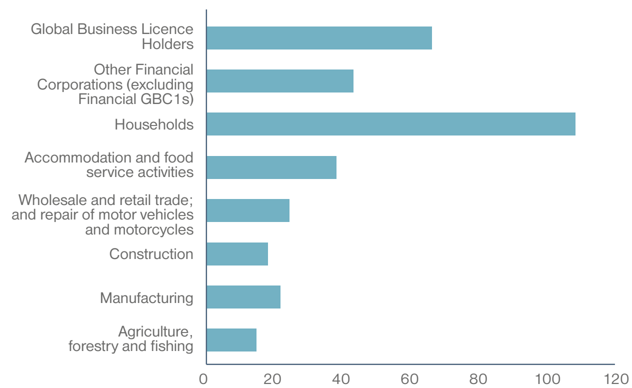
Decomposition of Income (Per cent of Assets)



Loan and Deposit Growth (Per cent)

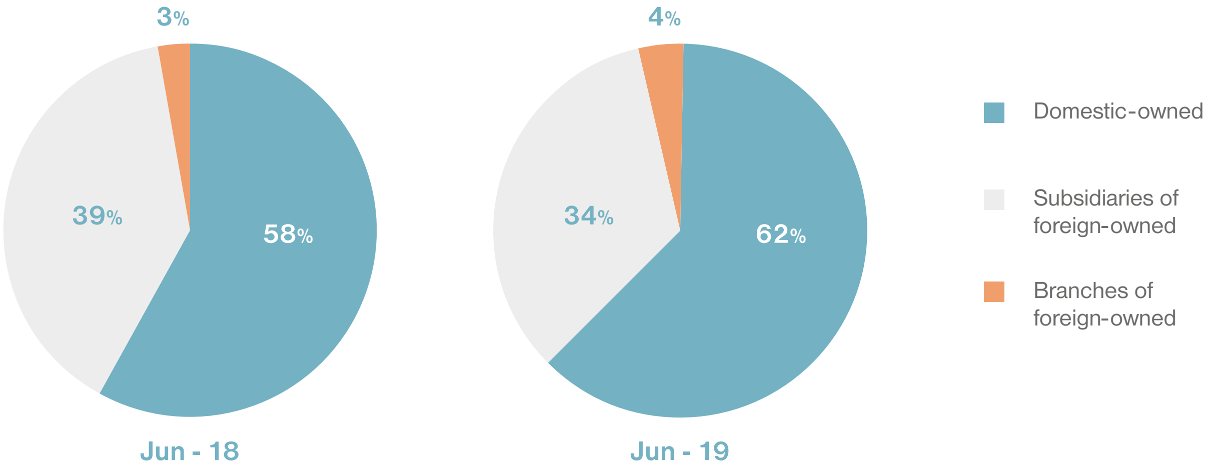


Bank Loans to the Private Sector as at end-June 2019 (Rs Bn)



Of the twenty banks, nine were domestic-owned banks, eight were foreign-owned subsidiaries and three were branches of foreign banks holding assets of Rs883.8 billion, Rs482.1 billion and Rs49.2 billion, respectively, as at end-June 2019. Their respective shares in total banking assets are shown in Chart 3.1.

Chart 3.1: Assets of Banks



Domestic systemically-important banks (D-SIBs) are subject to enhanced supervision by the Bank in line with the regulatory and supervisory framework for this category of banks. In the review period, five banks maintained their status as D-SIBs, following the conclusion of the yearly assessment. At end-June 2019, the D-SIBs accounted for Rs938.6 billion or 66.3 per cent of total banks' assets, Rs709.1 billion or 68.8 per cent of total banks' deposits and Rs483.6 billion or 63.1 per cent of banks' loans.

Capital Adequacy

The Bank has implemented the Basel III capital standards in Mauritius in a phased approach since July 2014. Accordingly, as from January 2019, banks are required to maintain, at all times, a minimum risk weighted capital adequacy ratio (including capital conservation buffer) of 11.875 per cent. During the period end-June 2018 to end-June 2019, banks' aggregate capital base (net of adjustment and capital deductions) increased by 13.1 per cent to Rs151.1 billion. Tier 1 capital rose by 12.9 per cent to Rs139.6 billion, which represented 92.4 per cent of gross capital. Tier 2 capital rose by 16.1 per cent to Rs11.5 billion as at end-June 2019 with its share representing 7.6 per cent of gross capital.

Table 3.1 shows the risk-weighted capital adequacy ratio maintained by banks from end-June 2018 through end-June 2019, together with components of the capital base and risk-weighted assets. The rise in the risk-weighted capital adequacy ratio from 17.2 per cent to 19.2 per cent over the period is primarily due to the capital base increasing at a higher rate of 13.1 per cent relative to a growth of 1.4 per cent observed in the risk-weighted assets.

Table 3.1: Risk-Weighted Capital Adequacy Ratio

Rs billion

As at end of period	Jun-18**	Sep-18	Dec-18	Mar-19	Jun-19
CET1 capital*	**118**	**120**	**126**	**130**	**134**
Tier 1 capital	124	126	131	135	140
Tier 2 capital	10	10	11	11	12
Capital Base (A)	**134**	**136**	**142**	**146**	**151**
Total Risk-Weighted Assets (B)	**776**	**777**	**770**	**779**	**787**
Total Risk-Weighted Assets for credit risk (C)	**709**	**708**	**705**	**710**	**719**
Total on-balance sheet risk-weighted credit exposures	640	644	643	650	658
Total non-market-related off-balance sheet risk-weighted credit exposures	66	61	59	57	58
Total market-related off-balance sheet risk-weighted credit exposures	3	3	3	4	3
Total risk-weighted assets for operational risk (D)	**55**	**57**	**58**	**59**	**58**
Total Risk-Weighted Assets for market risk (E)	**12**	**12**	**7**	**10**	**9**
Total foreign currency exposures	4	4	3	5	4
Capital charge for trading book position exceeding 5% or more of its total assets	8	8	4	5	5
Capital Adequacy Ratio (A/B)	**17.2%**	**17.5%**	**18.4%**	**18.7%**	**19.2%**
CET 1 RATIO	15.2%	15.4%	16.3%	16.6%	17.0%

** CET1 - Common Equity Tier1*
*** Restated figures*

Risk Profile of On - and Off-Balance Sheet Assets

In terms of the risk profile of on-balance sheet assets, an increase was recorded in the respective shares in the 0 per cent, 35 per cent, 75 per cent, 150 per cent and 250 per cent risk-weight buckets while the proportion for the 20 per cent, 50 per cent, 100 per cent and 125 per cent risk-weight buckets has declined between end-June 2018 and end-June 2019. Table 3.2 compares the total on-balance sheet assets of banks with corresponding risk-weights as at end-June 2018 and end-June 2019.

Total on-balance sheet assets of banks increased by 4.2 per cent, from Rs1,279 billion as at end-June 2018 to Rs1,332 billion as at end-June 2019. The corresponding total risk-weighted on-balance sheet assets expanded by 1.4 per cent to Rs787 billion over the same period. Table 3.3 compares the total on- and off-balance sheet assets of banks with corresponding risk-weighted values and average combined risk weighting as at end-June 2018 and end-June 2019. The average combined risk-weighted ratio decreased from 47.5 per cent as at end-June 2018 to 44.8 per cent as at end-June 2019 on account of a marginal growth of 1.4 per cent in total risk weight assets relative to an expansion of 7.5 per cent in total on and off-balance sheet assets.

Table 3.2: Risk Weights of On-Balance Sheet Assets

	On-balance sheet assets (Rs billion)	Percentage to total on-balance sheet assets (Per cent)	On-balance sheet assets (Rs billion)	Percentage to total on-balance sheet assets (Per cent)
Risk Weights (%)	Jun-18*		Jun-19	
0	351	27.4	401	30.1
20	196	15.3	194	14.6
35	56	4.4	65	4.9
50	120	9.3	112	8.4
75	30	2.4	34	2.5
100	487	38.1	482	36.1
125	23	1.8	21	1.5
150	14	1.1	20	1.5
250	1	0.1	4	0.3
1250	0	0.0	0	0.0
	1,279	**100.0**	**1,332**	**100.0**

**Restated figures*
Source: Supervision Department.

Table 3.3: Combined Risk Weights of Banks' Assets

		End-June 2018*	End-June 2019
A	Total On-Balance Sheet Assets (Rs billion)	1,279	1,332
B	Total Off-Balance Sheet Assets (Rs billion)	356	426
C	Total On and Off-Balance Sheet Assets (A + B) (Rs billion)	1,635	1,758
D	Total Risk-Weighted Assets (Rs billion)	776	787
E	Average Combined Risk Weighting (D/C) (Per cent)	47.5%	44.8%

**Restated figures*

Advances

Total advances, including debentures and fixed-dated securities, increased by 9.2 per cent to Rs766.9 billion in FY2018-19, compared to a rise of 5.4 per cent in the previous year. As at end-June 2019, total advances represented nearly 74.4 per cent and 54.2 per cent of total deposits and total assets, respectively, compared to 69.8 per cent and 52.5 per cent as at end-June 2018.

Loans and overdrafts in Mauritian rupees amounted to Rs255.8 billion, or 33.4 per cent of total advances, while loans and other financing in foreign currencies to residents amounted to Rs125.0 billion, or 16.3 per cent of total advances at end-June 2019. Loans and other financing in foreign currencies to non-residents stood at Rs254.5 billion, representing 33.2 per cent of total advances. The remaining facilities consisted of local and foreign bills purchased and discounted, bills receivable and other fixed-dated securities.

Deposits

Deposits remained the principal source of funding of banks during FY2018-19. The share of deposits in total liabilities went down from 75.1 per cent as at end-June 2018 to 72.8 per cent as at end-June 2019. Total deposits increased by 2.5 per cent to Rs1,030 billion as at end-June 2019.

The share of foreign currency deposits to total deposits dropped slightly from 61.1 per cent as at end-June 2018 to 59.5 per cent as at end-June 2019. Demand, savings and time deposits, respectively, accounted for 41.7 per cent, 29.3 per cent and 27.3 per cent of total deposits as at end-June 2019, compared to 46.5 per cent, 24.8 per cent and 28.7 per cent as at end-June 2018.

The advances-to-deposits ratio, which indicates the extent to which funds mobilised by way of deposits have been utilised to finance lending activities, increased from 69.8 per cent to 74.4 per cent over the same period.

Concentration of Risks

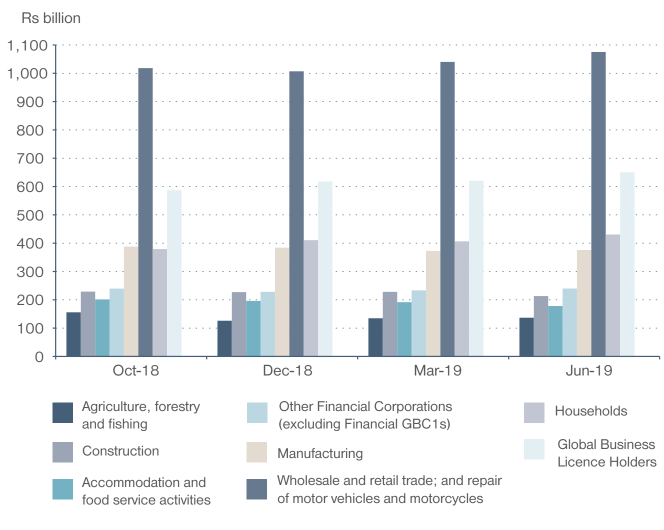
Credit concentration risk, which represents one of the major risks faced by banks in Mauritius, refers to the risk of loss arising from a bank's overexposure to particular sectors of the economy and/or different groups of connected counterparties. Non-exempt large exposures in the banking sector, that is, exposures above 10 per cent of a bank's Tier 1 capital, aggregated Rs412 billion, representing 47 per cent of total fund and non-fund based facilities extended as at end-June 2019. The aggregated large exposures to borrowers represented 294.9 per cent of the Tier 1 capital of banks as at end-June 2019 compared to 281.7 per cent of the Tier 1 capital as at end-June 2018.

Bank Loans to Other Non-financial Corporations, Households and Other Sectors[3]

During the period October 2018 to June 2019, bank loans to other Non-financial Corporations, Households and Other Sectors (including to Global Business Companies) increased by 2.6 per cent. The share of loans to 'Households', 'Other Financial Corporations (excluding Financial GBC1s)' and 'GBC sector' rose from 28.3 per cent, 10.5 per cent and 16.3 per cent as at end-October 2018 to 29.1 per cent, 11.6 per cent and 17.6 per cent as at end-June 2019, respectively.

The share of loans to *'Agriculture, forestry and fishing', 'Manufacturing', 'Construction', 'Wholesale and retail trade; and repair of motor vehicles and motorcycles' and 'Accommodation and food service activities'* declined from 4.3 per cent, 6.4 per cent, 5.6 per cent, 6.7 per cent and 10.8 per cent as at end-October 2018 to 3.7 per cent, 5.8 per cent, 4.8 per cent, 6.5 per cent and 10.2 per cent as at end-June 2019, respectively. Chart 3.2 shows outstanding sector-wise bank loans from October 2018 through June 2019.

Chart 3.2: Bank Loans to Other Non-financial Corporations, Households and Other Sectors



Asset Quality

The financial soundness of banks is intrinsically linked to their asset quality and is generally reflected in liquidity and profitability of a bank. Poor asset quality can jeopardize the soundness of a bank.

Prior to the carving out of distressed assets out of non-performing advances for one bank, the ratio of gross non-performing advances to total advances stood at 6.5 per cent as at end-June 2018 and post the carving out exercise, the ratio improved to 5.5 per cent as at end-June 2018 and remained unchanged at end-June 2019. The gross non-performing advances of banks increased by 5.9 per cent, from Rs37.7 billion as at end-June 2018 to Rs40.4 billion as at end-June 2019. The gross non-performing advances on facilities extended in Mauritius fell by 21.1 per cent to Rs15.3 billion. However, gross non-performing advances extended outside Mauritius increased by 37.1 per cent to Rs25.1 billion during the period under review.

Banks' specific provisions on non-performing advances decreased by 3.9 per cent, from Rs22.5 billion as at end-June 2018 to Rs21.7 billion as at end-June 2019. Specific provisions held on non-performing advances in Mauritius decreased by Rs1.2 billion or 13.7 per cent while specific provisions on non-performing advances outside Mauritius rose by Rs0.4 billion or 2.6 per cent. The ratio of specific provisions to non-performing advances, also known as the coverage ratio dropped from 59.7 per cent at end-June 2018 to 53.6 per cent as at end-June 2019.

Profitability

All banks operating in Mauritius realised profit after tax in FY2018-19, with the exception of five banks which incurred losses mainly due to high operating costs. Aggregate pre-tax profit of banks increased from Rs20.1 billion in FY2017-18 to Rs23.8 billion in FY2018-19, mainly on account of a rise of 15.7 per cent in interest income. Table 3.4 shows the consolidated income statements of the banking sector for the past three years based on the audited financial statements of banks for the financial years ended March, June and December.

[3] With the emergence of new types of economic activities, the return on sectorwise distribution of credit to the private sector has been replaced by a new template based on the United Nations International Standard Industrial Classification (ISIC) of all economic activities as from October 2018. Bank loans include only facilities provided by banks in the form of loans, overdrafts and finance leases. Hence, the data are not strictly comparable with those prior to October 2018.

Table 3.4: Consolidated Income Statements of Banks

Financial Year*			(Rs billion)
	2016-17**	2017-18**	2018-19
Interest Income	**40.0**	**42.9**	**49.6**
Interest on Advances	27.6	28.4	35.2
Interest on Securities	7.9	8.6	6.2
Interest on Placements and Loans to banks	3.9	4.7	5.0
Other Interest Income	0.5	1.2	3.2
Interest Expense	**12.5**	**13.1**	**14.8**
Interest on Deposits	9.1	9.5	10.5
Interest on Borrowings from banks	1.3	1.6	1.8
Other Interest Expenses	2.1	2.1	2.4
Net Interest Income	**27.5**	**29.7**	**34.8**
Non-Interest Income	**14.0**	**13.4**	**14.4**
Net Fee Income and Commission	6.3	6.6	7.1
Profit from Dealings in Foreign Currencies	3.9	4.0	4.7
Other Non-Interest Income	3.8	2.9	2.6
Operating Income	**41.5**	**43.2**	**49.2**
Non-Interest Expense	**16.9**	**18.5**	**20.0**
Staff Costs	8.6	9.3	9.9
Operating Expenses	8.3	9.2	10.1
Operating Profit before Provisions	**24.6**	**24.7**	**29.2**
Provision and Adjustments to Income from Credit Losses	4.9	4.6	5.4
Profit before Tax	**19.7**	**20.1**	**23.8**
Provision for Income Taxes	2.8	3.0	3.8
Profit after Tax	**16.9**	**17.2**	**20.0**

**12 months period for which the accounts were audited and are different for different banks.*

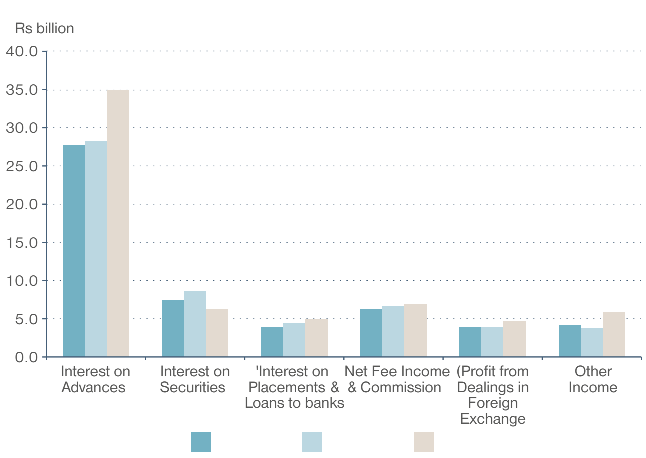
***Restated figures*

Note: Figures may not add up to totals due to rounding.

Components of income

Total income of banks increased by Rs7.7 billion, or by 13.7 per cent, from Rs56.3 billion in FY2017-18 to Rs64.0 billion in FY2018-19, mainly on account of improvement in the interest income component. Chart 3.3 shows the movements in components of total income of banks from FY2016-17 through FY2018-19.

Chart 3.3: Components of Income of Banks



**Restated figures*

Interest income

Interest income increased by 15.7 per cent to Rs49.6 billion in FY2018-19. Interest earned from advances, representing 71.0 per cent of total interest income, rose by 24.1 per cent to reach Rs35.2 billion. Interest earned on securities went down by 28.1 per cent to Rs6.2 billion, while interest received from placements and loans to banks and other interest income increased to Rs8.2 billion in FY2018-19.

Non-interest income

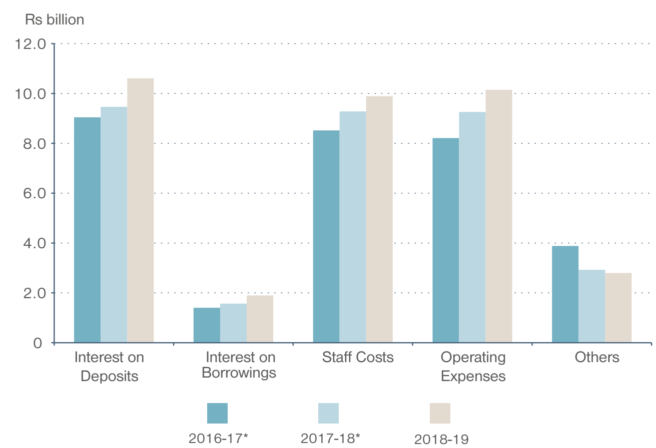
Non-interest income went up by 7.3 per cent to Rs14.4 billion in FY2018-19. During the year under review, fee-related income improved by 8.2 per cent, while profit arising from dealings in foreign currencies increased by

18.3 per cent. Together, they accounted for 82.2 per cent of total non-interest income in FY2018-19 compared to 78.8 per cent in the preceding year.

Components of Expense

Total expenses of banks increased by 10.2 per cent to Rs34.8 billion in FY2018-19, mainly driven by a rise in interest on deposits and operating expenses. Chart 3.4 shows the evolution of the components of expense of banks from FY2016-17 through FY2018-19.

Chart 3.4: Components of Expense of Banks



**Restated figures*

Interest Expense

Total interest expense rose from Rs13.1 billion in FY2017-18 to Rs14.8 billion in FY2018-19, mainly on account of a 18.2 per cent increase in other interest expenses and 16.9 per cent increase in interest on borrowings from banks.

Non-interest Expense

Non-interest expense, which comprises staff costs and other operating expenses, increased by 8.4 per cent to Rs20.0 billion in FY2018-19 mainly due to an increase of 10.5 per cent in operating expenses and a 6.3 per cent rise in staff costs. Overall, the cost-to-income ratio for the banking sector improved to 39.0 per cent in FY2018-19 compared to 43.2 per cent in FY2017-18.

Operating Profit

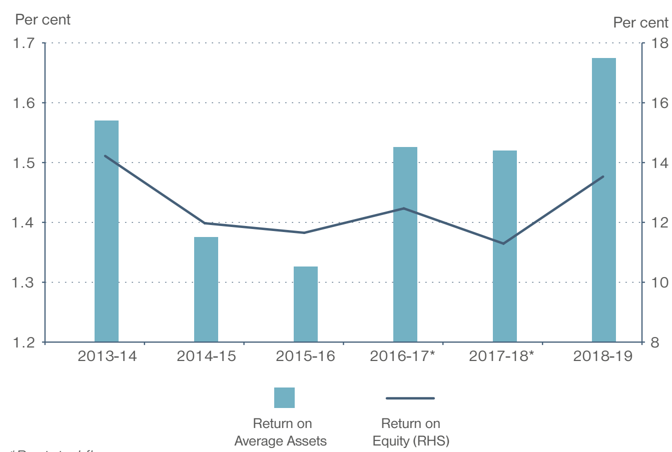
Banks' operating profit before provision for credit losses increased from Rs24.7 billion in FY2017-18 to Rs29.2 billion in FY2018-19. Likewise, post tax profits increased from Rs17.2 billion to Rs20.0 billion over the same period.

Return on Average Assets and Equity

The pre-tax return on average assets for the banking sector increased from 1.5 per cent in FY2017-18 to 1.7 per cent in FY2018-19. It ranged between negative 2.0 per cent and positive 2.2 per cent for individual banks. Three banks achieved a return on average assets of above 2.0 per cent.

On the other hand, post-tax return on equity for the banking sector increased from 11.2 per cent to 13.4 per cent in FY2018-19, mainly on account of a higher increase in post-tax profit in relation to the decrease in equity. It ranged from negative 16.7 per cent to positive 22.1 per cent for individual banks. Chart 3.5 depicts the return on average assets and equity of banks from FY2013-14 through FY2018-19.

Chart 3.5: Return on Average Assets and Equity of Banks

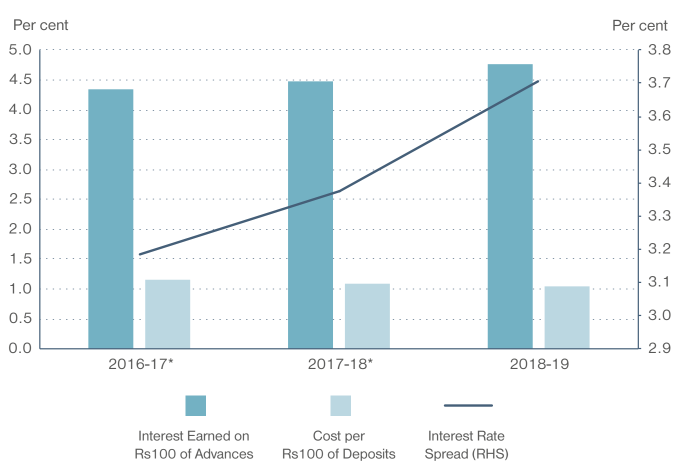


**Restated figures*

Interest Rate Spread

Banks' interest earned on Rs100 of advances increased by 34 cents to Rs4.73 in FY2018-19. In contrast, the cost per Rs100 of deposits went down slightly by 2 cents to Rs1.04. Consequently, the spread increased to Rs3.69, from Rs3.37 in the previous year. Chart 3.6 shows the interest rate spread for FY2016-17 through FY2018-19.

Chart 3.6: Interest Rate Spread of Banks



**Restated figures*

Banks' Liquidity Position

As from November 2017, banks were required to meet the Liquidity Coverage Ratio (LCR) requirements in Mauritian Rupees, in significant foreign currencies and on a consolidated basis. The LCR represents a standard that is designed to ensure that a bank has an adequate inventory of unencumbered high quality liquid assets (HQLA) that consist of cash or assets convertible into cash at little or no loss of value in market, to meet its liquidity requirement for a 30 days' liquidity stress period. The aim of the LCR is to promote a bank's short-term resilience to potential liquidity disruptions.

Overall, the banking sector in Mauritius has remained liquid in FY2018-19. The LCR for the banking sector as at end-June 2019 stood at 246.0 per cent, compared to 167.5 per cent as at end-June 2018. In general, the LCR of banks for both Mauritian rupees and other major currencies stayed above the regulatory requirements. Further, the stock of HQLA held by banks on a consolidated basis amounted to Rs303 billion as at end-June 2019, compared to Rs252 billion as at end-June 2018.

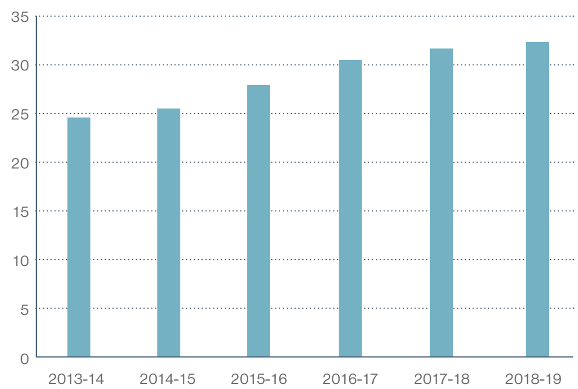
Non-Bank Deposit Taking Institutions: Key Highlights

	FY2017-18	FY2018-19
Number of NBDTIs	8	8
Capital Adequacy Ratio (Per cent)	31.6	32.6
Advances-to-deposits Ratio (Per cent)	112.7	143.8
Pre-tax Return on Assets (Per cent)	3.1	3.2

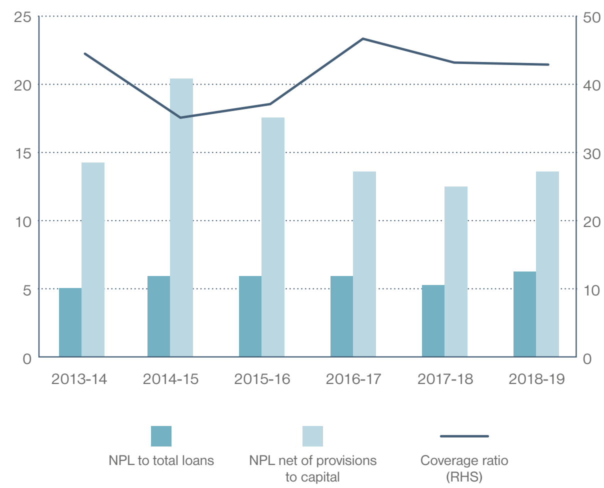
	FY2017-18	FY2018-19
Total Assets (Billion)	Rs 78	Rs 81
NPL to Total Loans (Per cent)	5.2	6.2
Liquid-assets-to-deposits Ratio (Per cent)	23.1	26.0
Post-tax Return on Equity (Per cent)	2.6	12.0

Non-Bank Deposit -Taking Institutions' Performance

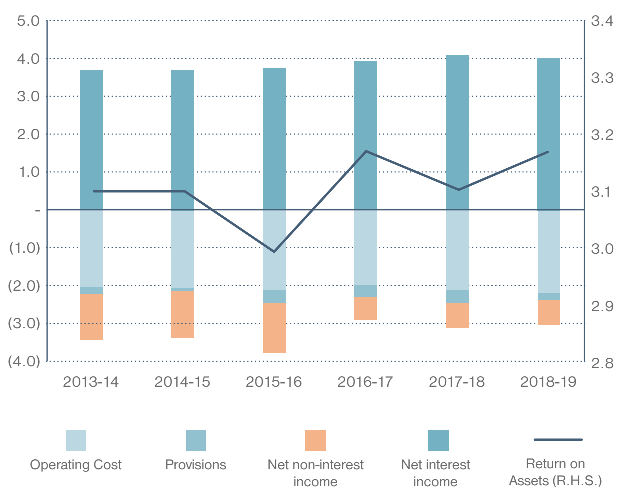
Capital Adequacy Ratio (Per cent)



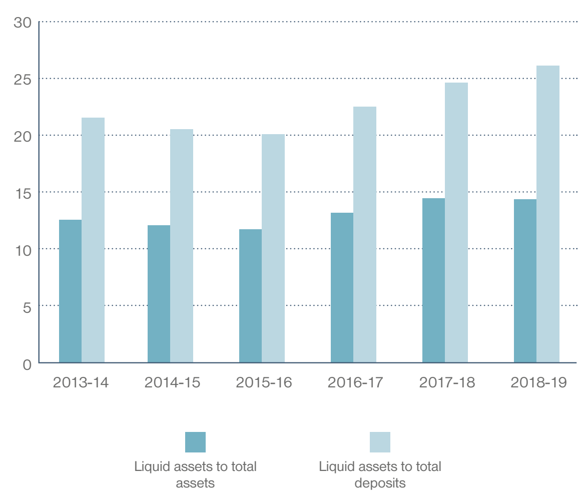
Non-performing Loans (Per cent)



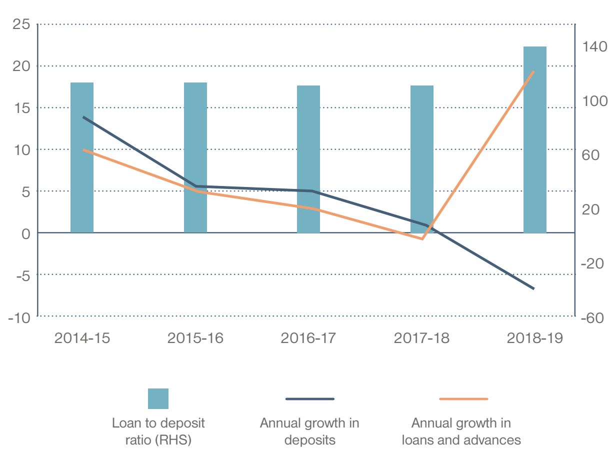
Decomposition of Income (Per cent of Assets)



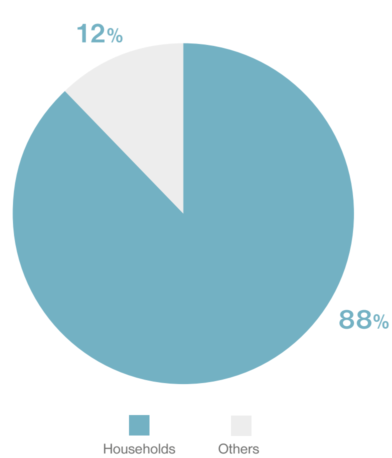
Liquid Assets to Total Assets (Per cent)



Loan and Deposit Growth (Per cent)



NBDTIs Loans to the Private Sector as at end-June 2019 (Per cent)



PERFORMANCE OF NON-BANK DEPOSIT-TAKING INSTITUTIONS

Of the eight non-bank deposit-taking institutions (NBDTIs) which were in operation in Mauritius as at end-June 2019, four were exclusively involved in leasing activities, two carried out lending business only and the remaining two were involved in both leasing and lending operations. Cim Finance Ltd and Mauritian Eagle Leasing Company Limited have ceased the business of deposit-taking with effect from 18 April 2019 and 19 April 2019, respectively, and are in the process of surrendering their Deposit Taking Business Licence. Four of the NBDTIs were subsidiaries/ related companies of banking institutions or insurance companies. As at end-June 2019, all NBDTIs were holding the minimum required capital of Rs200 million.

NBDTIs are required to maintain a minimum capital adequacy ratio of 10 per cent under the Guideline on Capital Adequacy Ratio for Non-Bank Deposit Taking Institutions and to comply with the applicable Guidelines issued by the Bank of Mauritius. The capital adequacy ratio of NBDTIs increased from 31.6 per cent as at end-June 2018 to 32.6 per cent as at end -June 2019 due to a higher increase of 9.3 per cent in aggregate capital base of the sector compared to an increase of 5.9 per cent in the total risk-weighted assets. On an individual basis, the capital adequacy ratio maintained by NBDTIs ranged from 12.5 per cent to 54.3 per cent as at end-June 2019.

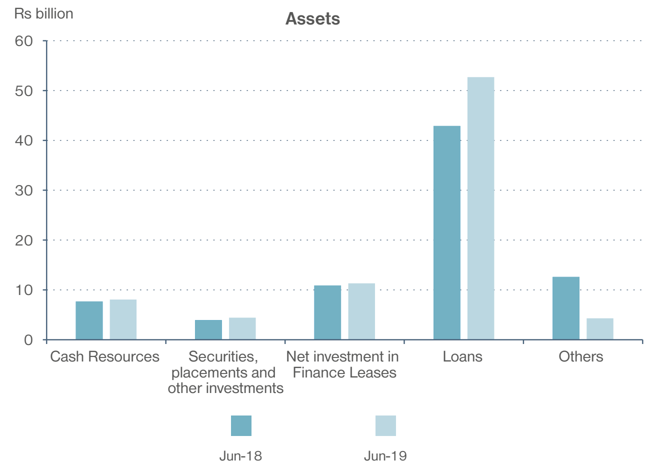
Over the period 30 June 2018 to 30 June 2019, total outstanding credit facilities extended by NBDTIs increased by 3.5 per cent or Rs2.2 billion, while their total amount of gross non-performing advances experienced a more than proportionate increase of 23.7 per cent or Rs0.8 billion. As a result, a deterioration of 1.0 percentage point was observed in the gross non-performing advances ratio which increased from 5.2 per cent as at end-June 2018 to 6.2 per cent as at end-June 2019. The outstanding credit facilities extended by NBDTIs to households, which comprised 88.2 per cent of the total figure, represented 88.7 per cent of non-performing advances.

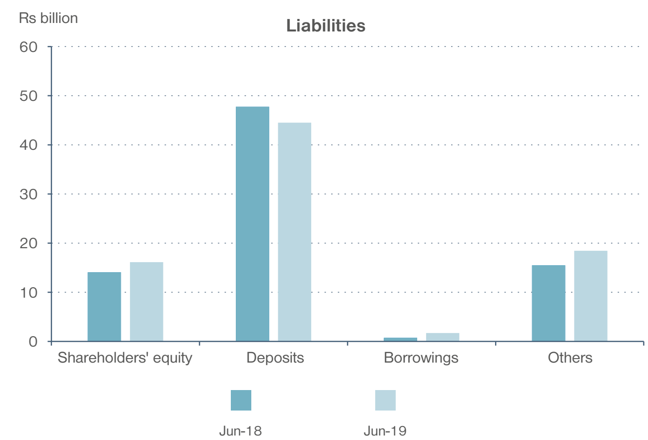
Balance Sheet Structure

Total assets of NBDTIs increased by 3.6 per cent to reach Rs80.8 billion as at end-June 2019. The share of loans to total assets increased from 55.0 per cent as at end-June 2018 to 65.2 per cent at the end of June 2019, while investment in finance leases to total assets stayed constant at 14.0 per cent over the same period.

Deposits went down by 6.8 per cent to Rs44.5 billion as at end-June 2019, but nonetheless remained the main source of funding. As a ratio of total liabilities, deposits dropped from 61.2 per cent as at end-June 2018 to 55.1 per cent as at end-June 2019. Chart 3.7 illustrates the composition of assets and liabilities of NBDTIs as at end-June 2018 and as at end-June 2019.

Chart 3.7: Balance Sheet Structure of NBDTIs



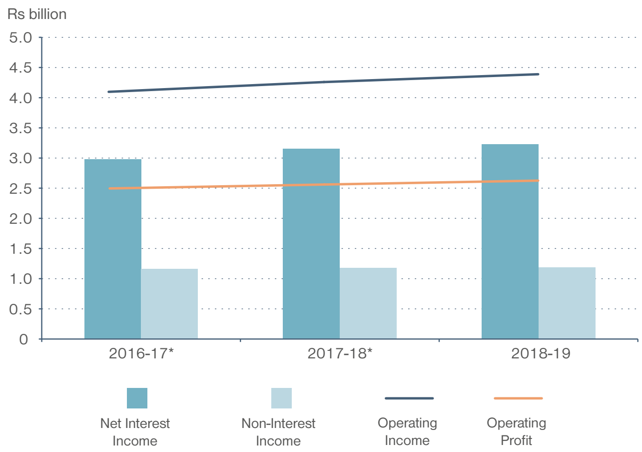


The advances-to-deposits ratio increased from 112.7 per cent at end-June 2018 to 143.8 per cent at end-June 2019 mainly on account of repayment of deposits by two NBDTIs which have ceased the business of deposit-taking and are in the process of surrendering their Deposit Taking Business Licence. Similarly, the leases-to-deposits ratio (based on deposits held by leasing companies only) increased from 78.3 per cent to 112.6 per cent for the same period.

Profitability

The consolidated profitability figures for NBDTIs are based on the audited results for the financial years ended June, September and December. NBDTIs' aggregate profit after tax increased more than fivefold from Rs0.4 billion in FY2017-18 to Rs2.1 billion in FY2018-19. This increase was driven mainly by a fall in the amount of tax to be paid for one NBDTI. Table 3.5 summarises the performance of the NBDTIs over the last three financial years. Chart 3.8 shows the evolution of net interest income, non-interest income, operating income and operating profit over the financial years 2016-17 to 2018-19.

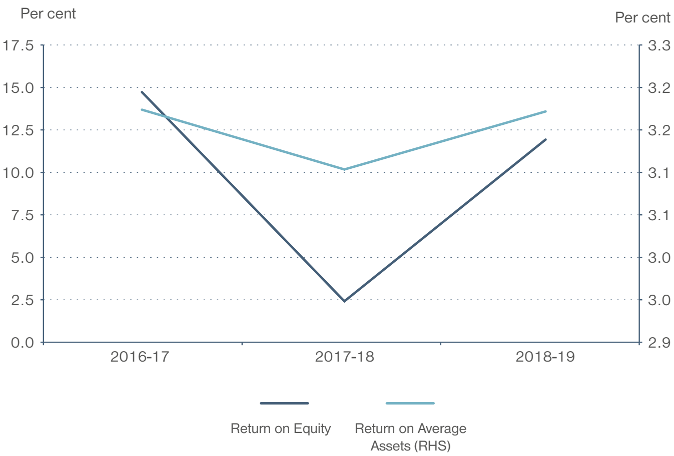
Chart 3.8: Profitability of NBDTIs



Return on Average Assets and Return on Equity

The pre-tax return on average assets increased from 3.1 per cent in FY2017-18 to 3.2 per cent in FY2018-19. On an individual basis, NBDTI's pre-tax return on average assets was quite diverse, ranging from 0.9 per cent to 4.0 per cent. The post-tax return on equity improved from 2.6 per cent to 12.0 per cent, mainly on account of the fall in the amount of tax to be paid for one NBDTI. Chart 3.9 shows the return on average assets and equity over the last three financial years.

Chart 3.9: Return on Average Assets and Equity of NBDTIs



Liquidity

NBDTIs are required to maintain liquid assets representing a minimum of 10 per cent of their deposit liabilities. As at end-June 2019, liquid assets held by NBDTIs amounted to Rs11.6 billion or 26.0 per cent of their deposits, compared to 23.1 per cent of deposits as at end-June 2018.

Table 3.5: Consolidated Profit and Loss Account of NBDTIs

(Rs billion)

Financial year*	2016-17	2017-18	2018-19
Interest Income	5.7	5.7	5.6
Interest Expense	2.7	2.5	2.4
Net Interest Income	3.0	3.2	3.2
Non-Interest Income	1.1	1.1	1.2
Operating Income	4.1	4.3	4.4
Non-Interest Expense	1.6	1.7	1.8
Operating Profit	2.5	2.6	2.6
Other Non-Operating Profit	0.0	0.0	0.0
Profit before Provision & Adjustment for credit losses	**2.5**	**2.6**	**2.6**
Provision & Adjustment for credit losses	0.2	0.3	0.2
Profit before tax	**2.3**	**2.3**	**2.4**
Income Tax Expense	0.1	1.9	0.3
Profit after tax	**2.2**	**0.4**	**2.1**

*12 months period for which the accounts were audited and are different for different NBDTIs.

CASH DEALERS

Six money changers and six foreign exchange dealers, collectively known as cash dealers, were in operation as at 30 June 2019. Unlike money changers which deal principally in the exchange of foreign currency notes, foreign exchange dealers are authorised to carry out other activities which comprise the provision of remittance facilities and the conduct of spot and forward exchange transactions, in addition to the money-changing business.

Total assets of cash dealers amounted to Rs683 million as at end-June 2019, with assets of foreign exchange dealers totaling Rs615 million. The bulk of cash dealers` assets consisted of cash in hand, balances held with financial institutions and Government/Bank of Mauritius securities, which represented 32 per cent, 27 per cent and 21 per cent, respectively, of total assets.

FINANCIAL SOUNDNESS INDICATORS OF DEPOSIT TAKING INSTITUTIONS[4]

Capital Adequacy Indicators

The deposit-taking institutions (DTIs) sector recorded a healthy growth in its capital positions during the period July 2018 to June 2019, with an increase in the regulatory capital to risk-weighted assets ratio from 18.0 per cent as at end-June 2018 to 19.8 per cent as at end-June 2019. The CET1 capital to risk-weighted assets followed a similar trend. The banking sector, which accounts for a dominant share of the financial sector, maintained its capital levels well above the minimum statutory requirement. Accordingly, this improvement reflected mostly an increase in CET1 capital of 13 per cent while Total Risk Weighted Assets in the portfolio of the banking sector rose by only 1 per cent during the same period. The decline in ratio of Non-Performing Loans (NPLs) net of provisions to capital from 14.3 per cent to 12.8 per cent means that the DT institutions have more capital to confront any losses that may arise from NPLs.

Asset Quality Indicators

The quality of the loan portfolio of the entire banking sector improved marginally over the four quarters ended June 2019. The significant writing-off process of impaired loans made by a domestic bank has contributed towards the improvement. The NPLs to total gross loans ratio of DTIs fell from 6.9 per cent in June 2018 to 6.0 per cent in June 2019. Over 2019H1, the sectoral distribution of loans remained more or less unchanged except for loans to DTIs; with the highest portion, around 25.7 per cent, of loans being allotted towards non-financial corporations in the resident sector. The non-resident sector held a share of 36.0 per cent as at end-June 2019. Loans to DTIs nearly doubled during the period under review, reflecting a more active interbank money market.

Earnings and Profitability Indicators

Profitability of DTIs strengthened over the period under review as a result of a decline in loan loss provisions, rise in interest income and decrease in taxes. Subsequently, the two profitability measures, namely the Return on Assets (ROA) and Return on Equity (ROE) improved on a year-on-year basis. Pre-tax ROA and pre-tax ROE increased by 0.5 percentage point and 2.8 percentage points, respectively, over the year, and stood at 2.1 per cent and 17.4 per cent, respectively, as at end-June 2019. The ratio of interest margin to gross income also registered an upward trend and increased over the year from 71.5 per cent to 73.7 per cent, partially on the back of lower borrowing costs by the DTIs to finance the given level of assets. Coverage of non-interest expenses by gross income remained almost unchanged and stood at 40.4 per cent as at end-June 2019.

Liquidity Core Indicators

Based on Financial Soundness Indicators (FSI) compilation guide definition of liquid assets released by the IMF[5], the ratio of liquid assets to total assets fell by 4.4 percentage points to stand at 21 per cent as at end-June 2019. The ratio of liquid assets to short term liabilities followed a similar trend and dropped by 4.9 percentage points to 23.9 per cent, due to the contraction in currency and deposits[6] as against a rise of 6.1 per cent in total assets of DTIs[7].

Sensitivity to Market Risk Indicators

The net open position in foreign exchange to capital is an indicator of sensitivity to market risk, showing the exposure of DTIs to exchange rate risk. It measures the mismatch of foreign currency asset and liability positions of DTIs to assess their vulnerability to exchange rate movements. The ratio slightly dropped from 3.1 per cent as at end-June 2018 to 2.8 per cent as at end-June 2019, due to a rise in the total capital, and stayed well within the regulatory guideline of 15 per cent of Tier 1 capital.

[4] Deposit Taking Institutions consist of 20 banks and 8 non-bank deposit-taking institutions.

[5] In the Guide, core liquid assets comprise (1) currency; (2) deposits and other financial assets that are available either on demand or within three months or less (although deposit takers' deposits and other nontraded claims with other deposit takers included in the reporting population are excluded); that can be readily converted into cash, with insignificant risk of change in value under normal business conditions.

[6] See footnote 5 above.

[7] The decline in liquidity ratios as per FSI core liquidity definition does not necessarily transmit the true liquidity situation of DTIs since it excludes short-term liquid government securities. Since many DTIs in Mauritius have been moving towards these securities in line with the newly enacted Liquidity Coverage Ratio (LCR) requirements, the FSI core definition of liquidity may underestimate the true liquidity situation of DTIs in Mauritius. See later section on LCR under Stress Testing.

Table 3.6: Financial Stability Indicators[1] of Deposit Takers (Banks and NBDTIs[2])

Per cent

Core Set of Financial Soundness Indicators	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Regulatory capital to risk-weighted assets	17.8	17.6	18.2	18.6	18.0	19.8
Regulatory Tier 1 capital to risk-weighted assets	15.3	15.2	16.5	17.2	16.7	18.3
Non-performing loans net of provisions to capital	12.5	17.8	18.5	18.0	14.3	12.8
Asset Quality						
Gross non-performing loans to total gross loans[3]	4.5	5.8	8.0	7.8	6.9	6.0
Sectoral distribution[4] of loans to total loans[3]						
Interbank loans	*0.2*	*0.1*	*0.2*	*0.3*	*2.4*	*4.3*
Other financial corporations	*1.2*	*1.5*	*1.6*	*3.2*	*4.0*	*11.4*
Non-financial corporations	*35.3*	*34.8*	*37.0*	*35.6*	*33.3*	*25.7*
Other domestic sectors	*20.0*	*20.2*	*21.8*	*22.5*	*21.8*	*22.6*
Non-residents	*43.2*	*43.4*	*39.5*	*38.5*	*38.6*	*36.0*
Earnings and Profitability						
Return on assets	1.5	1.1	1.4	1.5	1.5	2.1
Return on equity	16.0	11.4	13.6	14.9	14.6	17.4
Interest margin to gross income	64.5	62.0	67.2	68.8	71.5	73.7
Non-interest expenses to gross income	38.1	40.6	41.8	40.2	40.5	40.4
Liquidity						
Liquid assets to total assets	19.5	25.1	27.9	26.8	25.4	21.0
Liquid assets to short-term liabilities	26.3	31.7	34.1	33.3	28.8	23.9
Sensitivity to Market Risk						
Net open position in foreign exchange to capital	3.8	2.8	2.9	4.7	3.1	2.8

Encouraged Set of Financial Soundness Indicators	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19
Capital to assets	9.8	10.3	10.5	10.2	11.6	12.0
Value of large exposures to capital[5]	197.3	209.6	188.4	150.0	235.3	250.6
Customer deposits to total (non-interbank) loans	123.6	142.3	148.2	151.5	155.2	151.4
Residential real estate loans to total loans[3]	8.6	8.7	9.5	9.2	10.3	11.0
Commercial real estate loans to total loans[3]	6.6	5.6	5.5	4.3	4.4	4.2
Trading income to total income	10.1	15.0	7.9	10.3	8.2	7.7
Personnel expenses to non-interest expenses	52.7	48.5	52.0	49.4	49.4	47.2

[1] FSIs are calculated on a domestic consolidation basis using the Financial Soundness Indicators Compilation Guide of the International Monetary Fund. Figures may be slightly different from other parts of this Report.

[2] NBDTIs refer to Non-Bank Deposit-Taking Institutions.

[3] Total gross loans, prior to October 2018, include commercial loans, installment loans, hire-purchase credit, loans to finance trade credit and advances, finance leases, repurchase agreements not classified as a deposit, and overdrafts.

[4] Following adoption of ISIC codes for sectoral definition in October 2018, the corresponding sectoral figures have changed. Hence, data are not strictly comparable with those prior to December 2018.

[5] As from December 2017, the measurement of credit concentration ratio has been revised to aggregate large credit exposure (above 10 per cent of Tier 1 capital) as a percentage of aggregate Tier 1 capital. Based on previous Guideline, the corresponding ratio for large exposures would have been 171.8 per cent, 178.3 per cent and 186.1 per cent for the quarters ended December 2017, March 2018 and June 2018, respectively.

4

Financial Markets Developments

Mohur

The word 'mohur' or 'mohor' comes from the Persian word 'muhr' which means "seal" and is related to the Sanskrit word "mudra" which also means "seal". A mohur is a gold coin that was struck by several government including British India. The gold mohurs issued by the Moghul Empire, the British East India Company or the British Crown are valuable collector's items. They were used in Mauritius in many transactions. A mohur was usually equivalent to fifteen silver rupees.

The Bank conducted open market operations on the domestic money market with a view to maintaining rupee reserves as close as possible to the demand for reserves by banks and to a level consistent with the Key Repo Rate. The Bank intervenes on the domestic foreign exchange market to contain excessive volatility of the rupee exchange rate, and to ensure that the exchange rate reflects macroeconomic fundamentals. The Bank's intervention policy is also geared towards increasing the country's foreign exchange reserves to build resilience against external shocks.

Main Highlights of **FY2018-19**

Auctions

		Treasury Bills	3 Year Notes	5 Year Bonds	10 Year Bonds	15 Year Bonds	20 Year Bonds
Issued	**FY2018-19:**	**Rs 40.7 billion**	**Rs 21.0 billion**	**Rs 15.7 billion**	**Rs 5.5 billion**	**Rs 1.8 billion**	**Rs 4.2 billion**
	FY2017-18:	Rs 37.9 billion	Rs 20.2 billion	Rs 14.0 billion	Rs 5.5 billion	Rs 1.5 billion	Rs 3.0 billion
Maturing	**FY2018-19:**	**Rs 36.9 billion**	**Rs 19.4 billion**	**Rs 10.1 billion**	**Nil**	**Nil**	**Nil**
	FY2017-18:	Rs 50.8 billion	Rs 18.4 billion	Rs 7.2 billion	Nil	Nil	Nil

Outstanding Instruments issued by the Bank of Mauritius (End of FY)

	FY2016-17	FY2017-18	FY2018-19
	Rs 69.0 billion	**Rs 92.1 billion**	**Rs 115.9 billion**

Foreign Exchange Intervention

	FY2016-17	FY2017-18	FY2018-19
FX intervention:	**Rs 16.0 billion**	**Rs 21.6 billion**	**Rs 16.4 billion**
Sterilisation of Proceeds:	Rs 9.0 billion	Rs 18.8 billion	Rs 5.3 billion

Rupee Excess Liquidity

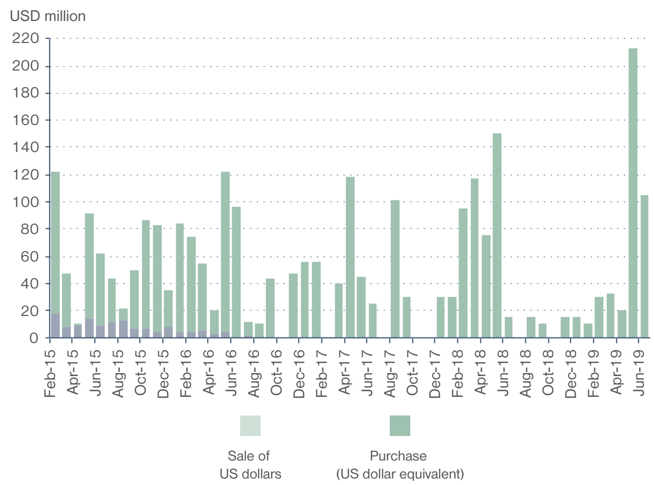
	FY2016-17	FY2017-18	FY2018-19
Average:	**Rs 6.4 billion**	**Rs 8.0 billion**	**Rs 12.2 billion**

Yields

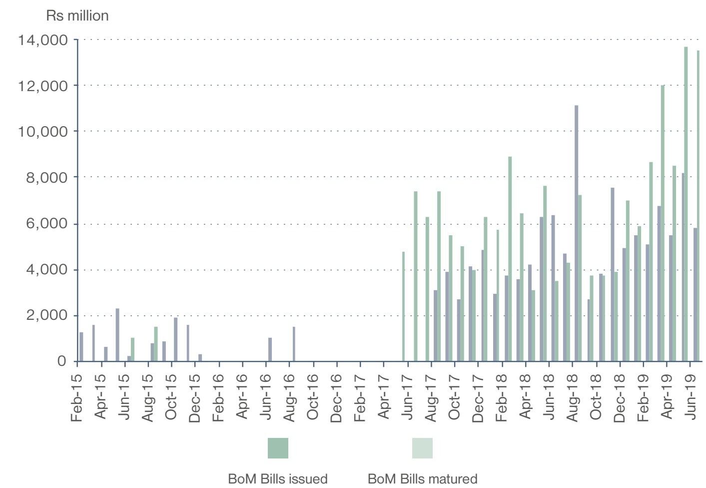
	Treasury Bills	3 Year Notes	5 Year Bonds	10 Year Bonds	15 Year Bonds	20 Year Bonds
Range for FY2018-19:	**2.14–3.80%**	**3.69–4.55%**	**3.42–5.15%**	**4.35-5.42%**	**5.98%**	**6.04–6.22%**
Average for FY2018-19:	3.38%	4.19%	4.74%	5.23%	5.98%	6.10%
Average for FY2017-18:	2.69%	3.28%	4.11%	5.03%	5.21%	5.86%

Selected Indicators for Financial Markets

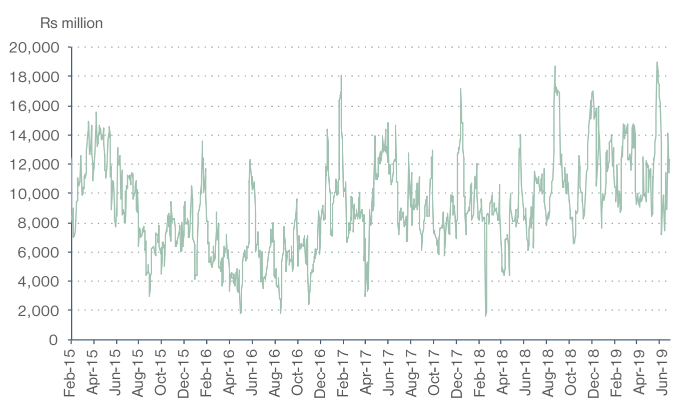
The Bank continued to intervene on the domestic foreign exchange market to curtail undue volatility...



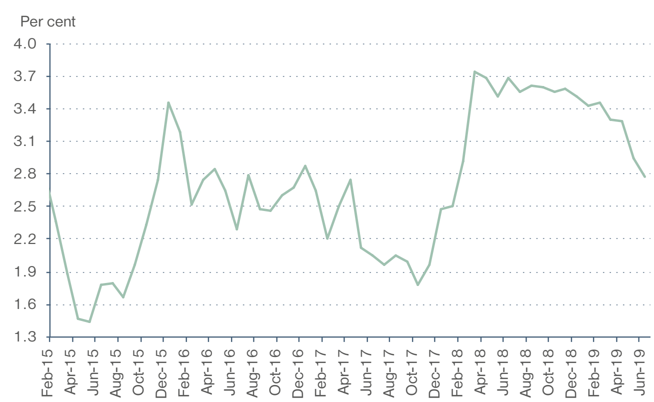
... and pursued the issuance of BOM bills to keep excess reserves within tolerable limits.



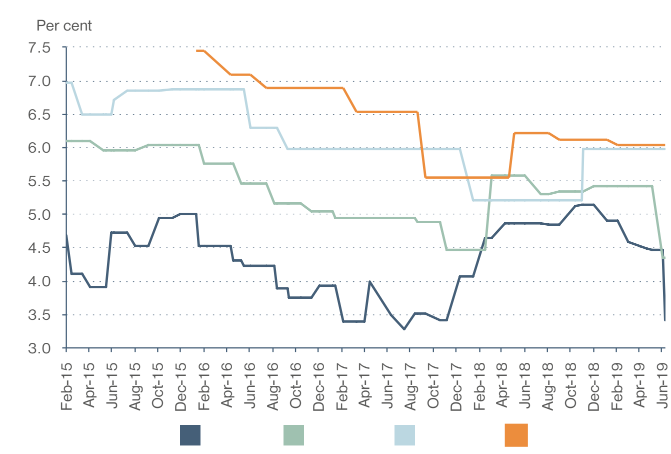
Rupee excess reserves were contained with the Bank's conduct of open market operations.



The overall weighted yield of Treasury Bills declined during FY2018-19



Yields on medium- to long-term Government of Mauritius bonds narrowed within the range of 3.5-6.0 per cent.



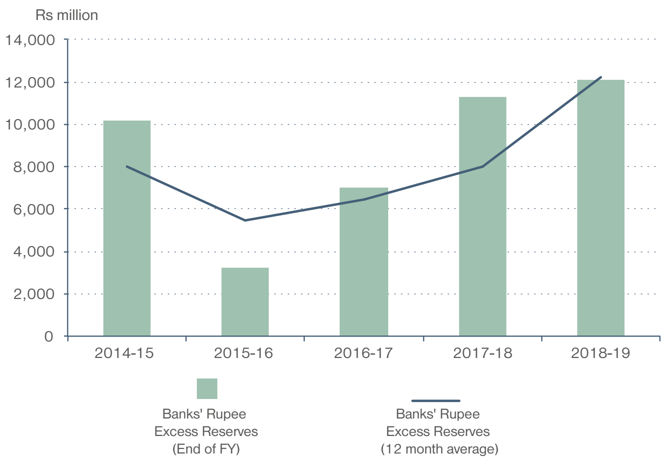
Outstanding Instruments Issued by the Bank of Mauritius

	Amount outstanding as at end-June 2018	Amount outstanding as at 28 December 2018	Amount outstanding as at 28 June 2019
	Rs mn	Rs mn	Rs mn
BOM Bills	35,780.1	30,834.4	59,648.6
Special Deposits	19,774.6	17,776.6	12,755.5
BOM Notes	27,050.0	37,050.0	34,025.0
3-Year Golden Jubilee Bonds	8,974.4	8,974.4	8,974.4
15 Year Bank of Mauritius Bonds	500.0	500.0	500.0
Total	92,079.1	95,135.4	115,903.5

Note: Figures may not add up to total due to rounding

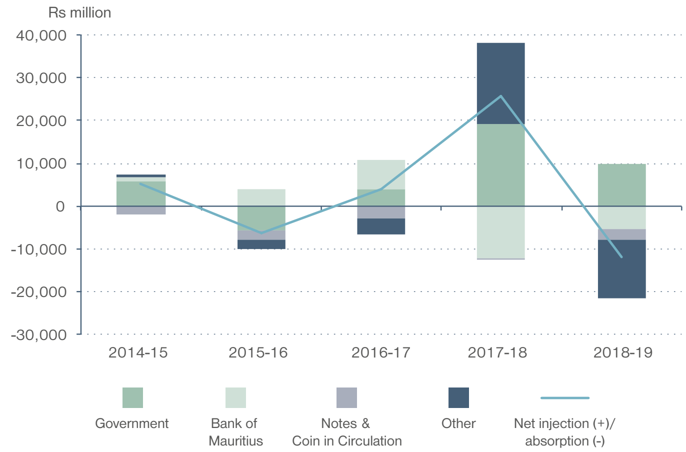
The Bank's open market operations during FY2018-19 remained guided by the objective of maintaining an optimal level of rupee excess liquidity in the banking system to ensure that short-term yields, in particular, the 91-day Bill yield, remain within the interest rate corridor. A large portion of the rupee excess liquidity is deemed as structural. Banks tend to keep some excess liquidity as precautionary balances to cater for public demand, for instance during festive periods. In spite of the Bank's determination to keep liquidity at an adequate level, broadly in line with the demand for reserves by banks, the level of excess rupee liquidity was rather volatile over FY2018-19.

Chart 4.1: Banks' Rupee Excess Reserves



Despite the Bank's open market operations, the 12-month average rupee excess liquidity grew to Rs12.2 billion in FY2018-19, up from Rs8.0 billion in the previous financial year (Chart 4.1). The Bank mopped up a total of Rs114.9 billion during FY2018-19, against maturing securities to the tune of Rs96.3 billion, representing a net issue of Rs18.6 billion. In order to meet its borrowing requirements, Government continued to issue securities in the short, medium and long term tenors. During the period under review, net government expenditure amounted to around Rs22.5 billion, which was financed by a net issuance of Government securities for Rs21 billion. Domestic currency in circulation increased by around Rs2.3 billion.

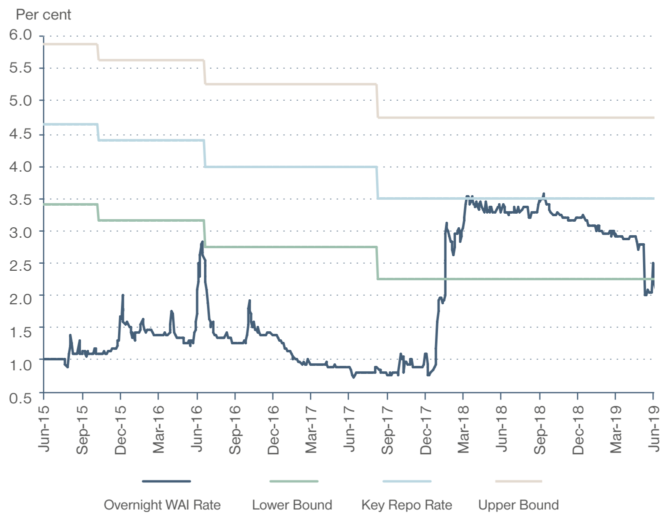
Chart 4.2: Main Drivers of Rupee Excess Reserves of Banks

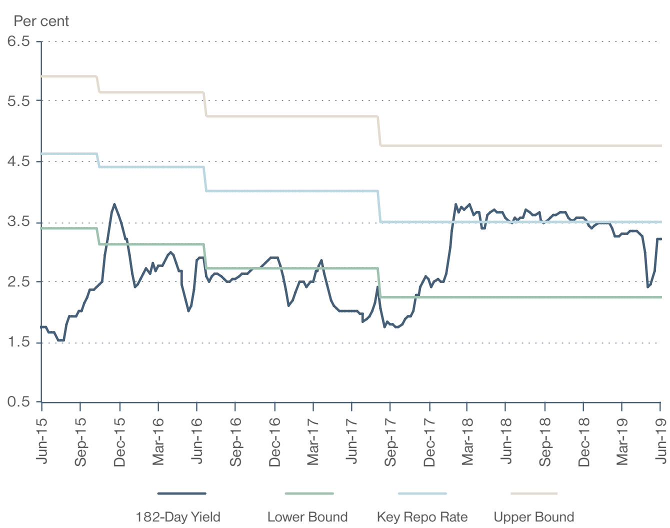


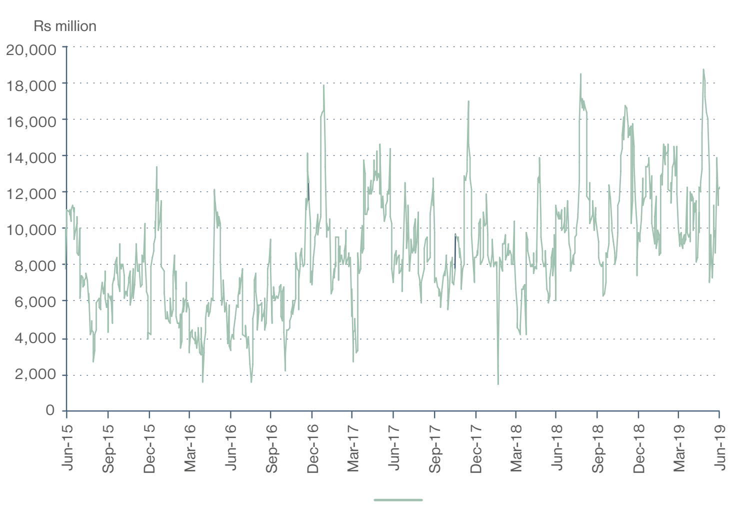
The disconnect between the KRR and short-term money market rates, that had prevailed during preceeding years, was duly eliminated following the Bank's aggressive conduct of open market operations during FY2018-19. Mirroring liquidity conditions in the domestic money market, the 91-Day Bill yield has generally hovered within the corridor of the policy rate, i.e., the Key Repo Rate (KRR) since February 2018. It dropped from around 3.50 per cent in July 2018 to 2.14 per cent at the end of May 2019, before closing the year at 3.03 per cent (Chart 4.3).

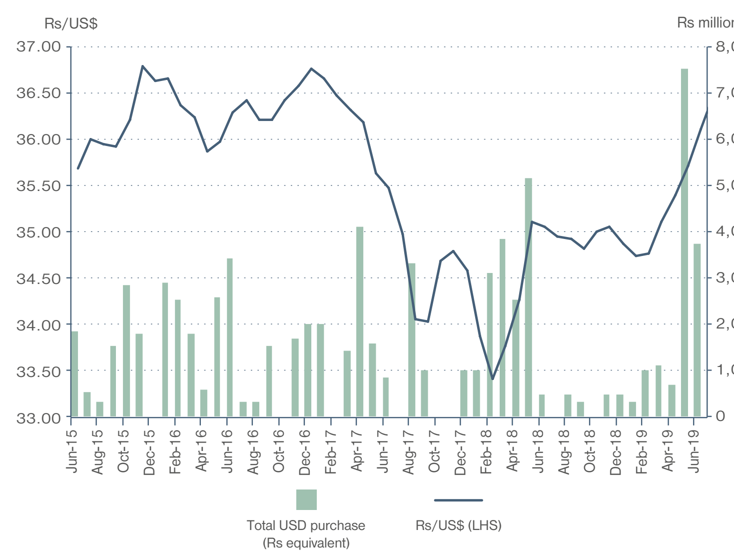
Concomitantly, most short-term money market rates, including the overnight weighted average interbank rate declined, reflecting pressures from the surge in excess liquidity. Barring for an outlier transaction, interbank interest rates which are charged on short-term lending, fluctuated between 2.00-3.70 per cent during FY2018-19 compared to 0.70-3.75 per cent in the preceeding financial year. The higher interbank interest rates were observed over the second half of FY2018-19. Rates on the call money market hovered in the range of 2.00-3.70 per cent compared to 0.70-3.75 per cent in FY2017-18. Interest rates on short notice transactions varied between 2.00 per cent and 3.60 per cent in FY2018-19, compared to 0.85 per cent and 3.75 per cent in FY2017-18. Interest rates on term money transactions ranged from 2.10 per cent to 3.60 per cent in FY2018-19 compared to a range of 1.50-3.75 per cent in FY2017-18. The overall weighted average interbank interest rate increased by 113 basis points, from an average of 2.39 per cent in FY2017-18 to an average of 3.52 per cent in FY2018-19.

Chart 4.3: Excess Liquidity and Money Market Rates









Issue of BoM securities

The Bank scaled up its open market operations to reduce excess liquidity through the issue of its own instruments, both short-term and long-term. During FY2018-19, Bank of Mauritius (BoM) Bills were issued for a total nominal amount of Rs95.4 billion and Bank of Mauritius Notes for a total nominal amount of Rs12.0 billion. BoM Bills in the three tenors, 91-Day, 182-Day and 364-Day for a total nominal amount of Rs95.6 billion were put on tender against maturing BoM Bills of Rs71.5 billion. Bids for a total nominal amount of Rs195.4 billion were received. The total amount of bids accepted represented 99.8 per cent of the total tender amount and 48.8 per cent of total bids received. The weighted average yields dropped from 3.64 per cent, 3.66 per cent and 3.77 per cent in the 91-Day, 182-Day and 364-Day bills, respectively, in June 2018 to an average of 2.54 per cent, 2.79 per cent and 3.00 per cent in June 2019. Bank of Mauritius Notes of 2-Year, 3-Year and 4-Year maturities amounting to Rs10.0 billion were put on tender. All auctions were oversubscribed; with total bids received amounting to Rs21.7 billion and an amount of Rs12.0 billion was accepted. BoM securities for a total nominal amount of Rs107.4 billion were issued against maturing securities to the tune of Rs82.1 billion, representing a net issuance of 25.3 billion.

The Bank's determination to enhance the monetary transmission mechanism is highlighted in the growing stock of outstanding Bank of Mauritius instruments, which expanded by 25.8 per cent, from Rs92.1 billion as at end-June 2018 to Rs115.9 billion as at end-June 2019. However this has increased the cost of conducting monetary policy, which weighs to a great extent on the profitability of the Bank.

Foreign Exchange Market

The Bank intervened on the domestic foreign exchange market with the objective of smoothing out excessive volatility in the rupee exchange rate and to ensure that the rupee exchange rate reflects the country's economic fundamentals. The Bank's purchases of US dollars through intervention from banks dropped from US$643 million in FY2017-18 to US$466 million in FY2018-19 (Table 4.1).

Concurrently, the Bank maintained its policy of sterilising the proceeds from interventions on the foreign exchange market to contain the build-up of rupee excess reserves. Accordingly, special deposits totalling Rs5.3 billion were placed with the Bank for a period of one year at an interest rate ranging between 2.60 per cent and 3.60 per cent. An additional amount of Rs7.5 billion of special deposits for a period of up to 2 years was mobilised from banks, at rates ranging from 2.85 per cent to 3.73 per cent.

Interbank Foreign Exchange Market

Total turnover on the domestic interbank foreign exchange market, excluding intervention by the BoM, increased marginally by US$26 million, from US$720 million in FY2017-18 to US$746 million in FY2018-19, of which US$394 million represented purchases of US dollar against the rupee and US$247 million purchases of US dollar against other foreign currencies. The opening average interbank rates of banks ranged from Rs34.2762 to Rs36.0100 per US dollar in FY2018-19.

Table 4.1: Foreign Exchange Intervention by the Bank

Period	Purchases of US Dollars (US$ million)	Purchases of US Dollars (Rupee Equivalent, million)	Amount Sterilised (Rs million)
FY 2014-15	407	13,600	5,454
FY 2015-16	583	20,902	9,540
FY 2016-17	450	15,957	9,028
FY 2017-18	643	21,637	18,775
FY 2018-19	466	17,443	5,296

Foreign Currency Transactions

Turnover on the domestic foreign exchange market increased from US$11.4 billion during FY2017-18 to U$12.5 billion during FY2018-19. Transactions were mostly concentrated in the spot market which totalled US$10.7 billion and accounted for 85.4 per cent of total transactions. Forward transactions increased from US$1.3 billion in FY2017-18 to US$1.8 billion in FY2018-19, hinting towards some sophistication of the domestic FX market. The share of forward transactions in total transactions rose from 11.6 per cent to 14.6 per cent (Table 4.2). Foreign currency purchases and sales remained primarily denominated in US dollars and Euros, which represented 60.3 per cent and 29.5 per cent of total transactions in FY2018-19, compared to 58.8 per cent and 30.1 per cent, respectively, in FY2017-18 (Table 4.3).

Table 4.2: Foreign Currency Transactions

(US$ million)

	Purchases				Sales				Turnover
	Spot		Forward	Total	Spot		Forward	Total	
	Less than US$ 20,000 or equivalent	More than US$ 20,000 or equivalent			Less than US$ 20,000 or equivalent	More than US$ 20,000 or equivalent			
FY2017-18	1,473.4	3,747.8	745.1	5,966.3	1,108.0	3,767.9	576.6	5,452.6	11,418.9
FY2018-19	1,933.7	3,357.2	1,130.3	6,421.3	1,506.6	3,857.8	686.0	6,050.5	12,471.7

Table 4.3: Foreign Currency Purchases and Sales by Major Currencies

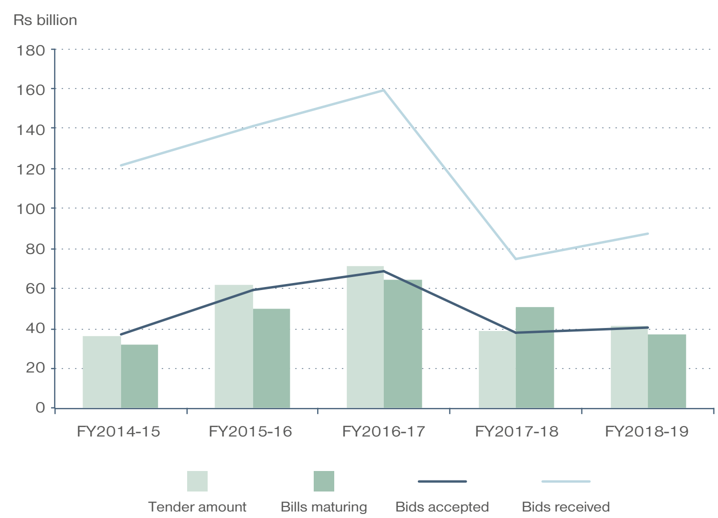
(US$ million)

	Purchases					Sales				
	USD	EUR	GBP	Others	Total	USD	EUR	GBP	Others	Total
FY2017-18	2,347.6	1,768.7	271.9	104.6	4,492.9	2,846.6	895.5	172.8	429.6	4,344.5
FY2018-19	2,425.9	1,709.3	235.5	116.8	4,487.5	3,017.8	958.6	131.9	435.5	4,543.9

Issue of Government Securities

The Bank acts as agent of Government with regard to the issuance of debt instruments to finance short-term borrowing requirements and longer-term investment projects. These generally include Treasury Bills, Treasury Notes and Government of Mauritius Bonds. Government securities of medium to longer-term maturities are issued in accordance with the Government's Issuance Plan for the financial year, released to the market well in advance. The market is also informed in advance of the range of weekly issues of Treasury Bills for the next two months. The actual amount and tenor of Treasury Bills to be put on tender for the next two weeks are also communicated to the market ahead of the auction. With a view to improving public sector cash management, Government introduced a new instrument, namely the Government of Mauritius Treasury Certificates (GMTCs) which are issued on a weekly basis to Non-Financial Public Sector Bodies (NFPSBs) in the 91-Day, 182-Day and 364-Day tenors as from June 2019. The frequency and tenor of the GMTCs were subsequently revised, and are now issued daily on a tap basis in the 182-Day tenor. The interest rate applicable on the GMTCs is the weighted yield registered in the 182-Day Government of Mauritius Treasury Bills/Bank of Mauritius Bills, at the primary auction held on the preceding Friday.

Chart 4.4: Auctioning of Government of Mauritius Treasury Bills



Treasury Notes

During FY2018-19, the Bank continued with the monthly issuance of Three-Year Treasury Notes. Five new benchmark issues and seven re-openings of previous issues were held with a view to providing ample liquidity in the instruments. A total amount of Rs22,600 million was put on tender and the amount accepted stood at Rs21,025 million, while maturing Notes totalled Rs31,171 million.

Long-Term Government of Mauritius Bonds

During the FY2018-19, Government raised a total amount of Rs27,800 million through the net issue of long-term Government of Mauritius Bonds. For the period under review, eight auctions of Five-Year Government of Mauritius Bonds were carried out and a total nominal amount of Rs15,700 million was accepted. These included the issue of three New Benchmark Bonds and five re-openings aimed at creating adequate liquidity to foster the development of the secondary market trading of these Government securities. In FY2018-19, the Bank held three issues of Ten-Year Government of Mauritius Bonds namely on 20 July 2018, 7 December 2018 and 7 June 2019, respectively. The total nominal amount put on tender was Rs5,500 million and total bids received amounted to Rs16,100 million. A total amount of Rs5,500 million was accepted.

Table 4.4: Auctions of Government of Mauritius Securities

		FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
(i)	**Three-Year Treasury Notes**					
	Amount of Notes put on Tender (Rs million)	17,300	18,000	19,200	20,000	22,600
	Value Bids Received (Rs million)	47,605	31,344	40,622	45,495	50,755
	Value Bids Accepted (Rs million)	17,220	16,441	19,190	20,200	21,025
(ii)	**Five-Year Government of Mauritius Bonds**					
	Amount of Bonds put on Tender (Rs million)	10,100	8,300	14,800	14,000	15,500
	Value Bids Received (Rs million)	31,302	15,917	32,035	32,600	36,250
	Value Bids Accepted (Rs million)	10,520	8,054	14,800	14,000	15,700
(iii)	**Ten-Year Government of Mauritius Bonds**					
	Amount of Bonds put on Tender (Rs million)	4,900	4,600	4,800	5,500	5,500
	Value Bids Received (Rs million)	14,237	10,887	12,727	13,640	16,100
	Value Bids Accepted (Rs million)	6,083	4,600	4,800	5,500	5,500
(iv)	**Fifteen-Year Government of Mauritius Bonds**					
	Amount of Bonds put on Tender (Rs million)	4,700	4,500	1,500	1,500	1,800
	Value Bids Received (Rs million)	15,197	9,495	4,190	4,900	3,640
	Value Bids Accepted (Rs million)	5,303	4,500	1,500	1,500	1,800
	Weighted Average Yield of Bids Accepted (% p.a)			6.00	5.20	6.00
(v)	**Fifteen-Year Inflation Indexed Government of Mauritius Bonds**					
	Amount of Bonds put on Tender (Rs million)	2,200	1,500	1,300	1,200	1,400
	Value Bids Received (Rs million)	5,085	1,951	1,965	3,460	4,620
	Value Bids Accepted (Rs million)	2,200	1,500	600	1,200	600
	Weighted Average Yield of Bids Accepted (% p.a)		2.80	3.50	235*	246*
(vi)	**Twenty-Year Government of Mauritius Bonds**					
	Amount of Bonds put on Tender (Rs million)		3,000	3,400	3,000	3,800
	Value Bids Received (Rs million)		6,655	8,717	9,735	9,640
	Value Bids Accepted (Rs million)		3,000	3,400	3,000	4,200

** Weighted Bids Margin Aceepted (basis points)*

The Bank conducted an issue of the Fifteen-Year Government of Mauritius Bonds for a nominal amount of Rs1,800 million during FY2018-19. The auction was oversubscribed with a bid-cover ratio of 2.0. The Bank issued a Fifteen-Year Inflation-Indexed Government of Mauritius Bonds on 5 April 2019. The Bonds were issued at par, bearing interest payable annually at the weighted accepted bid margin plus the 12-month average inflation rate published by Statistics Mauritius as at end-February, every year. Bids for a total nominal amount of Rs4,620 million were received and a total amount of Rs600 million was issued at the weighted bid margin of 246 basis points. The Bank also conducted two auctions of Twenty-Year Government of Mauritius Bonds on 7 September 2018 and 8 February 2019, for a total amount of Rs3,800 million. Both auctions were oversubscribed with a bid-cover ratio of 2.7 and 2.4, respectively, and a total nominal amount of Rs4,200 million was accepted.

The Bank held eight reverse auctions in the Three-Year Government of Mauritius Treasury Notes and seven reverse auctions in the Five-Year Government of Mauritius Bonds for an aggregate amount of Rs7,500 million during FY2018-19. The amount accepted stood at Rs820.1 million against a total amount of Rs1,220.1 million received in the Three-Year Government of Mauritius Treasury Notes as shown below (Table 4.5). During the same period, the Bank accepted only Rs119.75 million against Rs340.25 million received in the Five-Year Government of Mauritius Bonds (Table 4.6).

Table 4.5: Reverse Auction of Three-Year Government of Mauritius Treasury Notes

	27-Jul-18	10-Aug-18	7-Sep-18	21-Sep-18	5-Oct-18	9-Nov-18	7-Dec-18	14-Dec-18
	3Y-GMTNotes [1]				3Y-GMTNotes [2]			3Y-GMTNotes [3]
1. Amount put on Tender (Rs mn)	1,000.0*	1,000.0*	1,000.0*	1,000.0*	1,000.0*	1,000.0*	1,000.0*	500.0*
2. Value of Bids Received (Rs mn)	Nil	620.0	200.0	Nil	200.1	Nil	200.1	Nil
3. Value of Bids Accepted (Rs mn)	Nil	620.0	Nil	Nil	Nil	Nil	200.1	Nil
4. Highest Price Accepted (%)	-	101.115	-	-	-	-	101.114	-
5. Weighted Price of Bids Accepted (%)	-	101.115	-	-	-	-	101.114	-

[1] 4.25 per cent 3-Year Government of Mauritius Treasury Notes due on 20 November 2018
[2] 3.59 per cent 3-Year Government of Mauritius Treasury Notes due on 19 February 2019
[3] 3.40 per cent 3-Year Government of Mauritius Treasury Notes due on 24 June 2019
* Reverse Auction for an aggregate nominal amount of Rs1,000 million for 4.25 per cent 3-Year Government of Mauritius Treasury Notes and 4.30 per cent 5-Year Government of Mauritius Bonds

Table 4.6: Reverse Auction of Five-Year Government of Mauritius Bonds

	27-Jul-18	10-Aug-18	7-Sep-18	21-Sep-18	5-Oct-18	9-Nov-18	7-Dec-18
	5Y-GM Bonds [1]				5Y-GM Bonds [2]		
1. Amount put on Tender (Rs mn)	1,000.0*	1,000.0*	1,000.0*	1,000.0*	1,000.0*	1,000.0*	1,000.0*
2. Value of Bids Received (Rs mn)	Nil	Nil	Nil	100.0	220.5	Nil	19.75
3. Value of Bids Accepted (Rs mn)	Nil	Nil	Nil	100.0	Nil	Nil	19.75
4. Highest Price Accepted (%)	-	-	-	101.92	Nil	-	101.27
5. Weighted Price of Bids Accepted (%)	-	-	-	101.92	Nil	-	101.27

[1] 4.30 per cent 5-Year Government of Mauritius Bonds due on 18 October 2018
[2] 5.20 per cent 5-Year Government of Mauritius Bonds due on 25 April 2019
* Reverse Auction for an aggregate nominal amount of Rs1,000 million for 4.25 per cent 3-Year Government of Mauritius Treasury Notes and 4.30 per cent 5-Year Government of Mauritius Bonds

Interbank Money Market

Total turnover on the interbank money market fell from Rs307.7 billion in FY2017-18 to Rs270.0 billion during FY2018-19. The daily average interbank transactions, consequently, dropped to Rs826 million in FY2018-19, from Rs986 million. The call money market segment accounted for nearly two-thirds of total transactions in FY2018-19 higher than the 56 per cent recorded in FY2017-18. On average, daily transactions on the call money segment amounted to Rs618 million in FY2018-19 compared to Rs593 million in FY2017-18. The fall in total interbank turnover may be attributed to the lower volume of transactions under the short notice segment, which fell from Rs123.9 billion in FY2017-18 to Rs30.1 billion in FY2018-19. Daily average figures followed the same trend, moving from Rs642 million in FY2017-18 to Rs289 million in FY2018-19. Total term money transactions increased from Rs11.9 billion in FY2017-18 to Rs61.3 billion in FY2018-19 such that the daily average transactions almost doubled from Rs212 million to Rs414 million.

Primary Dealer System and Secondary Market Trading

In March 2019, following an annual review of their activities, the license of the existing four Primary Dealers, namely, AfrAsia Bank Limited, Barclays Bank Mauritius Limited, SBM Bank (Mauritius) Ltd and the Mauritius Commercial Bank Limited was renewed for a one-year period.

The main objective of the Primary Dealer System is to develop the secondary market for both Government and Bank of Mauritius securities in all tenors. The implementation of the E-Bond system, has assisted in enhancing efficiency and deepening the secondary market in Mauritius. It has also allowed the development of a benchmark yield curve that will enhance price discovery for a range of money market instruments. The total volume of transactions carried out on the secondary market by Primary Dealers and non-Primary Dealers increased by 37.1 per cent, from Rs140.8 billion in FY2017-18 to Rs192.9 billion in FY2018-19. Nearly 52 per cent of total transactions were carried out by Banks, of which non-Primary Dealer Banks accounted for the major share of around 58 per cent for a total amount of Rs58.3 billion (Table 4.7)

Table 4.7: Secondary Market Transactions by Counterparty

(Rs million)

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total (FY 2017-18)	Total (FY 2018-19)
Banks	**4,073**	**9,755**	**6,751**	**4,900**	**6,572**	**2,491**	**7,246**	**9,616**	**14,977**	**11,514**	**15,513**	**6,552**	**79,056**	**99,960**
of which:														
Primary Dealers	839	3,375	3,471	1,600	3,218	604	766	3,207	8,826	6,054	8,587	1,104	23,008	41,651
Non-Primary Dealer Banks	3,234	6,380	3,280	3,301	3,354	1,886	6,480	6,410	6,150	5,461	6,925	5,448	56,049	58,309
Non-Bank Financial Institutions	**4,525**	**4,030**	**4,189**	**4,665**	**4,689**	**5,897**	**2,523**	**4,731**	**6,054**	**6,968**	**5,535**	**7,472**	**46,810**	**61,278**
of which:														
Pensions Funds	508	1,521	729	3,111	1,758	2,589	1,164	1,940	3,034	3,696	2,457	3,990	22,620	26,496
Insurance Companies	854	829	1,374	521	788	1,923	415	529	1,289	422	769	883	11,126	10,596
Other	**3,163**	**1,679**	**2,086**	**1,033**	**2,144**	**1,385**	**944**	**2,261**	**1,731**	**2,851**	**2,310**	**2,600**	**13,065**	**24,187**
Non-Financial Institutions	**1,661**	**1,337**	**1,781**	**1,461**	**1,595**	**2,575**	**1,121**	**1,314**	**2,234**	**1,346**	**1,529**	**2,212**	**12,797**	**20,165**
Individuals	**510**	**989**	**965**	**1,177**	**986**	**889**	**911**	**827**	**853**	**1,034**	**1,526**	**787**	**2,087**	**11,455**
Total	**10,768**	**16,111**	**13,686**	**12,204**	**13,843**	**11,851**	**11,801**	**16,487**	**24,118**	**20,863**	**24,103**	**17,024**	**140,751**	**192,858**

Note: The Bank issued a revised guideline for Primary Dealers in April 2018.

Credit Facilities - Special Line of Credit in Foreign Currency

The Bank introduced a Special Foreign Currency Line of Credit in 2012 for the export and tourism operators to address currency mismatches between their income streams and existing debt-servicing requirements. As at end-June 2019, the outstanding balance to be repaid by banks amounted to EUR6.3 million.

Foreign Reserves Management

The country's level of gross official international reserves (GOIR) rose from Rs230.5 billion as at end-June 2018 to Rs253.3 billion as at end-June 2019. In US Dollar terms GOIR increased from $6.7 billion to $7.2 billion over the same period, representing an import cover of 11.8 months and providing a solid buffer against adverse external shocks. Intervention on the domestic foreign exchange market to the tune of USD465.9 million over the period under review substantially contributed to the increase in GOIR.

Reserves are managed in accordance with section 46 (2) of the Bank of Mauritius Act 2004, whereby the Board determines the composition of the official foreign reserves and aims to achieve their security, liquidity and return, in that order of priority. These three objectives are upheld through the construction of a well-diversified and optimized portfolio, which is tranched in various buckets, with different investment guidelines and duration.

The Bank manages the foreign exchange reserves within the asset class and currency limits defined by the strategic asset allocation guidelines approved by the Board, and within the approved risk budget. The Bank's policy is to invest only in investment grade securities.

The Bank has entrusted the management of part of the foreign exchange reserves to top tier external managers in an endeavor to diversify the risk characteristics of the portfolio, as well as boost its return profile.

The market environment presents significant challenges for the management of foreign exchange reserves. FY2018-19 has been a volatile year, marked by a return to monetary policy easing in major economies as the growth outlook turned more pessimistic while inflation stayed generally low. The US-China trade war, uncertain Brexit outcome, as well as geopolitical tensions had a significant impact on the performance of major asset classes, and therefore on the risk-adjusted return of the overall portfolio.

5

Payment and Settlement Systems and Currency Management

Spanish dollar

The Spanish dollar, also known as the silver piaster or piece of eight, was a silver coin worth eight reals. It was widely used by many countries as the international currency for commercial transactions by virtue of its uniformity, but also by virtue of the Spanish power and ownership of the new South American silver mines. It is symbolised with a letter S with two vertical bars superimposed between the units and subdivision.

The Bank of Mauritius is vested with the responsibility to manage and oversee the payment and settlement systems of Mauritius in accordance with the provisions of Section 5(1)(c) of the Bank of Mauritius Act 2004. To attain this objective, the Bank is constantly engaged in projects aimed at renovating its banking and settlement capabilities, and implementing new technological infrastructures with a view to supporting real-time payments for economic stakeholders. During FY2018-19, the Bank endeavoured to bring further innovation in the payment systems and worked towards the launch of the Mauritius Central Automated Switch, the MauCAS, on 14 August 2019. Another achievement was the successful withdrawal and demonetisation of the paper banknote in denomination of Rs2000 and its substitution into polymer design which incorporates enhanced security features using new security technology. These initiatives by the Bank have contributed to promote efficiency and the overall stability of the Mauritian financial system.

Mauritius Automated Clearing and Settlement System

- During FY2017-18, a total number of 1.024 million transactions for a total value of Rs3.0 trillion were settled.
- During FY2018-19, a total number of 1.2 million transactions for a total value of Rs3.0 trillion were settled.

Port Louis Automated Clearing House: Cheques

- During FY2017-18, 4.1 million cheques were cleared for a total value of Rs250 billion.
- During FY2018-19, 4.0 million cheques were cleared for a total value of Rs252.0 billion.

Port Louis Automated Clearing House: Eletronic Fund Transfers & Direct Debits

- During FY2017-18, 4.6 million transactions were cleared for a total value of Rs117.6 billion.
- During FY2018-19, 5.4 million transactions were cleared for a total value of Rs130.7 billion.

Regional Cross Border Initiatives
- COMESA
- SADC

- COMESA REPSS recorded transactions amounting to US$53.0 million.
- SADC RTGS

National Payment Systems Act 2018
Effective 31 January 2019

New Rs2000 denomination Polymer Banknote

Launch of MauCAS

MCIB: 382,591 reports drawn

Total notes and coins in circulation: Rs36.4 billion

One key aspect of the Bank's central banking services is the role it plays as banker to the Government of Mauritius. Transactional banking services offered by the Bank comprise, *inter alia*, deposits and withdrawals effected on behalf of various ministries and other departments, the processing of payment instructions to meet government's obligations, and the management and consolidation of all government departmental accounts. Funds received on behalf of government in the form of grants and lines of credit from abroad are also recorded and generally maintained by the Bank for the management of government accounts and bookkeeping purposes.

The Bank is also mandated to act as agent for the government for the purpose of public sector cash management. The Bank undertakes the issuance of debt instruments that generally include Treasury Bills, Treasury Notes and Government of Mauritius Bonds, the proceeds of which cater for the financing of government's borrowing requirements. These instruments are put on tender through the Primary Dealer System, whereby primary dealers have the exclusive rights to bid at auctions of these securities. Under this arrangement, the Bank introduced a new electronic trading system for Mauritian government bonds - the Bloomberg E-Bond Trading Platform - that caters for the development of a secondary market for government securities.

As the guardian of public confidence in the rupee as the domestic currency, the Bank views the safety and efficiency of payment systems as critical elements that enable economic agents to transmit money and financial instruments securely and smoothly. With the aim of mitigating risks in the financial system and enhancing the efficiency of payment systems, the National Payment Systems Act 2018 (NPS Act 2018) came into effect on 31 January 2019. The Act aims at providing a comprehensive framework for the regulation, oversight and supervision of national payment systems and other payment systems operated in Mauritius. Vested with the authority to regulate, oversee and supervise the national payment system and payment systems operated in Mauritius as well as the clearing and settlement system, the Bank ensures a secure and efficient operation of the payment systems in Mauritius.

Amidst new technologies and advances in the mode of payments and settlement, payment systems remain subject to increasing vulnerabilities and require the application of a resilient technical architecture. Accordingly, the Bank is constantly faced with challenges to preserve the integrity of payment systems operating in Mauritius and to improve the attendant risk management framework. Oversight of the payment systems along with an upgraded risk management framework to monitor the inherent risks in payment infrastructures are, thus, of paramount importance. Hence, based on the foundation of a strong legal framework and in accordance with Section 4(1) of the NPS Act 2018, the Bank has adopted a risk-based approach to the oversight of the overall payment systems, which comprises the:

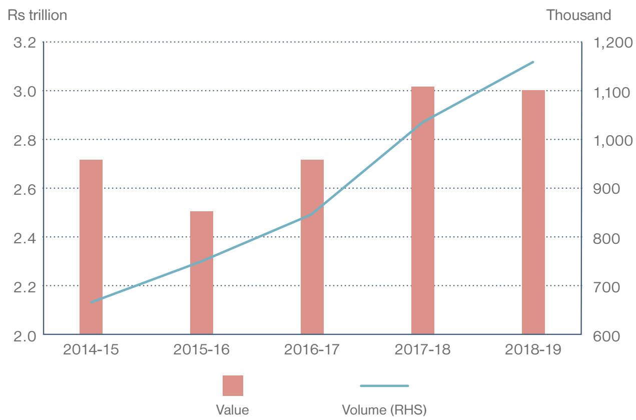
- identification of potential risks generated via the design and operation of payment and settlement systems;
- assessment of these potential risks and taking steps to develop mitigation actions; and
- ongoing monitoring of compliance with prescribed rules, aimed at detecting problems at an early stage and taking prompt corrective measures.

These standards are in line with the Principles for Financial Market Infrastructures (PFMIs) issued by the BIS Committee on Payment and Settlement Systems (CPSS). These principles are also in conformity with the minimum standards for Systemically Important Payment Systems which address areas of risks that include, *inter alia*, operational risk, credit risk, liquidity risk, settlement risk and legal risk, as established by the Technical Committee of the International Organisation of Securities Commissions (IOSCO).

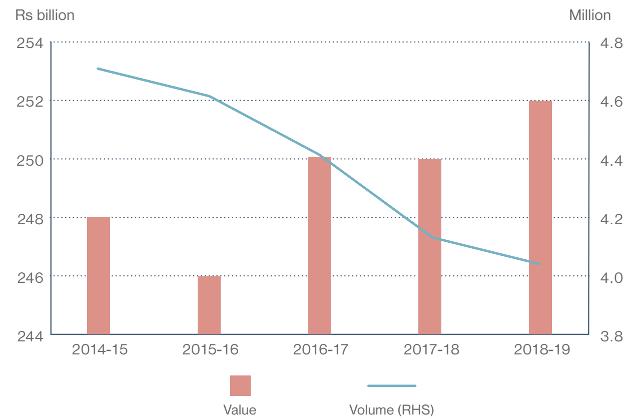
In parallel, the rapid digitalisation of payment systems is increasing cyber security threats. With a view to maintaining public confidence in the domestic payment ecosystem, the Bank has implemented the mandatory and advisory controls recommended by the SWIFT Customer Security Programme to remain in line with international standards.

Selected Indicators for Payment Systems and MCIB

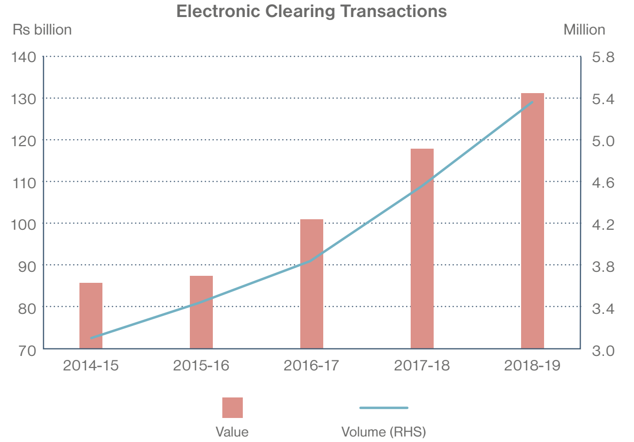
Transactions on MACSS



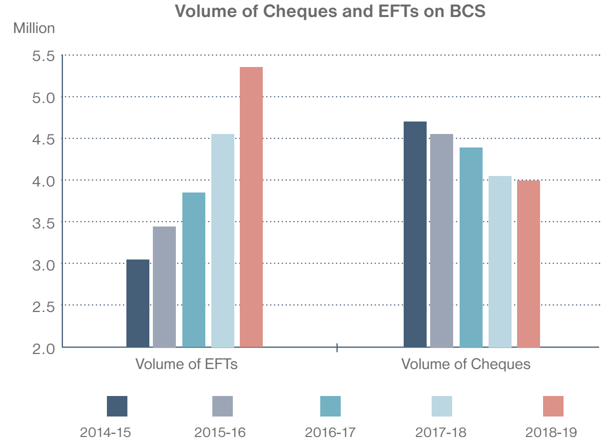
Cheques Cleared



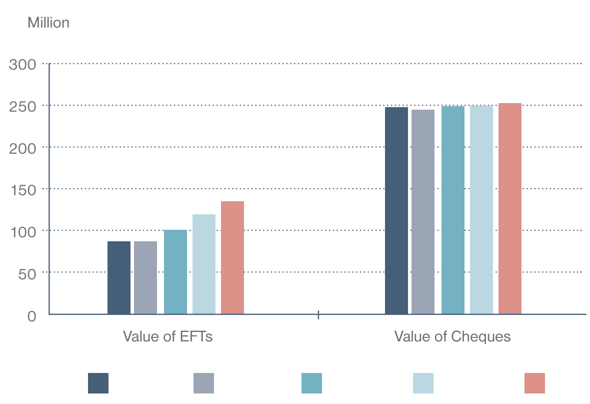
Electronic Clearing Transactions



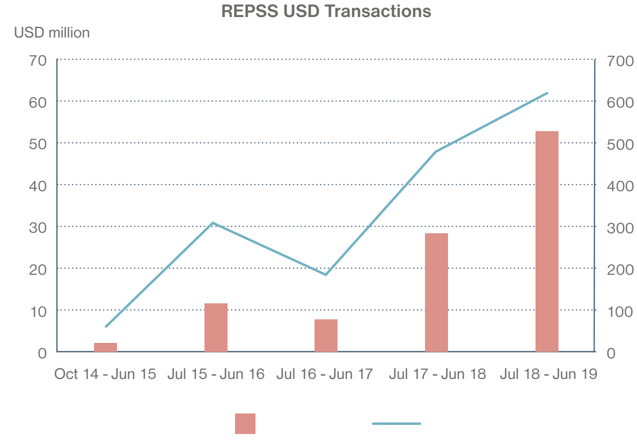
Volume of Cheques and EFTs on BCS



Value of Cheques and EFTs on BCS



REPSS USD Transactions



Mauritius Automated Clearing and Settlement System

The Mauritius Automated Clearing and Settlement System (MACSS) is the single large value payment system in Mauritius. MACSS is a fully automated system that undertakes to effect payment settlements in real time on a gross basis. In view of the substantial value of transactions settled on a daily basis, the MACSS is considered to be of systemic importance and its design and operations adhere to recommendations advocated by the CPSS and the IOSCO in relation to the PFMIs. The MACSS incorporates a multi-currency feature that allows settlement in Mauritian rupee, US dollar, euro, Pound sterling, South African rand and Swiss franc. Additional features of the MACSS include the daily settlement of:

- Cheque clearing positions, direct debit, and low value electronic transfers of the Port Louis Automated Clearing House (PLACH);
- The Central Depository Scheme (CDS) in Mauritian rupee, US dollar, euro, Pound sterling and South African rand;
- The Contribution Network Project (CNP) to the accounts of the Mauritius Revenue Authority (MRA) held with the Bank; and
- Domestic card transactions routed through the Card Payment System (CPS) and instant payment transactions routed through the Instant Payment System (IPS).

Throughput on MACSS

Throughput, measured in terms of volume and value of transactions through the MACSS over the year, is an indicator of performance of the payment system. During FY2018-19, a total number of 1,154,764 transactions for a total value of Rs3.0 trillion were settled on MACSS, representing an increase of 12.8 per cent in volume terms but a decrease of 0.4 per cent in value terms compared to FY2017-18. It is notable that the MACSS operated smoothly without any major disruption, thereby confirming its robust capacity to process large volume of transactions. The daily average volume of transactions settled during the period under review was 4,701, based on an average daily value of Rs12.4 billion representing a rise of 12.7 per cent in volume terms but a decline of 0.2 per cent in value terms compared to FY2017-18. These developments reflect the increasing use of the MACSS for low-value payments and settlement. The amount of foreign currencies processed on the MACSS during FY2018-19 was equivalent to USD8.7 billion, up by 19 per cent compared to FY2017-18.

Bulk Clearing System (BCS)

The PLACH, which is the single clearing house operating in Mauritius, offers clearing services for cheques, direct debit and low value Electronic Fund Transfer (EFT). Settlement for these payment instruments are carried out on a net deferred basis over four cycles daily.

During FY2018-19, a total number of 4.0 million cheques was cleared for a total value of Rs251.8 billion, which was lower by 4.3 per cent in volume terms but higher by 0.8 per cent in value terms compared to FY2017-18. The average daily volume and value of cheques cleared stood at 16,136 and Rs1.0 billion, respectively. Over the last five years, while the volume of cheques dropped by 14.8 per cent, the value of cheques increased by 1.4 per cent, mainly due to the use of high-value cheques and the switch to electronic mode of payments for low-value transactions.

The total value of EFTs cleared amounted to Rs130.7 billion for a total number of 5.4 million transactions, higher by 17.2 per cent and 11.1 per cent in volume and value terms, respectively, compared to FY2017-18. The volume and value of EFTs increased by 72.6 per cent and 52.9 per cent, respectively, over the past 5-year period, indicating a significant increase in the use of electronic payment modes. It is to be highlighted that payments pertaining to the Negative Income Tax by the MRA through EFTs have contributed significantly to the rise in both the volume and value of EFTs.

With regard to the Direct Debit Scheme that was rolled out by the Bank in June 2017, the total value of direct debit transactions cleared during the first year of operations stood at Rs2.5 billion for 125,109 transactions cleared through the BCS. The Direct Debit system was principally used by the MRA for revenue collection as well as contributions for the National Pension Fund and other social contributions.

Regional Cross Border Initiatives

Recent economic developments have demonstrated that the African continent is growing at a very rapid pace. In this context, trade agreements such as the Continental Free Trade Area would contribute to enhance intra-regional trade in the coming years. Thus, regional payment system infrastructures are expected to facilitate trade and settlement of transactions, thereby promoting economic activity in Africa by providing improved access to payment services and increasing payment efficiency in terms of speed and cost.

1. COMESA Regional Payment and Settlement System

To promote Mauritius as a reputable and effective trade and investment platform for the African continent, the Bank has embarked on several initiatives to consolidate our aspirations towards facilitating and increasing inter-regional payment flows. The Bank had been closely involved with the COMESA Clearing House in the setting up of the Regional Payment and Settlement System with the overall objective of promoting intra-trade in the COMESA region. The Bank has been acting as the settlement bank of the COMESA Regional Payment and Settlement System (REPSS) since October 2012 and is currently involved in the settlement of transactions for 9 participating central banks in US dollar and euro on the same day and at a lower cost. During FY2018-19, the value of transactions settled in US dollar on the REPSS almost doubled to US$53.0 million, from FY2017-18, while the volume of transactions rose by 33.0 per cent. The uptrend in both the value and volume of payment flows indicates the potential of REPSS to promote intra-regional trade and payments.

2. SADC RTGS (Formerly known as SADC Integrated Regional Electronic Settlement System)

The SADC Real Time Gross Settlement (SADC RTGS), formerly SIRESS, is a regional cross-border settlement system that has been in operation since July 2013. It is an automated interbank settlement system, which settles payment obligations between participating banks either in real-time or on a delayed basis. Currently, SADC RTGS settles cross-border payments of participating banks in South African rand (ZAR) only. However, the process of including the US dollar as an additional currency is underway. There are also considerations to include additional currencies in the future. Participants include central banks and financial institutions i.e. banks and non-banks in SADC that are authorised by the central bank in the country of origin. 14 member countries are participating in SADC RTGS and the total number of participating banks (including central banks) is 81.

Four banks from Mauritius participate in SADC RTGS, namely Barclays Bank (Mauritius) Limited, Standard Bank (Mauritius) Limited, Standard Chartered Bank (Mauritius) Limited and the Mauritius Commercial Bank Ltd.

The total number of transactions settled on SADC RTGS to date is 1,441,006, representing a value of ZAR5.83 trillion (USD395.16 billion/EUR354.36 billion).

3. Association of African Central Banks

During the Assembly of the Association of African Central Banks (AACB) held in August 2018, Governors of participating countries re-opened discussions over inter-regional payment system integration. Two back-to-back workshops were conducted in April 2019 to explore the development of (i) an inter-regional payment system integration framework and (ii) an integrated inter-regional mobile payment strategy. These workshops recommended the setting-up of the African Inter-Regional Payments Integration Task Force with the mandate of overseeing the implementation of both initiatives. These initiatives aim at enabling inter-regional African payment flows to facilitate trade and investment, including the setting up of a payment settlement infrastructure catering for all payment flows, including low value and retail payments in the SADC region. The Terms of Reference of the Task Force include, among others, (a) the conduct of a study to identify current and potential future inter-regional payment system models that would enable Pan-African, cross-border payments; and (b) an assessment of the need to form additional regional or Pan-African payments associations and institutions to support mobile integration efforts.

Mauritius Credit Information Bureau

The Mauritius Credit Information Bureau (MCIB), which is owned and operated by the Bank, plays an important role in bridging the information gap between lenders and borrowers. The MCIB provides lenders with comprehensive information on borrowers' indebtedness to assist them in making informed and timely assessment of borrowers' credit worthiness and in determining their repayment capacity. As a result, lenders are able to improve the quality of their loan portfolios at lesser capital cost and may price their credit facilities at lower rates at the benefit of their borrower clients. Thus, the MCIB is an effective tool for sound credit risk management and contributes to safeguard financial stability.

The MCIB is established under Section 52 of the Bank of Mauritius Act 2004. The rights and obligations of stakeholders in the credit reporting chain are governed by provisions of the Act and Terms and Conditions of the MCIB issued under the Act. In line with the pre-requisites for a thriving credit information bureau, the legal and regulatory framework for credit reporting establishes the rights and obligations of the credit information bureau, data providers and users and data subjects, respectively. The operations of the MCIB have been established on a clear, transparent and enforceable foundation. The bureau is transparent with regards to permissible data, data security obligations, data retention periods as well as actions in the event of non-compliance.

Initially, the legislative framework allowed for the participation of financial institutions licensed exclusively by the Bank in the MCIB and sharing of information with these institutions was effected on a reciprocal basis. In 2008, the Act was amended to allow for the extension of MCIB's coverage to all institutions offering credit, including leasing facilities and hire-purchase and utility companies operating in Mauritius. In 2013, the Bank was allowed to impart data to public sector agencies and law enforcement agencies to assist them in the discharge of their functions and responsibilities. The Act and Terms and Conditions incorporate the provisions with respect to the type of data collected by MCIB, use of the data, the retention period and conditions under which data collected is shared with other institutions. The Bank is registered as the Data Controller of the MCIB with the Data Processing Office, in accordance with the requirements of the Data Protection Act to ensure protection of the rights of data subjects and prevention of misuse of data by any stakeholder.

The MCIB has been designed such that its functions are fully automated and is accessible on-line on a 24/7 basis. The MCIB is a web-based system that is accessed by participants through a secured network. Participants feed their data electronically in a pre-defined file format and have online access to the MCIB database. Currently, information from the database may be retrieved in PDF format only. The Bank is reviewing the system to provide data in XML format to align the MCIB service with participants' automation of their credit processing. Alongside, the Bank is developing an access through web API to bring more efficiency in the system.

With a view to maximising the utilisation of the MCIB, the Bank has undertaken constant effort to broaden its coverage in terms of number and operating sector of participants as well as the number of reported entities. In December 2005, the MCIB started its operations with eleven banks. Currently, its participation base comprises the Bank which provides information on loans granted to its staff and 46 other participants (Chart 5.1).

Chart 5.1: Number of Current Participants in the MCIB

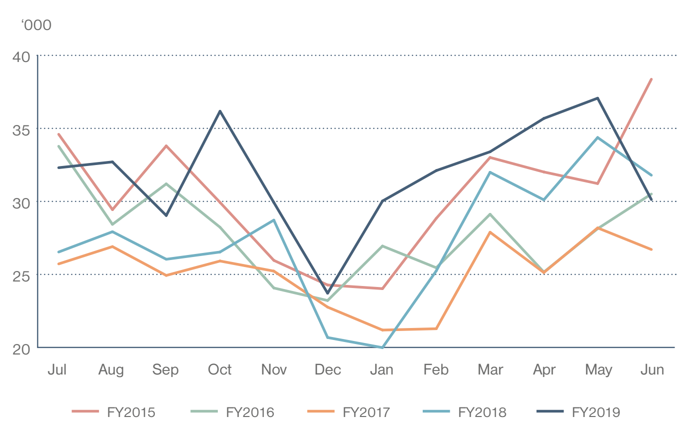
Section 52 of the Bank of Mauritius Act 2004 was amended by the Finance (Miscellaneous Provisions) Act 2019 to introduce operators to a new type of lending activity, namely the crowdlending, in the MCIB. Under this type of activity, borrowers do not provide lenders with collateral, and information drawn from the MCIB, therefore, plays a vital role for borrowers on the platform by allowing them to utilise their credit history as a "reputational collateral" to access formal credit outside established lending relationships. The number of reported entities rose from 884,571 as at end-June 2018 to 920,224 (which include 857,665 individuals) as at end-June 2019. In parallel, the number of records increased by 18.4 per cent from 3,853,065 to 4,562,122.

According to the World Bank Doing Business 2019 Survey published in October 2018, the coverage of the MCIB in terms of number of entities represented 100 per cent of the Mauritian adult population. Such a performance compares most favourably with an average of 14.5 per cent achieved by the Sub-Saharan African countries and is even comparatively higher than the coverage of 82.0 per cent for OECD high-income economies. The World Bank Doing Business Survey uses the depth of credit information index which is based on 8 indicators comprising, *inter alia*, types of services provided and coverage by type of participants, for the ranking of the effectiveness of credit information bureaus. The MCIB achieved a score of 7 out of 8 compared to an average of 3.3 for Sub-Saharan African countries and 6.7 for the OECD high-income jurisdictions.

Consultation of the MCIB Database

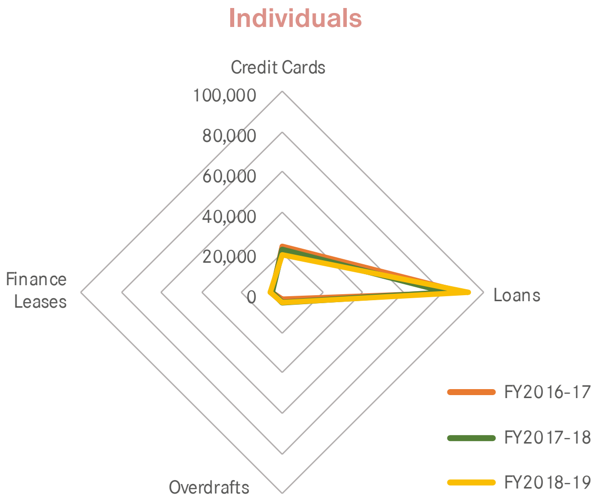
Section 5.0 of the MCIB Terms and Conditions requires all participants to consult the MCIB database prior to approving, increasing or renewing credit facilities. During FY2018-19, the number of reports drawn recorded a significant increase of 15.7 per cent to 381,591, up from 329,904 in FY2017-18 (Chart 5.2).

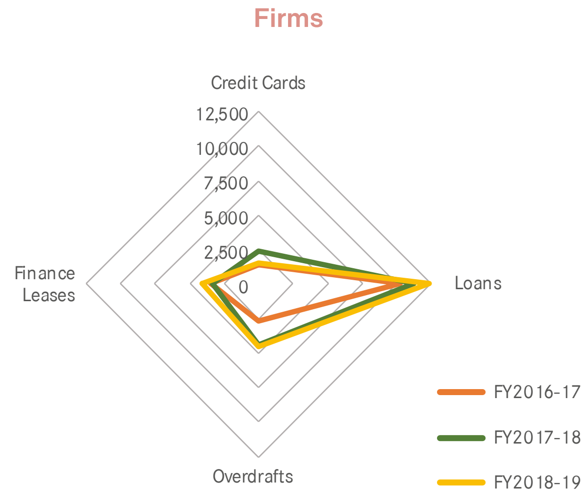
Chart 5.2: Number of Reports Drawn on the MCIB



The increase in the number of reports drawn was, to some extent, reflected in the number of new credit facilities reported in respect of loans, overdrafts, credit cards and finance leases which went up by 7.1 per cent from 135,646 in FY2017-18 to 145,396 in FY2018-19. During the preceding year, the number of these new facilities contracted by 2.3 per cent. The overall increase was driven mainly by loans contracted by individuals and firms and finance leases availed of by individuals. The number of new credit card facilities availed of by individuals has maintained a downward trend over the past four years from 33,051 in FY2015-16 to 18,988 in FY2018-19, while the number of new loans contracted by firms and individuals went up by 23.6 per cent and 37.5 per cent, respectively. Chart 5.3 gives a comparison of new credit facilities approved by MCIB participants during the year under review by credit type and borrower type.

Chart 5.3: Credit Facilities





Mauritius Central Automated Switch (MauCAS)

As a core contributor to national payment system development, the Bank initiated several projects aiming to improve the interoperability and resiliency of payment infrastructures in Mauritius. After the implementation of two major systems, notably a real time gross settlement system in 2000 and a bulk clearing system for cheque truncation and settlement of low-value electronic fund transfers in 2011, the Bank achieved another landmark milestone on 14 August 2019 with the launching of the Mauritius Central Automated Switch, the MauCAS.

MauCAS is expected to pave the way for the digitalisation of the economy. It will channel all in-country electronic payment transactions in real/near-real time on a 24/7 basis to a central point and route them to institutions holding payers' accounts without the need to use switches of global providers. Settlement will be made locally, thereby reducing routing and transaction costs. MauCAS has two components:

- The Card Payment System (CPS), which processes and settles all domestic card payments; and
- The Instant Payment System (IPS), which leverages on direct access to bank accounts to allow retail payments irrespective of the channel used.

In addition to providing a platform for the development of ubiquitous and convenient payment channels, MauCAS will bring the following benefits to the general public:

- Increased competition in the payment field with the entry of non-traditional operators such as FinTechs;
- Reduced cost of payment and settlement transactions;
- Lower merchant discount rates;
- Emergence of innovative payment services;
- Diversification in electronic payment touchpoints; and
- Instant 24/7 account to account transfer to any bank in Mauritius.

Currency Management

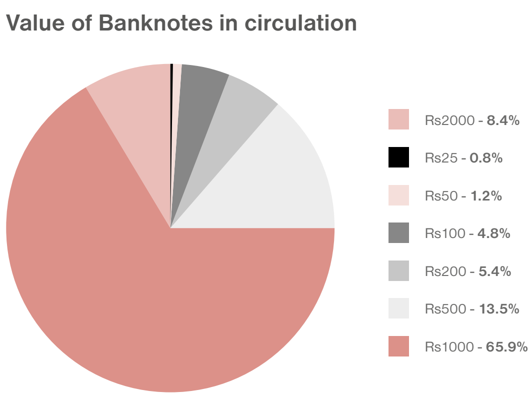
The Bank of Mauritius is legally required to ensure an adequate supply of banknotes and coins to meet the demand of members of the public in Mauritius. Specifically, the Bank is required to (a) ensure both the availability and supply of good quality banknotes and coins to banks; (b) accept deposits of banknotes and coins from banks; (c) attend to the destruction of soiled banknotes; and (d) exchange soiled and mutilated banknotes.

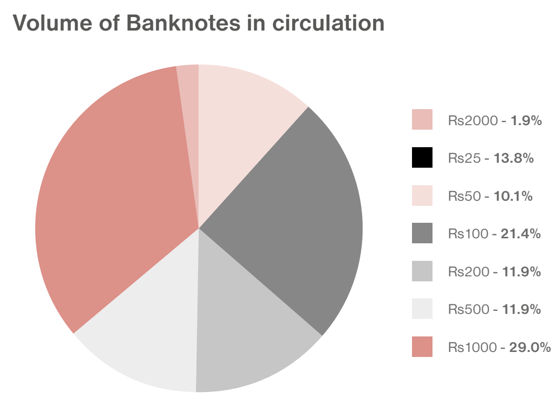
Issue of Notes and Coins

Notwithstanding the use of technology driven non-cash modes of payment, the demand for banknotes and coins increased in FY2018-19. The value of banknotes and coins deposited at and issued by the Bank, during the year under review, amounted to Rs39.1 billion and Rs41.5 billion, respectively. The Bank examined 55.5 million banknotes, equivalent to an amount of Rs29.1 billion, of which an amount of Rs6.0 billion were found to be unfit for circulation. As at 30 June 2019, nearly 94 per cent of the soiled banknotes, amounting to Rs5.8 billion, were destroyed.

In FY2018-19, the value of banknotes in circulation rose by 6.9 per cent, compared to 0.6 per cent in FY2017-18, while the volume of banknotes rose by 6.0 per cent compared to an increase of 2.1 per cent during the previous financial year. Banknotes of Rs1000 denomination accounted for nearly 66 per cent of the total value of banknotes in circulation, followed by banknotes of Rs500 denomination, which represented 13.5 per cent of the total value of all banknotes. In volume terms, banknotes of Rs1000 denomination represented 29.0 per cent of all banknotes in circulation, followed by banknotes of Rs100 denomination, with a share of 21.4 per cent. Chart 5.4 depicts the total value and volume of banknotes in circulation by denomination. During FY2018-19, the total value and volume of coins in circulation increased by 7.0 per cent and 4.6 per cent, respectively.

Chart 5.4: Banknotes in Circulation as at 30 June 2019





Sale of Gold to Licensed Jewellers

The Bank imports and sells gold of high quality, that is, 24 carats 999.9 assay in bar forms of 1000 grams, 500 grams and 100 grams as well as in grain forms to industrialists and licensed jewellers. The selling price of industrial gold and gold bars are based on prevailing international gold market prices and are posted daily in the Bank's Banking Hall and on its website.

Sale of Dodo Gold Coins

Dodo Gold coins of 22 carats are issued by the Bank in four different denominations, namely, one ounce with a face value of Rs1,000, half an ounce with a face value of Rs500, quarter of an ounce with a face value of Rs250 and one-tenth of an ounce with a face value of Rs100. The coins are legal tender in Mauritius for the value stated thereon. The Dodo Gold coins are on sale at the counter of the Bank of Mauritius and banks in Mauritius. The daily selling price of the coins, based on their gold content and on international gold market price, are posted in the Bank's Banking Hall and on its website.

Sale of Commemorative Coins

The Bank offers for sale several commemorative coins as well as platinum coins at the counters to members of the public.

10th Anniversary of the Independence of Mauritius

A silver commemorative coin of Rs25 denomination was issued to mark the 10th anniversary of the independence of Mauritius. The selling price of the coin is Rs700.

1997 Golden Wedding Collector Coin

A silver commemorative coin of Rs20 denomination was issued in May 1998 in proof condition to mark the 50th wedding anniversary of Queen Elizabeth II and Prince Philip. The selling price of the coin in a presentation case is the rupee equivalent of GBP26.

'Father of the Nation' Platinum Coin Series

The Bank sells a complete set of the unique, exclusive and prestigious collection of the three Platinum Coin Series in proof condition released in 2009, 2010 and 2011 in a presentation box. These coins were issued in the 'Father of the Nation' Platinum Series to pay tribute to Sir Seewoosagur Ramgoolam in laying the foundation stone of the Mauritian nation. The selling price of each platinum coin is computed daily based on the London Metal Exchange-Euro P.M Fixing. These coins are also available in separate individual presentation cases with a certificate of authenticity.

The first platinum commemorative coin of Rs1500 denomination in proof condition was issued in October 2009. The design on the obverse depicts the State House, at Réduit with the inscription of "Rs1500" underneath. These second commemorative coin of Rs1200 denomination in proof condition was issued in November 2010. The design on the obverse depicts the Aapravasi Ghat, with the inscription "Rs1200" underneath. The third platinum commemorative coin of Rs1200 denomination in proof condition was issued in December 2011. The design on the obverse depicts Le Morne Brabant with the inscription "Rs1200" underneath. The design on the reverse of the three coins bears an effigy of Sir Seewoosagur Ramgoolam, the first Prime Minister of Mauritius.

Bank of Mauritius 50th Anniversary Commemorative Coin

The Bank issued three commemorative coins, in proof condition, to mark its 50th Anniversary:

Rs1500 denomination Gold coin
Rs1000 denomination Gold coin
Rs200 denomination Silver coin

The design on the obverse of the commemorative Rs1000 denomination Gold coin and the special edition commemorative Rs1500 denomination Gold Coin depicts the front façade of the New Headquarters Building of the Bank of Mauritius, while the design on the obverse of the commemorative Rs200 denomination Silver coin shows the front façade of the Old Building of the Bank of Mauritius. The design on the reverse of the three commemorative coins depicts a Dodo bird surrounded by "BANK OF MAURITIUS 1967-2017." The selling price of the commemorative coins is computed based on the London Metal Exchange prices.

Clean Banknote Programme

The Bank maintained its Clean Banknote Programme, launched in April 2010 and revamped the campaign in June 2014. This programme aims to improve the overall quality of banknotes in circulation in Mauritius.

Polymer Banknotes

The Bank has introduced polymer banknotes in denominations of Rs25, Rs50 and Rs500 since August 2013. In December 2018, the Bank put into circulation polymer banknotes of Rs2000 denomination, which is an upgrade of the Rs2000 paper banknote. The Rs2000 polymer banknote has almost the same design as the paper banknote with, however, enhanced security features using new security technology. Polymer banknotes are cleaner and more durable, in addition to containing enhanced security features. The value and volume of polymer banknotes in circulation as at end-June 2019 are shown in Table 5.1.

Table 5.1: Value and Volume of Polymer Banknotes in Circulation as at end-June 2019

Denomination	Value (Rs million)	Volume (million banknotes)
Rs25	205.2	8.2
Rs50	305.3	6.1
Rs500	3,733.7	7.5
Rs2000	2,914.8	1.4

Withdrawal and Demonetisation of the Rs2000 Paper Banknote of the 1999 Family

As from 05 December 2018, following the issue of the polymer Rs2000 denomination banknote, the Bank began to withdraw from circulation the paper Rs2000 denomination banknote. Members of the public were advised to exchange Rs2000 denomination paper banknotes in their possession against the Rs2000 polymer banknotes at any commercial bank or branch thereof, until 31 January 2019. The Rs2000 paper banknote ceased to be legal tender as from 01 February 2019. The Rs2000 paper banknotes, still in circulation on or after 01 February 2019, may be exchanged only at the banking counter of the Bank of Mauritius.

Coin Deposit Campaign

The Coin Deposit Campaign, launched by the Bank in July 2012, remained underway. The objective of the Campaign is to encourage members of the public to deposit excess coins in their possession with banks or to exchange them at the banking counter of the Bank of Mauritius.

Public Sensitisation Campaign on Security Features of Banknotes

As part of its financial literacy programme, the Bank issued as from 03 March 2018, a leaflet "Know Our Banknotes", which incorporated all security features of the banknotes, both paper and polymer, currently in circulation. The informative leaflets have been distributed across the island, including all media partners. In addition, over 17,000 visitors to the Bank of Mauritius Museum have been briefed on banknote security features and a copy of the informative leaflet has been handed to them.

6

Regional Cooperation and International Affiliation

Piastre Decaen

The Piastre Decaen was named after the French Governor of the Ile De France, Charles Decaen after he commissioned a local engraver and jeweller, Aveline, to design a coin in 1810. The Piastre, which bore the value of 10 Livres, was minted from silver ore found on board the 'Ovidor', a Portuguese ship captured by Lieutenant de Vaisseau Pierre Bouvet in the Straits of Malacca on 20 October 1809. It was also used by the British after they took possession of Mauritius in December 1810.

During FY2018-19, the Bank remained active on the regional and international fronts. It participated in meetings of the Association of African Central Banks (AACB), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the International Financial Consumer Protection Organisation (FinCoNet) and the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa.

Macroeconomic convergence still ranks high on the agenda of regional economic blocs. Efforts are increasingly focused on refining the convergence criteria and the alignment of regional targets to the continental ones to meet the African Union's African Monetary Cooperation Programme (AMCP). The Bank remains committed to regional integration. During the year under review, a mission from Namibia conducted a peer review exercise in Mauritius, based on the criteria for SADC macroeconomic convergence. The Bank hosted the AACB Continental Seminar in May 2019 and during the same month, it also hosted the 15th meeting of the FSB RCG for Sub-Saharan Africa during which discussions were mainly focused on the effectiveness of RCGs and financial vulnerabilities in the region. In his capacity as Chairman, the Governor of the Bank hosted the 18th Ordinary Meeting of the Eastern Africa Sub-region of the AACB in July 2018.

The global Islamic finance market has continued to gain momentum and the Bank attended several meetings of the International Islamic Liquidity Management (IILM) and the Islamic Financial Services Board (IFSB). In this context, as Chairman of the Governing Board of the IILM, the Governor hosted the 20th Governing Board and the 9th General Assembly meeting in July 2018. Following the resignation of the Acting Chief Executive Officer of the IILM, the Bank hosted an extraordinary meeting of the Governing Board in September 2018. In its role as Full Member, the Bank participated at the regular meetings held by the IFSB.

This chapter provides an overview of key policy issues discussed at the various fora in which the Bank participated. The Bank's representatives gained valuable insights into how other countries are scaling up their financial and economic resilience, promoting the use of emerging technologies including Fintech, and gearing up to face challenges posed by cyber risks.

Association of African Central Banks

18th Ordinary Meeting of the Eastern Africa Sub-region of the AACB, 13 July 2018, Mauritius

On 13 July 2018, the Governor hosted and chaired the Governors' Meeting of the Eastern Africa Sub-region. The meeting was attended by Governors, Deputy Governors and representatives from central banks of Burundi, Comoros, Kenya, Mauritius, Rwanda, Seychelles, Tanzania and Uganda. Discussions were held on the status of implementation of the AMCP for 2017 in the light of the revised macroeconomic convergence criteria and on harmonizing definitions in line with best international practices. A presentation was delivered by the Federal Reserve Bank of New York (FRBNY) on a proposed roadmap for enhanced FRBNY-AACB relations. Further, governors considered the themes proposed for the 2018 AACB Symposium and the 2019 Continental Seminar. Banque Centrale des Comores took over from the Bank of Mauritius as the incoming Chair of the Eastern Africa Sub-region for the period 2018-19, while Bank of Tanzania was appointed as the new Vice-Chair.

41st Ordinary Meeting of the Assembly of Governors, 9 August 2018, Sharm El Sheikh, Egypt

The Ordinary Meeting of the Assembly of Governors was held on 9 August 2018 and was chaired by the Governor of the South African Reserve Bank. Extensive discussions were held on the AMCP convergence criteria and the computation methodology adopted by member countries, and participants noted that 18 countries out of 52 met the primary convergence criteria in 2017, compared to none in 2016. A presentation was made by the African Union Commission Commissioner on the establishment of the African Central Bank. The Assembly of Governors requested the Community of African Banking Supervisors to examine the issue of de-risking and identify solutions for the continent. It was agreed that AACB members would sign a multilateral Memorandum of Understanding for information-sharing, after taking into account the specificities of each jurisdiction. Governors took note of conclusions of the Continental Seminar held from 14 to 16 May 2018 in N'Djamena, Republic of Chad, on the theme *"Financial Technology Innovations, Cybercrime: Challenges for Central Banks"*, and a proposal was made for central banks to monitor developments in Fintech to better understand its benefits and risks.

The Symposium held on 8 August 2018 was on the theme *"Declining correspondent banking relationships and illicit capital flows: risks and policy challenges for Africa"*. Governors considered the pivotal role of African central banks in the fight against illicit financial flows, and the need for coordination among central banks, for capacity-building and a stronger legal and institutional framework to fight these illicit flows. The hosting of an Official Sector Service Providers - AACB African Forum in June 2019, focusing on cash management and securities custody accounts, was also noted. Governors approved the programme proposed by the European Central Bank on potential areas of collaboration with the AACB. It was proposed that the AACB Secretariat works with the ECB to define the activities to be conducted under the collaboration programme, for consideration at the next Bureau meeting scheduled for March 2019.

Ordinary Meeting of the Bureau of the AACB, 13 March 2019, Dakar, Senegal

The Ordinary Meeting of the Bureau of the AACB was attended by 11 member central banks and representatives of the AUC and chaired by the Governor of the Central Bank of Egypt. Discussions were held on the implementation of the decisions taken at the 41st Ordinary meeting held on 9 August 2018 in Sharm El Sheikh, Egypt. Information was provided by the AUC on the implementation of the AUC-AACB Joint Strategy for the establishment of the African Central Bank. The Working Groups of the Community of African Banking Supervisors were mandated to examine the experiences and initiatives of member central banks on Fintech and cybersecurity.

AACB Continental Seminar, 6-8 May 2019, Balaclava, Mauritius

Around 70 delegates from 24 member central banks and 12 regional and international institutions participated in the seminar hosted by the Bank on the theme *"Renewed Protectionist Tendencies: Some Implications for Macroeconomic Policy in Africa"*. The three broad sub-themes were: (a) the role of central banks and the Continental Free Trade Area in promoting intra-African trade; (b) the implications of protectionism on external sector performance in Africa; and (c) protectionist trends around the world and prospects for monetary integration in Africa. In the light of deliberations, participants identified the adverse effects of protectionism on African countries and considered the need to adopt a common strategy to boost competition and support their export industries. Key infrastructure developments such as the Belt and Road Initiative and the related rising sovereign debt levels were also on the agenda. Governors welcomed the implementation of the African Continental Free Trade Area that was expected to enhance trade relations between Africa and its trading partners.

19th Ordinary Meeting of Governors of the Eastern Africa Sub-region of the AACB, 13 June 2019, Moroni, Comoros

The Ordinary Meeting of Governors of the Eastern Africa Sub-region of the AACB was held on 13 June 2019, and governors were briefed on economic developments on the regional and international fronts in 2018 and the outlook for 2019. They noted that the economic performance of the Eastern Africa Sub-region in 2018 was sustained and broadly above the average for Sub-Saharan Africa. Countries in the region, on average, met all the convergence criteria, except for the tax revenue criterion which no country met. Governors agreed that greater visibility was required on the status of AACB budget contributions.

Common Market for Eastern and Southern Africa

COMESA Summit of Heads of State and Government Council meeting, 18-19 July 2018, Lusaka, Zambia

The COMESA Summit of Heads of State and Government Council approved the re-admission of the Federal Republic of Somalia and the admission of the Republic of Tunisia. The Council noted the cost-effectiveness of the Regional Electronic Payment and Settlement System and the fact that nearly all transactions carried out so far had been without letters of credit. In line with the Digital Free Trade Area Project, the Secretary General of COMESA would explore the possibility of having blockchain within the REPSS platform. The Council commended the COMESA Monetary Institute for organising capacity-building activities, and noted that the majority of COMESA member countries continued to face difficulties in meeting the targets set in stage I (2005-10) as different definitions of the convergence criteria were being applied.

9th Meeting of the COMESA Committee on Statistical Matters, 7-9 November 2018, Lusaka, Zambia

Following approval of the 2017-20 Statistics Strategy by the COMESA Council of Ministers at its 37th Meeting, the COMESA Secretariat assisted member countries in the compilation of foreign direct investment statistics in accordance with international recommendations. In this context, the core mandate of the Committee on Statistical Matters (CSM) was to review progress made in the first year of the implementation of the COMESA Statistics Strategy. The COMESA Secretariat was urged to focus its statistical products on COMSTAT, and to take the lead in exploring new and emerging technologies in areas such as big data that could enhance the compilation and analysis of statistics. The CSM welcomed the new Cross-Border Trade Initiative and noted the Secretariat's initiative in setting up a programme with a view to further improving the quality of trade data. The draft 2019 Statistics Work Plan was presented to the CSM and the latter acknowledged the on-going efforts in Somalia to develop its national statistics and engage with other COMESA member states as required.

39th Meeting of the Bureau of the COMESA Committee of Governors of Central Banks, 4 December 2018, Djibouti, Djibouti

The meeting of the Bureau of the COMESA Committee of Governors was attended by Governors of central banks of Djibouti, Sudan, Egypt, Burundi and Zimbabwe. The Bureau noted progress made on the REPSS and activities carried out by the COMESA Clearing House. Member central banks were urged to conduct sensitisation workshops with their commercial banks to market the use of the REPSS. The Central Bank of Tunisia started the process of admission to the CCH and the REPSS, and the Central Bank of Somalia had expressed interest in joining same. The Bureau considered the proposed revised COMESA macroeconomic convergence criteria and new stages for implementing the COMESA Monetary Integration Programme, in line with the AMCP.

Southern African Development Community

SADC Macroeconomic Convergence Peer Review Panel, 9-11 July 2018, Johannesburg, South Africa

The SADC Macroeconomic Convergence Peer Review Panel assessed, amongst others, macroeconomic monitoring and surveillance in the region. The panel noted that in 2017 only three member states namely Botswana, Lesotho and Tanzania, had met the primary convergence indicators pertaining to inflation, fiscal deficit and public debt, while no member state had met all the three secondary convergence indicators namely growth, current account balance and import cover. The Panel recommended the SADC Council to encourage member states to formulate and implement policies to address the vulnerabilities of their economies against shocks undermining economic growth.

The Panel approved the means of measurement for the third set of macroeconomic convergence indicators, namely the harmonisation of regulatory and supervisory systems, financial inclusion and linking individual payment systems with regional payment systems. It noted that Madagascar, Seychelles, Lesotho and Malawi would be peer reviewed in 2018-19 by the Democratic Republic of the Congo, Eswatini, Zambia and Botswana respectively. The Panel considered the mission review reports for Botswana, Mauritius, Mozambique, South Africa and Zambia, in particular recent economic developments, medium-term macroeconomic prospects, policies to achieve and sustain macroeconomic targets, and matrices to monitor implementation of recommendations by reviewing teams. Lessons learnt from the first round of the peer reviews were highlighted, including the need to develop standardised templates to compare performance more efficiently. Approval was given for SADC Macroeconomic Subcommittee to meet twice a year. The April meeting would consider peer review reports, while the November meeting would consider research papers by the Committee of Central Bank Governors, wider issues pertaining to SADC and preparation of Peer Review Mission Teams. Mauritius would peer review Tanzania in 2020-21 and Zimbabwe would peer review Mauritius in 2021-22.

38th SADC Summit of Heads of State and Government, 17-18 August 2018, Windhoek, Namibia

The SADC Summit of Heads of State and Government endorsed *"Promoting Infrastructure Development and Youth Empowerment for Sustainable Development"* as the 2018-2019 Summit theme. Progress in the implementation of the Revised Regional Indicative Strategic Development Plan (RISDP) 2015-2020 was noted, along with the implementation of the SADC Industrialization Strategy and Roadmap 2015-2063. The Summit reviewed the SADC regional economic performance and member states were urged to scale up efforts to diversify their economies, improve domestic revenue collection mechanisms and manage public expenditures.

47th Meeting of the SADC Committee of Central Bank Governors (CCBG), 5-7 September 2018, Maseru, Lesotho

At its meeting in September 2018, the CCBG approved some amended measures of success for Strategic Focus Area 1, including a report on country performance against macroeconomic convergence criteria and how shortfalls could be addressed. Governors highlighted the need to have quality macroeconomic statistics within the mandate of central banks, to ensure comparison across member states and research to support macroeconomic convergence. Governors took cognizance of the presentation on the *"Integrated paper on Recent Economic Developments in SADC"*. Inflation trends and fiscal deficit positions continue to pose challenges for member states over the medium term. Governors reviewed the progress reports on the activities of the CCBG Subcommittees and took note of individual progress reports of the SADC Banking Association and Committee of SADC Stock Exchanges.

Meeting of the SADC Macroeconomic Subcommittee, 6-7 December 2018, Pretoria, South Africa

The Subcommittee reviewed the performance of member countries for 2018 against the SADC macroeconomic convergence targets. For the past six years, economic growth has slowed down in the region. This development has had an impact on financial and fiscal sectors, as indicated by high non-performing loans and widening fiscal deficit. The Subcommittee highlighted the need to speed up economic diversification to create new sectors for growth. The status of member countries regarding the implementation of the recommendations made by peer review teams was also discussed. The Subcommittee underlined the need to align the peer review process with the SADC integration agenda. A presentation made on the assessment of the first round of the peer review process and consideration was given to a more holistic approach to monitoring convergence.

48th Meeting of the Committee of Central Bank Governors, 3-5 April 2019, Pretoria, South Africa

At the CCBG meeting of April 2019, Governors took note of the main findings of the *"Snapshot on Recent Economic Developments in SADC"*. While most SADC countries met the primary convergence criteria, the majority had problems meeting the secondary criteria. Governors noted that the CCBG Macroeconomic Subcommittee and Research Review Panel had reviewed research papers, discussed country progress reports on macroeconomic convergence and prepared a medium-term research agenda. Moreover, a macroeconomic convergence workshop held on 28 February and 1 March 2019, facilitated by the ECB, identified various preconditions and key issues to be addressed prior to the attainment of a monetary union. Governors directed that cybersecurity/Fintech matters be researched by the relevant Subcommittees and the Fintech Working Group.

The Governors also took note of findings of the research papers prepared by the Central Bank of Seychelles on *"Primary Dealer System: the Case of SADC"* and by the Reserve Bank of Zimbabwe on *"External debt dynamics and implications for monetary policy in the SADC Region"*. Governors approved that the paper on external debt dynamics be presented at the forthcoming AACB Symposium and the SADC Committee of Minister of Finance and Investment. The feasibility of investing in the African Development Bank's African Domestic Bond Fund, the Asian and BRICS Bond Funds was discussed. Governors noted that an analysis of the status of adherence to international standards by each member central banks would be provided to the CCBG annually. They also took note of a progress report on the SADC Crisis Management and Bank Resolution Workshop, which provides for potential actions that could assist central banks manage cross-border crises and could reduce financial instability.

FINANCIAL STABILITY BOARD REGIONAL CONSULTATIVE GROUP FOR SUB-SAHARAN AFRICA

The 14th and 15th meetings of the FSB RCG for Sub-Saharan Africa were held in December 2018 and May 2019, respectively. The 14th meeting was hosted by the South African Reserve Bank and two new members, namely Bank of Uganda and Bank of Zambia, joined in the RCG. The FSB Secretariat provided an update on FSB's activities, including reforms of Over-The-Counter derivatives, infrastructure financing and the ending of *"Too Big to Fail"* and Small and Medium-sized Enterprises financing, among others. Participants discussed financial vulnerabilities at the global and regional levels, the level of financial resilience ten years after the Global Financial Crisis, the risks relating to capital flows, cyber risks for financial institutions as well as the opportunities and risks of RegTech and SupTech. Participants noted that global financial conditions were tight in spite of an accommodative monetary policy stance in many countries.

The 15th meeting was held from 2 to 3 May 2019 and was hosted by the Bank. Members were briefed on the FSB's priorities for 2018-19 and vulnerabilities that needed to be addressed. A specific session was held to discuss issues around market fragmentation to prepare a report on the topic for consideration at the June 2019 G20 Finance Ministers and Central Bank Governors meeting in Fukuoka, Japan. Members also discussed the possible steps to enhance the effectiveness of RCGs. Successive sessions were dedicated to financial vulnerabilities in the region and the world, the challenges faced by Sub-Saharan African economies in implementing the Basel framework and the application of cloud technologies in the financial sector.

INTERNATIONAL ISLAMIC LIQUIDITY MANAGEMENT

The Bank hosted the 20th Governing Board (GB) and the 9th General Assembly (GA) meetings of the IILM on 10 July 2018, which were attended by nine GB members and representatives of key Islamic institutions. The Governor of the Bank chaired the meetings of the GB and the GA, which were preceded by the Board Executive Committee meeting held on 8 July 2018. The GB noted the updates from the Chairmen of the Board Executive Committee, Board Audit Committee, Board Risk Management Committee, Sharīʻah Committee and the Compensation and Remuneration Committee. The GB approved the IILM 3-year Business Plan and the roadmap for IILM projects, amongst others.

The Bank hosted an Extraordinary meeting of the Governing Board (EGB) on 10 September 2018 following the resignation of the Acting Chief Executive Officer (CEO) one month earlier. The GB approved the resignation of the Acting CEO and appointed the most senior Executive Director as the new Acting CEO, with effect from 15 September 2018, pending the appointment of the substantive CEO.

At the 21st GB meeting held on 5 December 2018 in Jeddah, Saudi Arabia, the Governor of Bank Negara Malaysia took over from the Governor of Bank of Mauritius as Chairperson of the GB for 2019. The Governor of Central Bank of Kuwait was appointed as Deputy Chairperson. The GB took cognizance of additional Primary Dealers which had been on-boarded following the successful migration of the auction platform in April 2018. The IILM Sukūk received favourable regulatory treatment and the IILM successfully reissued A-1 short-term Sukūk amounting to USD550 million in two tranches of 2-week and 3-month tenors. GB members also took note of the actions initiated to appoint a new CEO. The Bank was also represented at the 22nd GB meeting hosted by Bank Negara Malaysia on 30 April 2019 in Kuala Lumpur, Malaysia. Discussions focussed on the selection process for the new CEO, IILM's operations, achievements of the 2018 corporate performance indicators, proposed 2019 key performance indicators and 2019 Budget. The updates from respective Chairpersons of the IILM Board Committees and the drafting of a whistleblowing policy were also on the agenda. The GB took note that there was zero impact of the adoption of the IFRS9 on the IILM Financial Statement as confirmed by the IILM's external auditor.

ISLAMIC FINANCIAL SERVICES BOARD

At the 33rd meeting of the Council of the IFSB held on 6 December 2018 in Jeddah, Saudi Arabia, the Governors of Bangladesh Bank and Bank Negara Malaysia were appointed as the Chairperson and Deputy Chairperson respectively for the term 1 January to 31 December 2019. The Council approved the adoption of three new standards namely *"IFSB20: Key Elements in the Supervisory Review Process of Takaful/Retakaful Undertakings"*, *"IFSB21: Core Principles for Islamic Finance Regulation"* and *"IFSB22: Revised Standard on Disclosures to Promote Transparency and Market Discipline for Institutions Offering Islamic Financial Services"*. The Council also approved the admission of the Financial Services Commission of Mauritius as Observer member.

Bank Negara Malaysia hosted the 34th meeting of the Council on 29 April 2019. The Secretary General presented the new IFSB Governance Structure with four key focus areas for Strategic Performance Plan (SPP) 2019-2021, namely, standard development and research, standard implementation, member satisfaction and financial sustainability of the IFSB in order to deliver the desired impact on the Islamic financial services industry. The Council noted that memoranda of understanding were signed with Accounting and Auditing Organisation for Islamic Financial Institutions to jointly undertake technical activities relating to development and revision of prudential, Sharī€ah, accounting and governance standards, and the International Association of Deposit Insurance Corporation for a joint project on standard development on Islamic Deposit Insurance. The Secretary General pointed out that the endorsement of IFSB17: Core Principles for Islamic Finance Regulation (Banking Segment) by the IMF Executive Board was one of the IFSB's landmark achievements in 2018. He solicited the support of all Council members to include the IFSB Core Principles in Financial Stability Board's Standards and Codes.

The IFSB has been more proactive throughout the period under review and has collaborated with Council members and other international bodies such as Basel Committee on Banking Supervision (BCBS) and International Organization of Securities Commissions. The Council noted the IFSB's initiative to have a BCBS representative in the IFSB working group for the revision of its Capital Adequacy Standard. The Council took note of the IFSB's interest in ensuring that operational risks of banks associated with technology advancement, particularly related to Fintech and cybersecurity, be addressed in its work. During the year under review, both the Bank and the Financial Services Commission of Mauritius contributed to various survey questionnaires and provided comments on some IFSB Exposures Drafts covering regulation and supervision of Sharī`ah instruments, core principles for effective Islamic deposit insurance systems and risk-sharing.

INTERNATIONAL FINANCIAL CONSUMER PROTECTION ORGANISATION (FinCoNet)

The Bank contributed in the FinCoNet newsletter published in December 2018 and several survey questionnaires on financial advertising, SupTech tools for market conduct supervisors, and financial product governance and culture. It also provided its views on a draft report prepared by the OECD Secretariat on the provision of short-term credit across jurisdictions. The Bank participated in the FinCoNet Standing Committee meetings and the Open Meeting & International Seminar in a bid to learn more from other members' experience.

7

Financial Statements

CONTENTS

OVERVIEW

According to section 11(1) of the Bank of Mauritius Act (the "Act"), the Board of Directors shall determine the net profits of the Bank of Mauritius (the "Bank") for each financial year, after meeting all current expenditure for that year and after making such provisions as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies.

The Total Comprehensive Income of the Bank for the financial year (FY) 2018/19 was Rs9,753.6 million compared to a Total Comprehensive Loss of Rs733.7 million for FY 2017/18. The Total Comprehensive Income of Rs9,753.6 million includes interest income on financial assets of Rs4,643.4 million compared to Rs3,120.6 million for FY 2017/18.

The Total Comprehensive Income also includes Gain on Revaluation of Foreign Currency and SDR of Rs3,455.3 million, Gain on Revaluation of Gold of Rs2,724.5 million, Gain on Financial Assets at Fair Value Through Profit or Loss (FVTPL) of Rs2,367.5 million and Gain on Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) of Rs1,122.4 million. In accordance with sections 47(1) and 47(1A) of the Act, these amounts have been transferred to the Special Reserve Fund resulting in a net profit of Rs83.8 million as per section 11(1) of the Act.

During the FY 2018/19 the Bank continued its open market operations and the cost thereof amounted to Rs3.5 billion compared to Rs2.4 billion for FY2017/18. The increase relates to higher amounts of Bank of Mauritius Instruments issued to mop up the excess liquidity in the domestic market. The amount of Bank of Mauritius Monetary Policy Instruments outstanding at end of June 2019 was Rs115.5 billion, up from Rs92.1 billion at end June 2018, that is, an increase of Rs23.4 billion.

The Bank's total assets (liabilities) increased by Rs22.8 billion (9.6 percent) from Rs237.4 billion at the end of June 2018 to Rs260.2 billion as at the end of June 2019.

Assets

Foreign assets of the Bank continued to increase mainly on account of purchases of foreign currency denominated assets and the gain on fair valuation of investments, revaluation of foreign currencies, Special Drawing Rights and Gold. Domestic assets, on the other hand, decreased mainly on account of repayments made under the Special Line of Credit.

Liabilities

Liabilities recorded an increase mainly due to the continued issue of Bank of Mauritius Securities and an increase in currency in circulation.

Capital and Reserves

Total reserves increased on account of gain on fair valuation of investments and revaluation of foreign currencies, Special Drawing Rights and Gold, totaling Rs9,669.8 million which was transferred to the Special Reserve Fund in accordance with sections 47(1) and 47(1A) of the Act.

Statement of Responsibilities

The Bank, which acts as the central bank for Mauritius, is set up as a body corporate as per section 3(4) of the Act which states that the Companies Act 2001 shall not apply to it.

The Board of Directors has, under section 12 of the Act, been entrusted with the general policy of the affairs and business of the Bank. Responsibility for the day-to-day administration of the Bank has been entrusted, in terms of section 14(3) of the Act, to the two Deputy Governors who shall act under the supervision of the Governor.

The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the Board. Further, he is responsible for the general supervision of the Bank. In the discharge of his functions, the Governor is answerable to the Board.

The Board presently consists of the Governor as Chairperson, two Deputy Governors and five other Directors. The Act provides for not less than five but not more than seven other Directors. The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

The Bank is responsible for the preparation and fair presentation of the financial statements in conformity with accounting principles applicable to central banks and best international practices in accordance with section 31(1) of the Act and the implementation of an internal control structure to maintain the reliability of the financial statements and to provide reasonable but not absolute assurance against the possibility of errors and irregularities that are material to the financial statements.

The Board met on 18 and 27 September 2019 to consider the financial statements of the Bank for the financial year ended 30 June 2019.

Independent auditor's report to the Board of Directors of Bank of Mauritius

Report on audit of the financial statements

Opinion

We have audited the financial statements of **Bank of Mauritius** (the "Bank") set out on pages 135 to 185, which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 30 June 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the provisions of the Bank of Mauritius Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the "Overview" and the statement of distribution, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in conformity with the accounting principles applicable to central banks and best international practices pursuant to section 31(1) of the Bank of Mauritius Act 2004 and in accordance with International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the Bank to cease operations as per the provisions of the Bank of Mauritius Act 2004.

The directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

  Unforeseen events or conditions may cause the Bank to cease to continue as a going concern in the future.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report is made solely to the Board of Directors of Bank of Mauritius, as a body. Our audit work has been undertaken so that we might state to the Board of Directors of the Bank those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Board of Directors of the Bank as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte
Chartered Accountants

27 September 2019

Twaleb Butonkee
Licensed by FRC

Statement of Financial Position

as at 30 June 2019

	Note	2019	2018
		Rs	Rs
ASSETS			
Foreign Assets			
Cash and Cash Equivalents	6	**53,015,860,003**	43,410,725,607
Gold Deposits		**20,010,473,008**	17,282,602,558
Financial Assets held at Fair Value Through Other Comprehensive Income	7	**84,153,487,960**	78,497,633,490
Financial Assets held at Fair Value Through Profit or Loss	8	**96,217,345,268**	90,867,810,407
		253,397,166,239	230,058,772,062
Domestic Assets			
Financial assets held at Amortised Cost	9(a)	**4,631,502,723**	4,437,626,880
Financial Assets held at Fair Value Through Profit or Loss	9(a)	**-**	654,928,248
Computer Software	10	**9,984,803**	10,942,265
Property, Plant and Equipment	11	**1,883,038,779**	1,850,704,908
Other Assets	12	**298,487,469**	350,223,856
		6,823,013,774	7,304,426,157
TOTAL ASSETS		**260,220,180,013**	237,363,198,219
LIABILITIES			
Currency in Circulation	13	**36,415,731,382**	34,077,888,842
Demand Deposits			
Government		**3,105,363,785**	11,500,243,674
Banks		**69,662,272,514**	75,026,109,038
Other Financial Institutions		**624,820,185**	198,321,453
Others		**464,454,792**	262,294,115
		73,856,911,276	86,986,968,280
Monetary Policy Instruments	14	**115,494,265,470**	92,110,620,664
Provisions	15	**100,000,000**	100,000,000
Employee Benefits	16	**801,987,535**	777,255,026
Other Liabilities	17	**5,751,573,914**	5,147,013,086
TOTAL LIABILITIES		**232,420,469,577**	219,199,745,898
CAPITAL AND RESERVES			
Stated and Paid Up Capital	5	**2,000,000,000**	2,000,000,000
Reserves	5	**25,799,710,436**	16,163,452,321
TOTAL CAPITAL AND RESERVES		**27,799,710,436**	18,163,452,321
TOTAL LIABILITIES, CAPITAL AND RESERVES		**260,220,180,013**	237,363,198,219

H.S. Sewraj-Gopal (Mrs)
Secretary

M.V. Punchoo
Second Deputy Governor

Y. Googoolye
Governor

27 September 2019

Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2019

	Note	2019	2018
		Rs	Rs
Income			
Interest Income on Financial Assets using			
Effective Interest Rate	18(a)	**2,172,098,529**	1,963,956,213
Interest and Similar Income on Financial Assets at			
Fair Value Through Profit or Loss	18(b)	**2,471,285,079**	1,156,596,706
Miscellaneous Income	19(a)	**236,104,084**	157,427,592
Gain on Revaluation of Foreign Currency and SDR		**3,455,340,371**	1,043,253,736
Gain on Revaluation of Gold Deposits		**2,724,518,858**	143,644,520
Gain/(Loss) on Financial Assets at			
Fair Value Through Profit or Loss	19(b)	**2,367,498,489**	(831,822,044)
Total Income		**13,426,845,410**	3,633,056,723
Expenditure			
Staff Salaries and Other Benefits	20	**414,261,818**	424,042,168
General Expenditure		**217,641,403**	196,948,477
Fees Payable	21	**374,981,731**	189,804,440
Coin Issue Expenses		**53,538,888**	58,174,437
Note Issue Expenses		**41,888,919**	67,330,936
Depreciation and Amortisation		**101,157,219**	136,055,847
Directors' Remuneration	22	**24,939,132**	27,198,678
IMF Charges		**41,546,661**	28,673,878
Loss Allowance Charge	9(b)	**5,039,937**	-
Other Expenditure	23	**62,036,184**	57,424,341
Total Expenditure		**1,337,031,892**	1,185,653,202
Surplus of Income over Expenditure before			
Cost of Conducting Monetary Policy		**12,089,813,518**	2,447,403,521
OPEN MARKET OPERATIONS			
Cost of Conducting Monetary Policy	24	**3,466,925,738**	2,367,236,159
NET PROFIT FOR THE YEAR		**8,622,887,780**	80,167,362
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to Profit or Loss			
Remeasurements of defined benefit liability	16(a)	**8,292,784**	(169,018,362)
Items that will be reclassified subsequently to Profit or Loss			
Net Fair Value Gain/(Loss) on Financial Assets held at			
Fair Value Through Other Comprehensive Income		**1,116,067,484**	(952,279,689)
during the Year			
Reclassification adjustments in relation to Financial			
Assets held at Fair Value Through Other			
Comprehensive Income disposed of in the year		**6,335,944**	307,475,085
		1,130,696,212	(813,822,966)
TOTAL COMPREHENSIVE INCOME/(LOSS)		**9,753,583,992**	(733,655,604)

Statement of Distribution

for the Year Ended 30 June 2019

	2019	2018
	Rs	Rs
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR-AS PER IFRS	**9,753,583,992**	(733,655,604)
Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Foreign Currency and SDR	**(3,455,340,371)**	(1,043,253,736)
Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Gold	**(2,724,518,858)**	(143,644,520)
Transfer (to)/from Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-(Gain)/Loss on financial assets at FVTPL	**(2,367,498,489)**	831,822,044
Transfer (to)/from Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-(Gain)/Loss on financial assets at FVOCI	**(1,122,403,428)**	644,804,604
NET PROFIT/(LOSS) FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004	**83,822,846**	(443,927,212)
Transfer from Special Reserve Fund in terms of section 47(5)(b) of the Bank of Mauritius Act 2004	**-**	443,927,212
Transfer to General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004	**(12,573,427)**	-
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004	**71,249,419**	-

The above Statement of Distribution has been prepared according to the requirements of the Bank of Mauritius Act 2004 and does not form part of the primary statements.

For the purpose of Section 47(1A) of the Bank of Mauritius Act 2004, gains and losses on investments managed by external managers are treated as unrealised until proceeds are remitted to the Bank.

Statement of Changes in Equity
for the Year Ended 30 June 2019

	Note	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Accumulated Profit	Total
		Rs	Rs	Rs	Rs	Rs
Balance at 01 July 2017		2,000,000,000	2,689,828,828	14,207,279,097	-	18,897,107,925
Net Profit for the year		-	-	-	80,167,362	80,167,362
Other comprehensive loss for the year		-	-	-	(813,822,966)	(813,822,966)
Total comprehensive loss		-	-	-	(733,655,604)	(733,655,604)
Transfer from Special Reserve Fund		-	-	(733,655,604)	733,655,604	-
Balance at 30 June 2018		2,000,000,000	2,689,828,828	13,473,623,493	-	18,163,452,321
Balance at 01 July 2018		**2,000,000,000**	**2,689,828,828**	**13,473,623,493**	**-**	**18,163,452,321**
Impact of adopting IFRS 9	2(e)	-	-	(46,076,458)	-	(46,076,458)
Balance at 01 July 2018 on adoption of IFRS 9		2,000,000,000	2,689,828,828	13,427,547,035	-	18,117,375,863
Net Profit for the year		-	-	-	8,622,887,780	8,622,887,780
Other comprehensive income for the year		-	-	-	1,130,696,212	1,130,696,212
Total comprehensive income		-	-	-	9,753,583,992	9,753,583,992
Transfer to Special Reserve Fund		-	-	9,669,761,146	(9,669,761,146)	-
Transfer to General Reserve		-	12,573,427	-	(12,573,427)	-
Transfer to Consolidated Fund		-	-	-	(71,249,419)	(71,249,419)
Balance at 30 June 2019		**2,000,000,000**	**2,702,402,255**	**23,097,308,181**	**-**	**27,799,710,436**

Statement of Cash Flows

for the Year Ended 30 June 2019

	Note	2019 Rs	2018 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated from Operating Activities	25	**13,933,939,642**	50,793,078,286
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in Financial Assets held at Fair Value Through Other Comprehensive Income		**(3,385,928,563)**	15,668,981,307
Net movement in Financial Assets held at Fair Value Through Profit or Loss		**(1,400,497,815)**	(68,585,621,811)
Net movement in Government Securities		**310,000,000**	-
Additions to Intangible assets	10	**(2,598,044)**	(9,320,060)
Acquisition of property, plant and equipment	11	**(130,684,447)**	(189,930,384)
Proceeds from sale of property, plant and equipment		**2,174,358**	1,718,809
Dividend received		**16,902,811**	7,564,887
Net Cash used in Investing Activities		**(4,590,631,700)**	(53,106,607,252)
CASH FLOWS FROM FINANCING ACTIVITIES			
Balance of net profits paid into the Consolidated Fund		**-**	(476,975,813)
Net increase/(decrease) in Cash and Cash Equivalents		**9,343,307,942**	(2,790,504,779)
Cash and Cash Equivalents at start of the Year		**43,410,725,607**	46,561,082,464
Effect of exchange rate fluctuations on Cash and Cash Equivalents		**261,826,454**	(359,852,078)
Cash and Cash Equivalents at end of the Year		**53,015,860,003**	43,410,725,607

1. LEGAL FRAMEWORK

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004 (the "Act"), the Bank is established to act as the Central Bank for Mauritius. Its main place of business is at Sir William Newton Street, Port Louis, and it operates an office in Rodrigues. The Bank is an independent institution with its own legal personality and submits, in accordance with section 32 (3) of the Act, a copy of its audited financial statements to the Minister, to whom the subject of Finance is assigned, who lays a copy thereof before the National Assembly.

The primary objective of the Bank is to maintain price stability and to promote orderly and balanced economic development.

To attain these objectives, the Bank's principal functions are to:

- conduct monetary policy and manage the exchange rate of the Mauritian Rupee, taking into account the orderly and balanced economic development of Mauritius;
- regulate and supervise financial institutions carrying on activities in, or from within, Mauritius;
- manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius;
- collect, compile, disseminate, on a timely basis, monetary and related financial statistics; and
- manage the foreign exchange reserves of Mauritius.

Under section 10 of the Act, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government of Mauritius. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The capital was increased to Rs2 billion in November 2011.

Under section 11(1) of the Act, the Board shall determine the net profits of the Bank for each financial year, after meeting all current expenditure for that year and after making such provision as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies.

Under section 11(2) of the Act, the Bank shall establish a General Reserve Fund to which shall be allocated, at the end of every financial year of the Bank, 15 per cent of the net profits of the Bank.

Under section 11(3) of the Act, the balance of the net profits for the financial year remaining after the allocation made under subsection 11(2) shall, subject to subsection 11(4), be paid into the Consolidated Fund as soon as practicable after the end of every financial year. Section 11(4) of the Act provides that subject to subsection 11(5), the balance in the General Reserve Fund shall be at least equivalent to the amount paid as capital of the Bank. Under section 11(5) of the Act, where, at any time, the balance in the General Reserve Fund is less than the amount paid as capital of the Bank, the Bank shall endeavour to bring the balance to the required level.

Further, under section 11(6) of the Act, no allocation under subsection 11(3) shall be made where, in the opinion of the Board:

(a) the assets of the Bank are, or after such allocation would be, less than the sum of its liabilities and paid up capital; or

(b) the Bank would not be in a financial position to conduct its activities properly.

Under section 11 (3A) of the Act, the Bank may, with the approval of the Board, create, out of its net profits, reserves for monetary policy purposes or such other specific purposes as the Bank may determine in conformity with accounting principles applicable to central banks and best international practices.

2. BASIS OF PREPARATION

(a) Statement of Compliance

In terms of section 31(1) of the Act, the accounting of the Bank shall, at all times be carried out in conformity with accounting principles applicable to central banks and best international practices. In line with best practices, the Bank has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income are measured at fair value; and
- the liability for defined benefit obligations is recognised as the fair value of plan assets less the present value of the defined benefit obligations.

(c) Functional and Presentation Currency

These financial statements are presented in Mauritian Rupee ("Rs"), rounded to the nearest rupee, which is the Bank's functional currency.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are described in Note 4.

(e) Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, the Bank has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Standards Interpretations Committee ("IFRS IC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 July 2018.

(i) Relevant Standards and Interpretations applied with no effect on the financial statements

IAS 39 Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception

IFRIC 22 Foreign Currency Transactions and Advance Consideration

2. BASIS OF PREPARATION (CONT'D)

(e) Application of New and Revised International Financial Reporting Standards (IFRS) (Cont'd)

Management anticipates that the application of the above Standards in future years will have no material impact on the financial statements of the Bank on their effective dates in future periods.

(ii) New and Revised IFRS that are effective for the current year

IFRS 7 Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

IFRS 7 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures

IFRS 9 Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition IFRS 9 Financial Instruments – Amendments regarding the interaction of IFRS 4 and IFRS 9

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

Impact of Initial Application of IFRS 9 Financial Instruments

The Bank applied IFRS 9 using the modified retrospective method, with an initial application date of 1 July 2018. In accordance with the transition provision of IFRS 9 the Bank has not restated comparative information for the financial year 2018 for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented for the financial year 2019. Differences arising from the adoption of IFRS 9 have been recognised directly in the Special Reserve Fund as of 01 July 2018 and are disclosed in the Statement of Changes in Equity.

The key changes to the accounting policies of the Bank on account of introduction of IFRS 9 have been summarised below:

Changes to classification and measurement

To determine the classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Bank's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets of held-to-maturity (at amortised cost), available-for-sale (AFS), fair value through profit or loss (FVTPL) and loans and receivables have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at FVTPL.

2. BASIS OF PREPARATION (CONT'D)

(e) Application of New and Revised International Financial Reporting Standards (IFRS) (Cont'd)

Changes to classification and measurement (cont'd)

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVTPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Bank has not designated any financial liabilities at FVTPL. Therefore, this requirement has not had an impact on the Bank.

The Bank's classification of its financial assets and liabilities is explained in Note 2(e). The quantitative impact of applying IFRS 9 as at 01 July 2018 is disclosed as per Application of IFRS 9-Transition Disclosure Table.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for Expected Credit Loss (ECL) in-scope financial assets loss impairments by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination where the ECLs are calculated over the life time of the asset. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Bank's impairment method are disclosed in Note 2(e). The quantitative impact of applying IFRS 9 as at 01 July 2018 is disclosed as per Application of IFRS 9-Transition Disclosure Table.

Application of IFRS 9 - Transition disclosure

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and reserves including the effect of replacing IAS 39's incurred credit loss calculations with IFRS9's ECLs.

	Category of financial instruments as per Financial Statements	Nature of Financial Assets	Current Classification under IAS 39	Amount as per audited financial statements	Re-classification	Remeasurement		IFRS 9	
						ECL	Other	Opening Balance as at 1 July 2018	Category
Foreign Assets	Cash and Cash Equivalents	Short Term Deposit Accounts	Loans and receivables	4,121,190,593	-	-	-	4,121,190,593	Amortised Cost
		Foreign Investments	Available for sale	15,135,309,943	-	4,620,413	-	15,130,689,530	FVTOCI
		Special Drawing Rights	Loans and receivables	4,376,335,357	-	-	-	4,376,335,357	Amortised Cost
		Repurchase Agreement	Loans and receivables	14,422,132,967	-	-	-	14,422,132,967	Amortised Cost
		Current Accounts	Loans and receivables	5,335,327,863	-	-	-	5,335,327,863	Amortised Cost
		Foreign Currency Notes	Loans and receivables	20,428,884	(20,428,884)	-	-	-	
		To Financial assets at FVTPL		-	20,428,884	-	-	20,428,884	FVTPL
	Other Balances and Placements	Foreign Investments (Managed by Fund Managers)	Fair value through profit or loss	89,955,618,282	-	-	-	89,955,618,282	FVTPL
		Foreign Investments Internally Managed	Available for sale	78,497,633,490	-	23,968,244	-	78,473,665,246	FVTOCI
	Gold Deposits	Gold Deposits	Fair value through profit or loss	17,282,602,558	-	-	-	17,282,602,558	FVTPL
	Other Investments	Unquoted Investments	Fair value through profit or loss	912,192,125	-	-	-	912,192,125	FVTPL
Local Assets	Loans and Advances	Special Line of Credit in Foreign Currency	Loans and receivables	478,025,981	-	29,294	-	477,996,687	Amortised Cost
		Special Line of Credit in Local Currency	Loans and receivables	3,792,570,315	-	10,519	-	3,792,559,796	Amortised Cost
		Others	Loans and receivables	25,038,017	-	-	-	25,038,017	Amortised Cost
	Investment in Government Securities	Government of Mauritius Bonds	Financial assets at fair value through profit or loss	654,928,248	(654,928,248)	-	-	-	
		To Financial assets at Amortised Cost			654,928,248	77,711	17,340,981	637,509,556	Amortised Cost
	Other Assets	Net balances due in clearing	Loans and receivables	53,870,202	-	-	-	53,870,202	Amortised Cost
		Staff loans	Loans and receivables	88,122,365	-	29,296	-	88,093,069	Amortised Cost
						28,735,477	**17,340,981**		

The total re-measurement loss of Rs46,076,458 was recognised against the Special Reserve Fund as at 1 July 2018 in respect of expected credit loss amounting to Rs28,735,477 and amortisation impact of Rs17,340,981 on re-classification of Government of Mauritius Bonds from financial assets at fair value through profit or loss to financial assets at amortised cost.

2. BASIS OF PREPARATION (CONT'D)

(e) Application of New and Revised International Financial Reporting Standards (IFRS) (Cont'd)

(iii) New and Revised Standards and Interpretations in issue but not yet effective

At date of authorisation of these financial statements, the following relevant Standards and interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of financial statements – Amendments regarding the definition of material (effective 1 January 2020)
IAS 8	Accounting policies, changes in Accounting Estimates and Errors – Amendments regarding the definition of material (effective 1 January 2020)
IAS 19	Employee Benefits - Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities - (effective 1 January 2019)
IFRS 16	Leases - Original issue - (effective 1 January 2019)

The directors anticipate that these Standards and Interpretation will be applied on their effective dates in future periods. Except as detailed below, the directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Bank will be 1 July 2019.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The only exceptions are short-term and low-value leases.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture) the Bank will opt to recognise a lease expense on a straightline basis as permitted by IFRS 16.

As at 30 June 2019, the Bank have noncancellable operating lease commitments of Rs12,056,673. A preliminary assessment indicates that all these arrangements relate to leases other than short-term leases and leases of low value assets. Management has not yet assessed the amounts for right of use asset and corresponding liability in respect of these leases.

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Bank's activities as a lessor are not material and hence the Bank does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3. ACCOUNTING POLICIES

(a) Financial Instruments

Policy applicable before 1 July 2018

(i) Initial Recognition

The Bank recognises all financial instruments on its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. All regular transactions entered by the Bank are recognised on a settlement date basis.

(ii) Classification and measurement

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales of financial assets require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the value date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss, and subsequently measured at fair value. The Bank's Foreign Investments, Gold deposits, Other Investments and Investment in Government Securities fall under this category.

AFS financial assets are non-derivatives that are either designated as AFS or not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value through profit or loss.

Investments held by the Bank that are classified as AFS are stated at fair value at each reporting date. Fair value is determined in the manner described in Note 28. Changes in the carrying amount of AFS financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest rate method and dividends on AFS equity investments are recognised in statement of profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in the Special Reserve Fund. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Special Reserve Fund is reclassified to statement of profit or loss.

Dividends on AFS equity instruments are recognised in the statement of profit or loss when the Bank's right to receive the dividends is established. The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the rate of exchange ruling at the reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. They are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and receivables comprise Cash and Cash Equivalents (excluding Gold Deposits and foreign investments), Deposit Accounts, Loans and Advances to commercial banks or other financial institutions under Special Lines of Credit and certain Other Assets of the Bank.

Financial liabilities comprise of demand deposits, currency in circulation, Bank of Mauritius Securities and other liabilities. The Bank recognises all its financial liabilities initially at the value of the consideration received for those liabilities, excluding transaction costs and subsequently measures them at amortised cost.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable before 1 July 2018 (Cont'd)

(ii) Classification and measurement (Cont'd)

The Bank has the possibility to designate any financial asset or financial liability at FVTPL, that is, at fair value with changes in fair value recognised through profit or loss provided that the financial asset or financial liability satisfies certain conditions.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards of ownership have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

(iv) Government Securities

Other Government Securities comprise bonds with maturities ranging between two to twenty years which have been amortised using the straight line method

Policy applicable as from 1 July 2018

Classification of financial assets

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities and replaces IAS 39.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects; the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the solely payments of principal and interest ('SPPI') test.

IFRS 9 includes three principal classification categories for financial assets: measured amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Bank determines the classification at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable as from 1 July 2018 (Cont'd)

Classification of financial assets (Cont'd)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial Assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

All other financial assets are classified at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment basis.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL, because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely Payments of principle and interest (SPPI)

Under IFRS 9, the SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. Liquidity risks and administrative cost), as well as profit margin.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable as from 1 July 2018 (Cont'd)

Solely Payments of principle and interest (SPPI) (Cont'd)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (eg. non –recourse arrangement); and
- features that modify consideration of the time value of money – eg. periodical reset of interest rates.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within both a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to the expected credit loss requirements. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired

The Bank includes in this category:

- Short-term non-financing receivables including accrued income/interest and other receivables.
- Cash and cash equivalent, including securities denominated in foreign currency and gold readily convertible into cash.
- Short term deposits meeting the definition of cash equivalents.
- Loans and advances to commercial banks or other financial institutions under Special Line of Credits and certain other assets of the Bank.
- Investment in Government Securities.

Financial assets at fair value through OCI (debt instruments)

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable as from 1 July 2018 (Cont'd)

Financial assets at fair value through OCI (debt instruments) (Cont'd)

The Bank's debt instruments at fair value through OCI includes quoted debt instruments under its internally managed portfolio.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32
Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- It is classified as financial asset held for trading for the purpose of selling or repurchasing in the near term; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Bank includes in this category:

- equity instruments in unquoted investments.
- foreign Investments managed by fund managers
- gold deposits
- foreign currency notes

Initial recognition of financial assets: classification and measurement

The classification of financial assets at initial recognition will depend on their contractual terms and business model as described in note a(i) Classification of financial assets. Financial assets are initially measured at their fair value, except in the case of financial assets recorded at fair value, transaction costs are added to, or subtracted from, this amount. The Bank's policy is to use settlement date accounting for the recognition of purchases and sales of trading investments, i.e., the date on which the Bank settles the transactions.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable as from 1 July 2018 (Cont'd)

Subsequent measurement of financial assets

Effective interest rate

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method on all financial instruments measured at amortised cost, financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Subsequent to initial recognition, financial assets are either measured at amortised cost or at fair value.

The Bank classifies its financial assets as subsequently measured under the following classification categories on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset:

- Financial assets at amortised cost (Debts instruments)
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Fair value through profit or loss ("FVTPL")

Before 1 July 2018, the Bank classified its financial assets as loans and receivables (amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable as from 1 July 2018 (Cont'd)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model.

The Bank recognises an allowance for expected credit losses (ECLs) on all of the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments measured at amortised cost and FVOCI
- Loan commitments and financial guarantee contracts issued

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Definition of default

For internal credit risk management purposes, the Bank considers a financial asset in default and therefore Stage 3 (credit-impaired) for ECL calculations in accordance with the contractual terms of the financial asset.

For foreign investment assets:

- "A missed or delayed disbursement of a contractually-obligated interest or principal payment as defined in credit agreements and indentures;
- A bankruptcy filing or legal receivership by the debt issuer or obligor that will likely cause a miss or delay in future contractually-obligated debt service payments;
- A distressed exchange whereby:
  1) an issuer offers creditors new or restructured debt, or a new package of securities, cash or assets, that amount to a diminished value relative to the debt obligation's original promise and
  2) the exchange has the effect of allowing the issuer to avoid a likely eventual default;
- A change in the payment terms of a credit agreement or indenture imposed by the sovereign that results in a diminished financial obligation, such as a forced currency or re-denomination (imposed by the debtor, or the debtor's sovereign) or a forced change in some other aspect of the original promise, such as indexation or maturity."

If any of those criteria are met, the asset is moved to stage 3.

The Bank considers treasury and interbank balances in default when the required intraday payments are not settled by the close of business, as outlined in the individual agreements.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable as from 1 July 2018 (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial asset as at the reporting date with the risk as at the date of initial recognition. The Bank considers many factors when assessing a financial asset for a significant increase in credit risk, including

- an actual or expected significant deterioration in the financial asset's credit rating;
- significant deterioration in external market indicators of credit risk for a financial asset (e.g., a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the counterparty's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the counterparty;
- significant increases in credit risk on other financial instruments of the same counterparty; or an actual or expected significant adverse change in the regulatory, economic or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its debt obligations.

For foreign investment, the Bank considers that there has been a significant increase in credit risk when:

- If the rating of the financial asset is 'investment grade' at initial recognition, a significant increase in credit risk is identified if it downgrades to 'speculative grade'. The financial asset will be moved to stage 2.
- If the rating of the financial asset is 'speculative grade' at initial recognition, an increase in credit risk is identified if there is a one notch downgrade in credit rating. The financial asset will be moved to stage 2.

The Bank considers that the asset has cured: If the asset moves one notch upwards in credit rating after being downgraded, then the bank would monitor the coupon payments due in the year. If no coupon payments are missed, then it would move the bond back to stage 1.

If the asset's credit rating does not move after being moved to stage 2, then the bank would need to obtain the next twelve coupon payments for asset with quarterly coupon payments, the next six coupon payments for asset with semi-annual coupon payments, the next three coupon payments for assets with yearly coupon payments before moving the asset back to stage 1.

Inputs into measurement of ECLs

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD are estimates at a certain date that are based on a mix of internally compiled data, rating agency outputs and expert judgement, comprising both quantitative and qualitative factors.

LGD is the estimated percentage of exposure that will be lost at the time of default.

EAD represents the amount of exposure that the Bank is exposed if there is a default.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy applicable as from 1 July 2018 (Cont'd)

Forward looking information

In its ECL models, the Bank relies on credit ratings from credit rating agencies (Standard & Poor's (S&P), Moody's, Fitch Group) and the Bloomberg indices rating on global fixed income for the probability of default component. Credit ratings are a tool, among others, that investors can use when making decisions about purchasing bonds and other fixed income investments. They express independent opinions on creditworthiness, using a common terminology that may help investors make more informed investment decisions.

As part of their ratings analysis, the external credit agencies evaluate current and historical information and also assess the potential impact of a broad range of forward looking information, such as:

- Industry specific risk and broad economic factors that may affect the business cycle.
- Key performance indicators
- Economic, regulatory and geopolitical influences
- Management and corporate governance attributes
- Competitive position.

Additionally, for Sovereign or national government, the analysis may take into consideration:

- Fiscal and Economic performance
- Monetary Stability
- Effectiveness of the Government's institutions.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments when such differences are significantly material.

Write off policy

The Bank writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures. Any recoveries made are recognized in impairment.

Policy before and after 1st July 2018

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Fair Value Measurement Principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non-performance risk.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy before and after 1st July 2018 (Cont'd)

Fair Value Measurement Principles (Cont'd)

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation wholly supported by observable market data or the transaction is closed out.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Gold Deposits

Gold Deposits are held by the Bank for reserve management purposes. IAS 39 specifically excludes from its scope gold deposits and therefore IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, has been considered to assess the most appropriate accounting for the gold deposits. Under IAS 39, gold deposits were classified as a financial asset reported at fair value through profit or loss. The gold deposits do not meet the SPPI test as prescribed in IFRS 9 and are hence classified at fair value through profit or loss. Accordingly, all gains and losses on revaluation of gold are recognised in profit or loss. Gold is valued at the price ruling on the international market.

Gains and Losses on Subsequent Measurement

Gains or losses on FVTPL financial assets and financial liabilities arising from changes in their fair value are recognised in profit or loss in the period in which they arise. For those financial instruments carried at amortised cost, gains or losses are recognised in profit or loss when the financial instrument is de-recognised or impaired and through the amortisation process.

Bank of Mauritius Securities

Bank of Mauritius securities, which are issued for liquidity management, are measured at amortised cost using the straight line method.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, gold deposits, cash balances, call deposits with other financial institutions and short-term highly liquid debt investments with maturity of three months or less from date of acquisition.

3. ACCOUNTING POLICIES (CONT'D)

(a) Financial Instruments (Cont'd)

Policy before and after 1st July 2018 (Cont'd)

Other Balances and Placements

Other balances and placements comprise balances with more than three months' maturity from the date of acquisition, including deposits held with banks abroad.

(b) Computer Software

Under IAS 38 Intangible assets, Computer Software which does not form an integral part of computer hardware, is classified as an intangible asset. Intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the rate of 33 1/3% per annum so as to write off the depreciable value of the assets over their estimated useful lives. A full year of amortisation is charged in the year of purchase. Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted as appropriate.

(c) Property, Plant and Equipment

Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within miscellaneous income in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives (except for motor vehicles which are depreciated as stated below), and is generally recognised in profit or loss. Freehold land and capital work in progress are not depreciated.

Depreciation is provided at the following annual percentage rates:

Buildings	-	2%
Furniture, Equipment, Fixtures and Fittings	-	10%
Computer Equipment, Cellular Phones and ICT Systems	-	33 1/3%
Motor Vehicles	-	40% for 1st year then 20% for each of the three subsequent years

Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted as appropriate.

3. ACCOUNTING POLICIES (CONT'D)

(d) Industrial Gold, Dodo Gold Coins and Gold Bars

Inventories of Industrial Gold, Dodo Gold Coins and Gold Bars are measured at the lower of cost and net realisable value. The costs of inventories are based on a first-in-first-out principle and include all expenditure incurred in acquiring the inventories and in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

(e) Currency in Circulation

Notes and coins issued represent an unserviced liability of the Bank and are recorded at face value. The costs of minting coins are amortised in the profit and loss account over three years while that of printing banknotes are amortised over two years.

The Bank also issues a range of Mauritius commemorative coins. All costs associated with the production of these numismatic coins are expensed in profit or loss when incurred.

(f) Employee Benefits

Defined Benefit Pension Plan

The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary. Currently, the Bank employs the State Insurance Company of Mauritius as its actuary. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in "Staff Salaries and Other Benefits" in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination Benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits. If benefits are not expected to be settled wholly within 12 months at the end of the reporting period, then they are discounted.

3. ACCOUNTING POLICIES (CONT'D)

(f) Employee Benefits (cont'd)

State Pension Plan

Contribution to the National Pension Scheme is expensed to profit or loss in the period in which it falls due.

(g) Income and Expenditure Recognition

Income and Expenditure are recognised as they are earned or incurred and are recorded in the financial statements on an accruals basis to accurately reflect the period to which they relate.

Dividend income from equity investments is accounted for in profit or loss as "Interest and Similar Income" when the right to receive payment is determined.

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis;
- fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in gain or loss from financial instruments carried at fair value through profit or loss.

(h) Foreign Currencies

Transactions in foreign currencies are recorded in Mauritian Rupees using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupees using the rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are included in profit or loss in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). However, for the purpose of determining the net profits of the Bank in terms of section 11 of the Bank of Mauritius Act 2004, foreign exchange differences are excluded in accordance with section 47(2) of the Act. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transactions.

(i) Impairment

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. ACCOUNTING POLICIES (CONT'D)

(j) Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by the Bank through their best estimate of the expenditure required to settle the obligation at the reporting date. These are calculated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(k) Operating Leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. USES OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Particular areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (a). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Employee Benefits

The present value of the employee benefits, consisting of gratuity and compensation, depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

The main assumption used in determining the net cost or income for employee benefits is the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations.

4. USES OF ESTIMATES AND JUDGEMENT (CONT'D)

Employee Benefits (Cont'd)

In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds or its equivalent that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Details of the defined benefit obligation are disclosed in Note 16.

Determination of Functional Currency

Functional currency is the currency of the primary economic environment in which the Bank operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Management has determined that the functional currency of the Bank is Mauritian Rupees ("Rs") as majority of the Bank's transactions, operating expenses and liabilities are denominated in Mauritian Rupees.

Calculation of Expected Credit Loss

Impairment under IFRS 9 adopts a staging approach, with stage 1 representing the lowest credit risk and stage 3 the highest. When a new asset is originated it is classified in stage 1 (normal origination). Moving from stage 1 to stage 2 is a judgement, and is based on management defined criteria of whether there is a significant increase in credit risk. Given the impact of ECL on the Bank's financial statement, this is not considered to be a significant judgement.

When measuring ECL, the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how the drivers will affect each other as described in details in Note 2(e).

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions as described in details in Note 2(e).

Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, taking into account cash flows from credit enhancements.

Actual loss experience may differ from changes in estimated forward looking information and economic drivers.

5. CAPITAL AND RESERVES

Stated and Paid up Capital

The stated and paid up capital of the Bank is Rs2 billion in accordance with section 10(4) of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government of Mauritius (refer to Note 1).

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with section 11(2) of the Bank of Mauritius Act 2004 (refer to Note 1).

5. CAPITAL AND RESERVES (CONT'D)

Special Reserve Fund

In terms of section 47(1) of the Bank of Mauritius Act 2004, the Special Reserve Fund is a reserve built up from any net realised gains or losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, SDR, or foreign currencies subsequent to any change in the values or exchange rates of gold, SDR, or foreign currencies in terms of the domestic currency.

Section 47(1A) of the Bank of Mauritius Act 2004 introduced in December 2011 provides that any unrealised gains or losses of the Bank in any financial year arising from changes in the valuation of investments held by the Bank shall be credited to or debited from the Special Reserve Fund.

As per section 47(2) of the Bank of Mauritius Act 2004, neither net gains nor net losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, Special Drawing Rights, or foreign currencies shall be included in the computation of annual income of the Bank.

6. CASH AND CASH EQUIVALENTS

	2019	2018
	Rs	Rs
Short term deposits	**6,252,899,009**	4,121,190,593
Special Drawing Rights	**4,438,060,895**	4,376,335,357
Current Accounts	**42,318,400,478**	19,757,460,830
Foreign Currency Notes	**6,499,621**	20,428,884
Foreign Investments	**-**	15,135,309,943
	53,015,860,003	43,410,725,607

7. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	Rs	Rs
Foreign Investments	**84,187,133,749**	78,497,633,490
Loss Allowance	**(33,645,789)**	-
	84,153,487,960	78,497,633,490

8. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	Rs	Rs
Foreign Investments	**95,152,906,113**	89,955,618,282
Other Investment	**1,064,439,155**	912,192,125
	96,217,345,268	90,867,810,407

Foreign Investments include funds entrusted to Fund Managers and investment in foreign currency denominated securities and bonds. Other investments have been valued on the basis of the latest net asset value in respect of the investee entities.

9. (a) DOMESTIC FINANCIAL ASSETS HELD AT AMORTISED COST

	2019	2018
	Rs	Rs
Special Line of Credit in Foreign Currency	253,159,496	478,025,981
Special Line of Credit in Local Currency	3,887,384,573	3,792,570,315
Government Securities	324,785,421	-
Staff Loans	104,240,406	88,122,365
Net Balances due in Clearing	35,841,468	53,870,202
Others	26,220,984	25,038,017
	4,631,632,348	4,437,626,880
Loss Allowances:		
Special Line of Credit in Foreign Currency	(10,911)	-
Special Line of Credit in Local Currency	(15,147)	-
Government Securities	(54,824)	-
Staff Loans	(48,743)	-
	(129,625)	-
	4,631,502,723	4,437,626,880

Under the implementation of IFRS 9, the Bank has reclassified the investment in Government of Mauritius Bonds amounting to Rs654,928,248 from fair value through profit or loss to amortised cost as at 1 July 2018. Although these bonds were acquired with the intent of trading, in practice it was held to collect interest income and there was no trading during the past years. These bonds are best classified as being in a business model of hold to collect and they meet the SPPI test. The reclassification and resulting amortisation adjustment amounting to Rs17,340,981 is detailed in Note 2(e) as per Application of IFRS 9 Transition Disclosure Table.

Advances under Special Lines of Credit are granted to banks and other economic operators to support the economic development of the country. These advances are guaranteed/collateralised and are at fixed and variable interest rates. Net balances due in clearing are cheques collected and outstanding at close of business and which were cleared on the next working day.

(b) The following table explain the changes in the loss allowances between the beginning and the end of the year.

	Stage 1 12 – month ECL Collective basis	Stage 2 Life time ECL Collective basis	Stage 3 Life time ECL Individual basis	Total
	Rs	Rs	Rs	Rs
Impact of IFRS 9 - 1 July 2018	28,735,477	-	-	28,735,477
Movements with P & L impact				
Foreign exchange translation	217,493	-	-	217,493
Changes to risk parameters (model inputs)	7,421,353	-	-	7,421,353
Financial assets derecognised - Disposals	(8,554,631)	-	-	(8,554,631)
New financial assets	2,959,910	2,995,812	-	5,955,722
Loss allowance charge for the year	2,044,125	2,995,812	-	5,039,937
Loss allowance as at 30 June 2019	30,779,602	2,995,812	-	33,775,414

10. COMPUTER SOFTWARE

	Rs
COST	
At 1 July 2017	235,984,472
Additions	1,473,112
Transfer from WIP	7,846,948
At 30 June 2018	**245,304,532**
Additions	2,598,044
At 30 June 2019	**247,902,576**
ACCUMULATED AMORTISATION	
At 1 July 2017	195,815,931
Charge for the year	38,546,336
At 30 June 2018	**234,362,267**
Charge for the year	3,555,506
At 30 June 2019	**237,917,773**
NET BOOK VALUE	
At 30 June 2019	**9,984,803**
At 30 June 2018	**10,942,265**

The Directors have reviewed the carrying values of intangible assets and are of the opinion that at 30 June 2019, the carrying values have not suffered any impairment.

Notes to the Financial Statements

for the Year Ended 30 June 2019 (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs
COST						
At 1 July 2017	**1,625,701,618**	**372,264,453**	**684,730,419**	**148,275,976**	**29,089,003**	**2,860,061,469**
Additions	358,051	160,819,580	5,045,974	18,346,232	5,360,547	189,930,384
Transfer	294,431,805	(494,327,745)	170,191,357	29,704,583	-	-
Scrapped	-	-	(59,383)	(197,100)	-	(256,483)
Disposals	-	-	-	(1,196,310)	(5,325,950)	(6,522,260)
At 30 June 2018	**1,920,491,474**	**38,756,288**	**859,908,367**	**194,933,381**	**29,123,600**	**3,043,213,110**
Additions	7,324,588	71,114,183	31,022,597	13,768,079	7,455,000	130,684,447
Transfer	-	(28,409,704)	28,407,704	-	2,000	-
Scrapped	-	-	(670,687)	(243,637)	-	(914,324)
Disposal	-	-	(61,620)	-	(7,002,000)	(7,063,620)
At 30 June 2019	**1,927,816,062**	**81,460,767**	**918,606,361**	**208,457,823**	**29,578,600**	**3,165,919,613**
ACCUMULATED DEPRECIATION						
At 1 July 2017	**291,274,732**	**-**	**660,196,060**	**127,176,000**	**23,126,643**	**1,101,773,435**
Charge for the year	35,475,530	-	26,616,280	30,076,804	5,340,899	97,509,512
Scrapped	-	-	(59,381)	(196,600)	-	(255,981)
Disposals	-	-	-	(1,195,810)	(5,322,950)	(6,518,760)
At 30 June 2018	**326,750,262**	**-**	**686,752,959**	**155,860,394**	**23,144,592**	**1,192,508,206**
Charge for the year	35,622,020	-	26,886,334	28,282,769	6,810,589	97,601,712
Scrapped	-	-	(85,261)	(81,204)	-	(166,465)
Disposals	-	-	(61,619)	-	(7,001,000)	(7,062,619)
At 30 June 2019	**362,372,282**	**-**	**713,492,413**	**184,061,959**	**22,954,181**	**1,282,880,834**
CARRYING AMOUNT						
At 30 June 2019	**1,565,443,780**	**81,460,767**	**205,113,948**	**24,395,864**	**6,624,419**	**1,883,038,779**
At 30 June 2018	**1,593,741,212**	**38,756,288**	**173,155,410**	**39,072,990**	**5,979,008**	**1,850,704,908**

The Directors have reviewed the carrying values of tangible assets and are of the opinion that at 30 June 2019, the carrying values have not suffered any impairment.

12. OTHER ASSETS

	2019	2018
	Rs	Rs
Prepayments	**37,913,364**	103,526,363
Industrial Gold and Dodo Gold Coins	**100,032,238**	95,567,174
Gold Bars	**142,073,879**	132,076,385
Others	**18,467,988**	19,053,934
	298,487,469	350,223,856

13. CURRENCY IN CIRCULATION

	2019	2018
	Rs	Rs
Notes issued		
Face value		
2,000	**2,914,812,000**	3,354,724,000
1,000	**22,927,987,000**	21,257,033,000
500	**4,703,872,500**	4,185,475,000
200	**1,884,659,200**	1,764,102,200
100	**1,687,166,400**	1,607,918,300
50	**400,622,050**	369,096,950
25	**273,301,550**	274,694,175
Demonetised Notes	**499,242,510**	214,247,160
Total	**35,291,663,210**	33,027,290,785
Coins issued		
Face value		
20 rupees	**243,037,980**	220,044,220
10 rupees	**373,711,090**	350,320,450
5 rupees	**170,241,810**	159,084,525
1 rupee	**197,821,752**	186,555,947
50 cents	**42,260,398**	40,237,254
25 cents **	**6,327,358**	6,327,843
20 cents	**52,490,580**	50,516,723
10 cents **	**2,417,154**	2,417,348
5 cents	**12,531,804**	11,954,921
2 cents **	**330,228**	330,248
1 cent	**222,965**	222,995
Others***	**22,675,053**	22,585,583
Total	**1,124,068,172**	1,050,598,057
Total face value of Notes and Coins in Circulation	**36,415,731,382**	34,077,888,842

** These denominations have ceased to be issued by the Bank.
*** Others include Gold Coins and Commemorative Coins.

14. MONETARY POLICY INSTRUMENTS

	2019	2018
	Rs	Rs
Bank of Mauritius Savings Bonds	**907,400**	907,400
Bank of Mauritius Bonds	**481,424,644**	479,504,977
Bank of Mauritius Notes	**33,938,075,444**	26,970,932,828
Bank of Mauritius Bills	**58,948,102,261**	35,415,959,117
Bank of Mauritius Golden Jubilee Bonds	**8,974,425,000**	8,974,425,000
Special Deposits from banks	**12,755,500,000**	19,774,600,000
Interest Payable	**395,830,721**	494,291,342
	115,494,265,470	92,110,620,664

15. PROVISIONS

	2019	2018
	Rs	Rs
Balance at 30 June	**100,000,000**	100,000,000

The provision relates to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Bank may make additional funds available to the liquidator of MCCB Limited where the liabilities of the MCCB Limited exceed the proceeds from the realisation of its assets. The liquidation of MCCB Limited is still in progress.

16. EMPLOYEE BENEFITS

Amounts recognised in the Statement of Financial Position:

	2019	2018
	Rs	Rs
Defined Benefit Plan (Note (a))	**673,353,437**	653,689,895
Short Term Employee Benefits (Note (b))	**128,634,098**	123,565,131
	801,987,535	777,255,026

(a) Defined Benefit Plan

The Bank operates a defined benefit plan for its employees who joined the Bank prior to January 2013 and the plan is wholly funded. The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

The plan is exposed to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

The report dated 1 August 2019 submitted by The State Insurance Company of Mauritius Ltd, who also acts as independent actuaries, is produced hereunder.

Amounts recognised in profit or loss:	2019	2018
	Rs	Rs
Current Service Cost	**27,510,943**	25,976,467
Employee Contributions	**(10,710,913)**	(12,033,360)
Fund Expenses	**799,706**	844,816
Net interest expense	**40,310,526**	61,520,531
Net Periodic Pension Cost included in Staff Salaries and other benefits	**57,910,262**	76,308,454
Remeasurement of defined benefit liability recognised in Other Comprehensive Income (OCI):		
Actuarial (gain)/loss	**(8,292,784)**	169,018,362

16. EMPLOYEE BENEFITS (CONT'D)

(a) Defined Benefit Plan (Cont'd)

Movements in liability recognised in the Statement of Financial Position:

	2019	2018
	Rs	Rs
At start of the year	**653,689,895**	985,995,490
Total Expenses as per above	**57,910,262**	76,308,454
Past Service Liability Contribution	**-**	(547,100,000)
Actuarial Gain/ Loss recognised in OCI	**(8,292,784)**	183,029,373
Fair Value Gain	**-**	(14,011,011)
Bank of Mauritius share of pension (topping-up)	**(324,981)**	(324,981)
Employer Contributions	**(29,628,955)**	(30,207,430)
At end of the year	**673,353,437**	653,689,895

Movements in the present value of the Defined Benefit Obligations in the current period were as follows:

	2019	2018
	Rs	Rs
At start of the year	**1,481,355,530**	1,283,182,894
Current Service Cost	**27,510,943**	25,976,467
Interest Cost	**88,881,332**	83,406,889
Actuarial loss	**1,130,350**	170,663,999
Benefits Paid	**(76,169,540)**	(81,874,719)
At end of the year	**1,522,708,615**	1,481,355,530

Movements in the fair value of the Plan Assets in the current period were as follows:

	2019	2018
	Rs	Rs
At start of the year	**827,665,635**	297,187,404
Fair Value Gain	**-**	14,011,011
Expected Return on Plan Assets	**48,570,806**	21,886,358
Actuarial Gain/(Loss)	**9,423,134**	(12,365,374)
Contributions from the Employer	**29,628,955**	30,207,430
Employee Contributions	**10,710,913**	12,033,360
Past Service Liability Contribution	**-**	547,100,000
Bank of Mauritius Share of Pension	**324,981**	324,981
Benefits Paid (Excluding BOM share of pension)	**(76,169,540)**	(81,874,719)
Fund Expenses	**(799,706)**	(844,816)
At end of the year	**849,355,178**	827,665,635

The amount included in the Statement of Financial Position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

	2019	2018
	Rs	Rs
Present Value of Defined Benefit Obligation	**1,522,708,615**	1,481,355,530
Fair Value of Plan Assets	**(849,355,178)**	(827,665,635)
Net Liability arising from Defined Benefit Obligation	**673,353,437**	653,689,895

16. EMPLOYEE BENEFITS (CONT'D)

(a) Defined Benefit Plan (Cont'd)

The major categories of plan assets at the reporting date are as follows:

	30 JUNE 2019	30 June 2018
Major categories of Plan Assets	%	%
Local Equities	**13.4**	15.7
Overseas Equities and Bonds	**20.7**	22.2
Fixed Interest Securities and Cash	**61.7**	57.7
Others	**4.2**	4.4

The overall expected rate of return on Plan Assets is determined by reference to market yields on bonds. The actual return on plan assets was Rs38.2 million (2018: Rs9.5 million).

The history of experience adjustments is as follows: -

	2019	2018
	Rs	Rs
Experience losses on plan liabilities	**(1,130,350)**	(170,663,999)
Experience gains/(losses) on plan assets	**9,423,134**	(12,365,374)
	8,262,784	(183,029,373)

The Bank expects to make a contribution of Rs29.4 million (2018: Rs26.2 million) to the defined benefit plans during the next financial year. This estimate may be amended by the Bank of Mauritius on the basis of availability of more accurate information.

Additional disclosure on assets issued or used by the reporting entity

	2019	2018
	%	%
Percentage of assets at end of year		
Assets held in the entity's own financial instruments	**0**	0
Property occupied by the entity	**0**	0
Other assets used by the entity	**0**	0

Weighted average duration of the defined benefit obligation (Calculated as a % change in PV of liabilities for a 1% change in discount rate)	**12 years**

The principal assumptions used for actuarial valuation were:

	2019	2018
Discount Rate	**6.0%**	6.5%
Future Long-term Salary Increases	**4.0%**	4.0%
Future Pension Increases	**3.5%**	3.5%

Mortality before retirement	A 6770 Ultimate Tables
Mortality in retirement	PA (90) Tables rated down by 2 years
Retirement age	As per Second Schedule of the Statutory Bodies Pension Funds Act

The discount rate is determined by reference to market yields on bonds.

16. EMPLOYEE BENEFITS (CONT'D)

(a) Defined Benefit Plan (Cont'd)

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs161.7 million (increase by Rs196 million) if all other assumptions were held unchanged.

If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs63.5 million (decrease by Rs56.8 million) if all other assumptions were held unchanged.

If the expected pension growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs119.2 million (decrease by Rs103 million) if all other assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs49 million (decrease by Rs49 million) if all other assumptions were held unchanged.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependences between the assumptions.

(b) Short Term Employee Benefits

	2019	2018
	Rs	Rs
Provision for Annual and Sick Leaves	**75,362,823**	73,074,065
Provision for Passage Benefits	**53,271,275**	50,491,066
	128,634,098	123,565,131

(c) Employer Contribution towards Pension Cost

	2019	2018
	Rs	Rs
Contributions Expensed (Note 20)	**34,880,026**	36,112,274

(d) State Pension Plan

	2019	2018
	Rs	Rs
National Pension Scheme Contributions (Note 20)	**1,569,754**	1,548,540

Notes to the Financial Statements

for the Year Ended 30 June 2019 (continued)

17. OTHER LIABILITIES

	2019	2018
	Rs	Rs
Amount Transferable to Consolidated Fund	**71,249,420**	-
Creditors	**462,059,464**	153,310,497
Abandoned Funds from Financial Institutions	**1,582,655,056**	1,433,234,699
Special Drawing Rights (SDR)	**3,488,025,037**	3,443,980,039
Interests and Charges Payable	**130,503,227**	99,414,477
Other Deposits	**17,043,967**	17,043,967
Foreign Bills sent for Collection	**19,620**	11,284
Others	**18,123**	18,123
	5,751,573,914	5,147,013,086

18. INCOME

(a) Interest Income on Financial Assets using Effective Interest Rate

	2019	2018
	Rs	Rs
Fixed Income Securities	**1,772,915,335**	1,796,149,983
Repurchase Agreement	**216,570,969**	179,847,193
Loans and Advances	**100,477,731**	99,281,546
Government Securities	**31,093,154**	-
Special Drawing Rights	**45,939,639**	31,998,826
Current Accounts	**32,819,152**	8,880,873
Deposit Accounts	**(18,882,097)**	(10,118,603)
Realised Loss on Fixed Income Securities	**(8,835,354)**	(142,083,605)
	2,172,098,529	1,963,956,213

(b) Interest and Similar Income on Financial Assets at Fair Value through Profit or Loss

	2019	2018
	Rs	Rs
Government Securities	**-**	21,499,144
Dividend Income from Fund Managers	**2,068,388,337**	950,650,781
Interest Income from Fund managers	**357,727,357**	136,257,046
Other Income	**45,169,385**	48,189,735
	2,471,285,079	1,156,596,706

19. (a) MISCELLANEOUS INCOME

	2019	2018
	Rs	Rs
Processing and Licence Fees	**114,157,977**	120,167,616
MACSS & MCIB Fees	**78,676,446**	69,324,586
Profit/(Loss) on Foreign Exchange Transactions	**39,084,721**	(40,604,197)
Profit on Sale of Property, Plant and Equipment	**1,425,498**	1,715,312
Penalty	**1,000,774**	5,000,000
Sponsorship Income	**800,000**	675,000
Sundry Income	**485,099**	471,044
Fees and Charges	**473,569**	678,231
	236,104,084	157,427,592

19. (b) GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	Rs	Rs
Foreign Investments	2,254,094,643	(893,801,025)
Unquoted Investments	113,403,846	61,978,981
	2,367,498,489	(831,822,044)

20. STAFF SALARIES AND OTHER BENEFITS

	2019	2018
	Rs	Rs
Staff Salaries and Allowances	370,113,005	375,079,616
Employer Contribution Towards Pension Cost (Note 16(c))	34,880,026	36,112,274
Staff Family Protection Scheme	7,629,780	11,104,003
National Pension Fund (Note 16(d))	1,569,754	1,548,540
HRDC Levy	69,253	197,735
	414,261,818	424,042,168

The amount of Rs370,113,005 includes an increase in the liability for short term employee benefits amounting to Rs5,068,967 (see Note 16(b)).

21. FEES PAYABLE

The increase in the fees payable to external fund managers is due to the fact only fees for three months (April to June 2018) were charged in respect of the multi asset mandates for the year ended 2018 compared to a full year charge for the year ended 2019.

22. DIRECTORS' REMUNERATION

	2019	2018
	Rs	Rs
Governor	10,374,218	14,132,355
Deputy Governors (2)	12,764,914	11,626,323
Other Directors (5)	1,800,000	1,440,000
	24,939,132	27,198,678

Directors are paid a monthly fee of Rs30,000 (2018: Rs30,000).

23. OTHER EXPENDITURE

	2019	2018
	Rs	Rs
Stationery and Library	6,413,928	8,809,758
Communication Charges	54,210,929	47,580,801
Others	1,411,327	1,033,782
	62,036,184	57,424,341

24. OPEN MARKET OPERATIONS

The Bank, in the pursuit of its objectives to maintain price stability and to promote orderly and balanced economic development undertakes open market operations to manage liquidity conditions in the domestic money markets. The cost of open market operations conducted through the issue of Bank of Mauritius Securities and Government of Mauritius Treasury Bills (GMTB) for liquidity management and also through special deposits from banks are provided below.

	2019	2018
	Rs	Rs
Interest		
Bank of Mauritius Securities	**2,908,524,789**	1,938,062,473
Government of Mauritius Treasury Bills	**-**	93,127,852
Special Deposits	**558,400,949**	336,045,834
	3,466,925,738	2,367,236,159

25. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATING ACTIVITIES

	Note	2019	2018
		Rs	Rs
Net Profit for the Year		**8,622,887,780**	80,167,362
Adjustments for:			
Non-Cash Increase in Employee Benefits		**33,025,293**	56,871,076
Amortisation of Intangible Assets	10	**3,555,506**	38,546,336
Depreciation of Property, Plant and Equipment	11	**97,601,712**	97,509,512
Profit on sale of Property, Plant and Equipment	19(a)	**(1,425,498)**	(1,715,312)
Dividend Received from Other Investment		**(16,902,811)**	(7,564,887)
Gain on Revaluation of Gold Deposits		**(2,724,518,858)**	(143,644,520)
(Gain)/Loss on Financial Assets at Fair Value Through Profit or Loss		**(2,367,498,489)**	831,822,044
Gain on revaluation of foreign currencies and SDR		**(3,455,340,369)**	(1,043,253,736)
Loss Allowance Charge		**33,775,414**	-
Loss on revaluation of Government Securities		**-**	19,060,856
Operating Profit/(Loss) before Working Capital Changes		**225,159,680**	(72,201,269)
Decrease in Interest Receivable		**-**	314,049,488
Decrease in Loans and Advances		**461,052,405**	88,016,049
Decrease/(Increase) in Other Assets		**51,736,387**	(27,434,774)
Increase in Notes and Coins in Circulation		**2,337,842,540**	276,854,765
Decrease in Government Demand Deposits		**(8,394,879,889)**	(13,251,014,036)
(Decrease)/Increase in Banks' Demand Deposits		**(5,363,836,524)**	28,041,960,122
Increase/(Decrease) in Other Financial Institutions' Demand Deposits		**426,498,732**	(80,669,547)
Increase/(Decrease) in Other Demand Deposits		**202,160,677**	(41,166,722)
Increase in Bank of Mauritius Securities		**23,383,644,806**	26,042,627,491
Increase in Other Liabilities		**604,560,828**	9,502,056,719
Net Cash Generated from Operating Activities		**13,933,939,642**	50,793,078,286

26. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2019 is as follows:

The Bank has a commitment to pay on call 60% of 1,202 shares for capital subscription in the African Export-Import Bank. This amount has not been accounted for as a liability in the financial statements.

Other capital commitments at reporting date amounted to Rs35 million (2018: Rs65.3 million).

There was no other contingent liability that existed at 30 June 2019.

27. OPERATING LEASE COMMITMENTS

Operating leases relate to the lease of the Bank's fallback site and other properties with lease terms between 1 to 5 years. The Bank does not have an option to purchase the leased properties at the end of the lease periods.

	1 Year	>1-5 years	> 5 Years	Total
	Rs	Rs	Rs	Rs
Archiving-Plaine Lauzun DBM	193,288	-	-	193,288
Fallback Site-Cyber Tower	3,537,222	8,326,163	-	11,863,385
	3,730,510	**8,326,163**	**-**	**12,056,673**

An amount of Rs4,596,458 (2018: Rs2,335,331) has been expensed in profit or loss for the year.

28. FINANCIAL INSTRUMENTS

(a) Introduction

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As the monetary authority for Mauritius, the Bank's activities are policy orientated. In the course of carrying out its functions, the Bank is faced with financial risks, operational risks and reputational risks. The main financial risks to which the Bank is exposed to are credit risk, interest rate risk, liquidity risk, price risk and foreign exchange risk. A significant proportion of these risks arise from the management of foreign exchange reserves of the Bank.

The foreign exchange risk or the capital loss as a consequence of fluctuations in the exchange rates is managed mainly through diversification of currency portfolios in which the Bank invests. In the management of foreign exchange reserves, minimising liquidity risk and maximising safety and preservation of capital are the prime considerations in order to achieve its prime objectives.

28. FINANCIAL INSTRUMENTS (CONT'D)

(b)(i) Categories of financial instruments

	Carrying Amount 2019	Fair Value 2019	Carrying Amount 2018	Fair Value 2018
Financial Assets	**Rs**	**Rs**	Rs	Rs
Amortised Cost				
Cash and Cash Equivalents (excl. Foreign Investments at FVOCI)	**53,015,860,003**	**53,015,860,003**	28,275,415,664	28,275,415,664
Loans and Advances	**4,159,502,327**	**4,159,502,327**	4,288,454,235	4,288,454,235
Staff Loans	**104,191,663**	**104,191,663**	88,122,365	88,122,365
Investment in Government Securities	**324,730,597**	**324,730,597**	-	-
Other Financial Assets	**43,078,136**	**43,078,136**	61,050,280	61,050,280
	57,647,362,726	**57,647,362,726**	32,713,042,544	32,713,042,544
Fair Value Through Other Comprehensive Income				
Foreign Investments	**84,153,487,960**	**84,153,487,960**	93,632,943,433	93,632,943,433
Fair Value Through Profit or Loss				
Foreign Investments	**95,152,906,113**	**95,152,906,113**	89,955,618,282	89,955,618,282
Gold Deposits	**20,010,473,008**	**20,010,473,008**	17,282,602,558	17,282,602,558
Other Investments	**1,064,439,155**	**1,064,439,155**	912,192,125	912,192,125
Investment in Government Securities	**-**	**-**	654,928,248	654,928,248
	116,227,818,276	**116,227,818,276**	108,805,341,213	108,805,341,213
Total Financial Assets	**258,028,668,962**	**258,028,668,962**	235,151,327,190	235,151,327,190
Financial Liabilities				
Amortised Cost	**231,518,462,422**	**231,518,462,422**	218,322,479,588	218,322,479,588

(b)(ii) Fair value of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

28. FINANCIAL INSTRUMENTS (CONT'D)

(b)(ii) Fair value of financial instruments (Cont'd)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Fair Value of Financial Instruments

2019	Level 1	Level 2	Level 3	Total carrying amount	Total fair value
Financial Assets	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Gold Deposits	**20,010,473,008**	-	-	**20,010,473,008**	**20,010,473,008**
Foreign Investments	**84,153,487,960**	**95,152,906,113**	-	**179,306,394,073**	**179,306,394,073**
Other Investments	-	-	**1,064,439,155**	**1,064,439,155**	**1,064,439,155**
	104,163,960,968	**95,152,906,113**	**1,064,439,155**	**200,381,306,236**	**200,381,306,236**
2018					
Gold Deposits	17,282,602,558	-	-	17,282,602,558	17,282,602,558
Foreign Investments	93,632,943,433	89,955,618,282	-	183,588,561,715	183,588,561,715
Other Investments	-	-	912,192,125	912,192,125	912,192,125
Investment in Government Securities	-	654,928,248	-	654,928,248	654,928,248
	110,915,545,991	90,610,546,530	912,192,125	202,438,284,646	202,438,284,646

A reconciliation of fair value measurements in level 3 is set out below:

Equity Securities	**2019**	2018
	Rs	Rs
Opening balance	**912,192,125**	476,991,146
Addition during the year	**16,669,740**	358,210,769
Change in fair value	**135,577,290**	76,990,210
Closing balance	**1,064,439,155**	912,192,125

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

Valuation techniques used

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For those investments where there is no active market, these are stated at cost less impairment. However, for the other financial instruments, the Bank determines fair values using the valuation technique as per table below:

Description	Valuation technique		Sensitivity analysis 2019	Sensitivity analysis 2018
			Rs	**Rs**
Other investments	Net asset value of the investee company	10% Increase/ Decrease	**106,443,916**	91,219,212

28. FINANCIAL INSTRUMENTS (CONT'D)

(b)(iii) Financial Asset and Financial Liability Classification

The Bank's accounting policies provide scope for financial assets and financial liabilities to be designated on inception into different accounting categories in certain circumstances as described in note 3 (a) (ii).

(c) Credit Risk

Disclosure of credit risk enables the users of financial statements to assess the extent to which failures by counterparties to discharge their obligations could adversely impact on the Bank's future cash inflows from financial assets held at the reporting date.

The Bank is exposed to credit risk which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk on the securities held by the Bank is managed by holding only high quality marketable securities issued chiefly by entities enjoying a good credit rating. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties. Investment in Government securities is considered as risk free. Credit risk also arises when the Bank provides liquidity to financial institutions through open market operations as part of monetary policy implementation.

(i) Concentration of Credit Exposure by Geographical Area

The Bank's significant end-of-year concentration of credit exposure by geographical area was as follows:

	2019	2018
	Rs	Rs
Mauritius	**4,639,485,346**	5,093,599,575
USA	**78,827,166,799**	68,228,014,267
United Kingdom	**109,063,973,643**	82,712,458,477
Europe	**48,494,799,583**	58,264,411,363
Others	**17,003,243,591**	20,852,843,508
	258,028,668,962	235,151,327,190

(ii) Concentration of Credit Exposure by Counterparty Types

The Bank's significant end-of-year concentration of credit exposure by counterparty types was as follows:

	2019	2018
	Rs	Rs
Government	**31,598,386,889**	8,346,717,533
Supranational Financial Institutions	**169,284,601,154**	149,273,943,724
Foreign Banks and Financial Institutions	**38,945,214,050**	49,568,707,788
Other	**18,200,466,869**	27,961,958,145
	258,028,668,962	235,151,327,190

28. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (Cont'd)

(iii) Credit Exposure by Credit Rating

The following table presents the credit ratings of respective financial assets based on the ratings of Moody's. The Bank's investment in equity shares which typically do not obtain ratings and in Gold are denoted as Others. The Bank's investments with foreign central banks are presented separately.

	Credit Rating	2019		2018	
		Rs	**%**	Rs	%
Cash and Cash Equivalents	Central Banks	**50,254,719,097**	**19.83**	27,570,217,158	11.98
	Aaa	**-**	**-**	13,615,454,933	5.92
	Others	**2,761,140,906**	**1.09**	2,225,053,516	0.97
Gold Deposits	Others	**20,010,473,008**	**7.90**	17,282,602,558	7.51
Foreign Financial assets held at Fair Value Through Other Comprehensive income	Aaa	**19,025,767,848**	**7.51**	5,743,319,837	2.50
	Aa	**3,920,336,022**	**1.55**	3,537,169,552	1.54
	A	**17,140,713,847**	**6.76**	24,432,772,602	10.62
	Baa	**18,771,399,606**	**7.41**	27,646,005,627	12.02
	Ba	**560,030,301**	**0.22**	-	-
	Others	**24,735,240,336**	**9.76**	17,138,365,874	7.45
Foreign Financial Assets held at Fair Value Through Profit or Loss	Central Banks	**15,067,046,759**	**5.95**	14,522,719,245	6.30
	Others	**81,150,298,509**	**32.02**	76,345,091,160	33.19
Total External Assets		**253,397,166,239**	**100.00**	230,058,772,062	100.00

	Credit Rating	2019		2018	
		Rs	**%**	Rs	%
Loans and Advances	Baa	**253,144,349**	**5.47**	478,025,980	9.39
	Others	**4,010,549,641**	**86.59**	3,880,692,680	76.20
Government Securities	Others	**324,730,597**	**7.01**	654,928,248	12.86
Other Assets	Others	**43,078,136**	**0.93**	78,908,220	1.55
Total Domestic Financial Assets		**4,631,502,723**	**100.00**	5,092,555,128	100.00

28. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (Cont'd)

(iii) Credit Exposure by Credit Rating (Cont'd)

Summary by Major Credit Category	Credit Rating	2019		2018	
		Rs	%	Rs	%
External Assets	Central banks	**65,321,765,856**	**25.78**	42,092,936,404	18.30
	Aaa	**19,025,767,848**	**7.51**	19,358,774,769	8.41
	Aa	**3,920,336,022**	**1.55**	3,537,169,552	1.54
	A	**17,140,713,847**	**6.76**	24,432,772,602	10.62
	Baa	**18,771,399,606**	**7.41**	27,646,005,627	12.02
	Ba	**560,030,301**	**0.22**	-	-
	Others	**128,657,152,759**	**50.77**	112,991,113,108	49.11
		253,397,166,239	**100.00**	230,058,772,062	100.00
Domestic Financial Assets	Baa	**253,144,349**	**9.49**	478,025,980	9.39
	Others	**4,378,358,374**	**90.51**	4,614,529,148	90.61
Total Domestic Financial Assets		**4,631,502,723**	**100.00**	5,092,555,128	100.00
Total Financial Assets		**258,028,668,962**		235,151,327,190	

(iv) Credit Exposure by Credit Quality

	2019						2018
Debt Investment Securities at FVTOCI	Loss Allowance Rate	Stage 1 12-month ECL	Stage 2 Life Time ECL	Stage 3 Life Time ECL	Purchased or Originated Credit Impaired	Total	Total
		Rs	Rs	Rs	Rs	Rs	Rs
Credit rating AAA to Baa: Low to fair risk	0.010%-0.175%	83,593,457,659	-	-	-	83,593,457,659	78,497,633,490
Credit rating Ba: Monitoring	0.939%	-	560,030,301	-	-	560,030,301	-
Credit rating below Ba: Default	100%	-	-	-	-	-	-
Total Carrying Amount		83,593,457,659	560,030,301	-	-	84,153,487,960	78,497,633,490
Loss Allowance		(30,649,977)	(2,995,812)	-	-	(33,645,789)	-

(d) Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet financial commitments as and when they arise. Liquidity risk is also the risk arising from the possibility of an entity not realising the fair value of a financial asset that it may have to dispose of to meet a financial obligation. In order to reduce the level of liquidity risk arising out of open market operations, the Bank requires highly liquid marketable securities such as Government of Mauritius Treasury Bills as collateral for loans after applying a haircut.

The Bank manages liquidity of its foreign currency assets in order to settle commitments of the Bank and Government as and when they arise, as well as to intervene on the domestic foreign exchange market. The Bank has set limits with regard to currency and counterparty exposures to contain the risk.

28. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

The tables below show the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

Maturity Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2019	Rs	Rs	Rs	Rs	Rs	Rs
Non Derivative Financial Assets						
Foreign Assets	88,726,702,232	10,530,999,692	8,679,517,470	131,770,337,665	13,689,609,180	253,397,166,239
Loans and Advances	178,120,730	72,847,911	13,789,011	3,894,744,675	-	4,159,502,327
Government Securities	-	-	-	324,730,597	-	324,730,597
Other Assets	43,078,136	-	-	47,619,649	56,572,014	147,269,799
Total Financial Assets	88,947,901,098	10,603,847,603	8,693,306,481	136,037,432,586	13,746,181,194	258,028,668,962
Non Derivative Financial Liabilities						
Currency in Circulation	36,415,731,382	-	-	-	-	36,415,731,382
Demand Deposits	73,856,911,276	-	-	-	-	73,856,911,276
Monetary Policy Instruments	32,939,543,818	15,068,581,886	30,072,550,633	36,932,164,489	481,424,644	115,494,265,470
Other Liabilities	5,751,554,294	-	-	-	-	5,751,554,294
Total Financial Liabilities	148,963,740,770	15,068,581,886	30,072,550,633	36,932,164,489	481,424,644	231,518,462,422
Net Liquidity Gap	(60,015,839,672)	(4,464,734,283)	(21,379,244,152)	99,105,268,097	13,264,756,550	26,510,206,540

Note: (i) Demand deposits include deposits in respect of regulatory requirements.
(ii) Currency in circulation is classified under liabilities up to 3 months as the exact date on which the liabilities will be relinquished is not known.

28. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2018	Rs	Rs	Rs	Rs	Rs	Rs
Non Derivative Financial Assets						
Foreign Assets	65,893,630,936	10,818,624,304	8,198,969,130	109,048,597,055	36,098,950,637	230,058,772,062
Loans and Advances	17,857,939	72,701,398	152,364,911	4,039,563,487	5,966,500	4,288,454,235
Government Securities	-	325,115,376	-	329,812,872	-	654,928,248
Other Assets	61,440,655	-	-	30,434,554	57,297,436	149,172,645
Total Financial Assets	65,972,929,530	11,216,441,078	8,351,334,041	113,448,407,968	36,162,214,573	235,151,327,190
Non Derivative Financial Liabilities						
Currency in circulation	34,077,888,842	-	-	-	-	34,077,888,842
Demand Deposits	86,986,968,280	-	-	-	-	86,986,968,280
Monetary Policy Instruments	20,255,236,430	9,633,853,795	30,813,052,109	30,928,973,353	479,504,977	92,110,620,664
Other Liabilities	5,147,001,802	-	-	-	-	5,147,001,802
Total Financial Liabilities	146,467,095,354	9,633,853,795	30,813,052,109	30,928,973,353	479,504,977	218,322,479,588
Net Liquidity Gap	(80,494,165,824)	1,582,587,283	(22,461,718,068)	82,519,434,615	35,682,709,596	16,828,847,602

The Bank did not have any derivative financial assets and liabilities at 30 June 2019 (2018: Nil).

28. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk

Repricing Analysis

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets and financial liabilities, whose interest rates are periodically reset to market, as well as the fair values of other instruments on which the interest rates are fixed throughout the period of the contract. The policy pertaining to changes in fair values due to changes on exchange rates is explained at section (f) below.

The rates on financial assets and financial liabilities which are interest-bearing are set at or around current market levels.

The Bank's reserves management includes investments in a variety of foreign currency denominated cash, deposits and other securities. The Bank's objective is to maximise return within the constraints of liquidity and safety and these are effected through investments with sound financial institutions.

The following table demonstrates the sensitivity of the Bank's profit to interest rate changes, all other variables held constant.

	Change in yield (basis points)	**Effect on Profit and Equity 2019**	Effect on Profit and Equity 2018
		Rs	Rs
Foreign Currency Portfolio	**+ 50**	**1,055,343,184**	995,177,281
	- 50	**(1,055,343,184)**	(995,177,281)
Government Securities	**+ 50**	**1,556,000**	3,106,000
	- 50	**(1,556,000)**	(3,106,000)

Government securities are amortised in the Statement of Financial Position of the Bank.

The tables below summarise the Bank's exposure to interest rate risk. The amounts disclosed in the tables are the contractual undiscounted cash flows, net of interest receivable or payable on interest bearing non-derivative financial instruments.

28. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2019	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Financial Assets							
Foreign Assets	83,743,195,226	10,530,999,692	4,078,634,867	4,600,882,603	144,395,507,692	6,047,946,159	253,397,166,239
Loans and Advances	159,136,415	72,847,911	5,971,213	7,817,798	3,894,744,673	18,984,317	4,159,502,327
Government Securities	-	-	-	-	324,730,597	-	324,730,597
Other Assets	-	-	-	-	104,191,663	43,078,136	147,269,799
Total Financial Assets	83,902,331,641	10,603,847,603	4,084,606,080	4,608,700,401	148,719,174,625	6,110,008,612	258,028,668,962
Financial Liabilities							
Currency in Circulation	-	-	-	-	-	36,415,731,382	36,415,731,382
Demand Deposits	20,915,421,102	-	-	-	-	52,941,490,174	73,856,911,276
Monetary Policy Instruments	32,939,543,818	15,068,581,886	12,271,678,500	17,800,872,132	37,413,589,134	-	115,494,265,470
Other Liabilities	3,488,025,037	-	-	-	-	2,263,529,257	5,751,554,294
Total Financial Liabilities	57,342,989,957	15,068,581,886	12,271,678,500	17,800,872,132	37,413,589,134	91,620,750,813	231,518,462,422
Interest Sensitivity Gap	26,559,341,684	(4,464,734,283)	(8,187,072,420)	(13,192,171,731)	111,305,585,491	(85,510,742,201)	26,510,206,540

28. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2018	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Financial Assets							
Foreign Assets	62,389,177,185	10,765,511,622	3,842,595,250	4,316,122,068	144,235,355,567	4,510,010,370	230,058,772,062
Loans and Advances	-	72,701,398	-	152,364,911	4,045,529,987	17,857,939	4,288,454,235
Government Securities	-	309,463,700	-	-	329,812,872	15,651,676	654,928,248
Other Assets	-	-	-	-	87,731,990	61,440,655	149,172,645
Total Financial Assets	62,389,177,185	11,147,676,720	3,842,595,250	4,468,486,979	148,698,430,416	4,604,960,640	235,151,327,190
Financial Liabilities							
Currency in circulation						34,077,888,842	34,077,888,842
Demand Deposits	27,606,813,046	-	-	-	-	59,380,155,234	86,986,968,280
Monetary Policy Instruments	20,254,329,030	9,633,853,795	13,268,138,602	17,544,913,507	31,408,478,330	907,400	92,110,620,664
Other Liabilities	3,443,980,039	-	-	-	-	1,703,021,763	5,147,001,802
Total Financial Liabilities	51,305,122,115	9,633,853,795	13,268,138,602	17,544,913,507	31,408,478,330	95,161,973,239	218,322,479,588
Interest Sensitivity Gap	11,084,055,070	1,513,822,925	(9,425,543,352)	(13,076,426,528)	117,289,952,086	(90,557,012,599)	16,628,847,602

28. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Effective Interest Rates

For assets:
The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 2.50% p.a. to 8.75% p.a. (2018: 2.50% p.a. to 8.75% p.a.) and from -0.55% p.a. to 7.84% p.a. (2018: -0.55% p.a. to 8.27% p.a.) for foreign currency denominated assets.

For liabilities:
The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 2.14% p.a. to 6.95% p.a. (2018: 1.65% p.a. to 6.95% p.a.) and from -0.40% p.a. to 3.10% p.a. (2018: -0.40% p.a. to 2.12% p.a.) for liabilities denominated in foreign currencies.

(f) Foreign Currency Risk

The Bank of Mauritius has monetary assets and liabilities denominated in foreign currencies, which consist mainly of currencies of the major trading partners of Mauritius. The liabilities represent mainly deposit accounts maintained by its customers.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside a reserve called Special Reserve Fund, which is used to cater for movements due to appreciation/depreciation in foreign currencies, Gold and SDR.

The Bank considers it has a diversified portfolio of foreign currencies which would mitigate any foreign currency risk that may arise from volatility in exchange rates. The composition of the Bank's Foreign Assets based on the SDR Basket is as follows:

	2019	2018
	Rs	Rs
SDR Basket	**221,356,456,325**	201,442,053,725
Non SDR Basket	**32,040,709,914**	28,616,718,337
	253,397,166,239	230,058,772,062

The SDR Basket comprises the following currencies: JPY, EUR, GBP, RMB and USD.

The following table demonstrates the sensitivity of the Bank's equity to exchange rate changes, all other variables held constant.

	Change in MUR Exchange Rate	**Effect on Profit and Equity 2019**	Effect on Profit and Equity 2018
		Rs	Rs
Foreign Currency Portfolio	**+50 cents**	**6,044,490,172**	5,702,972,886
	-50 cents	**(6,044,490,172)**	(5,702,972,886)

29. CAPITAL RISK MANAGEMENT

Under section 10 of the Bank of Mauritius Act 2004, the Stated and Paid Up Capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The paid up capital presently stands at Rs2 billion after a transfer of Rs1 billion from the Special Reserve Fund on 7 November 2011.

30. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius are disclosed in Notes 9, 18, 20 and 24 to the financial statements.

Emoluments payable to Directors are disclosed in Note 22 as per their terms of appointment.

The Bank contributes for the post-retirement benefits of its employees as disclosed in Note 16(c), including for the Governor and the Second Deputy Governor. The contribution for the Governor was Rs1,562,904 (2018: Rs1,279,747) and Second Deputy Governor was Rs934,189 (2018: Rs933,231).

31. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND ("IMF")

As a member of IMF, Mauritius was initially allocated an amount of SDR15,744,000. In August 2009, the IMF Board of Governors approved an additional allocation of Special Drawing Rights to member countries. Accordingly, a total amount of SDR81,061,549 (Rs3,987,287,211) was allocated to Mauritius, bringing the total allocations to SDR96,805,549. IMF charges the Bank on the SDR allocations and also remunerates it on the SDR holdings on a quarterly basis. IMF charges for the current year amounted to Rs41,546,661 (2018: Rs28,673,878).

The Bank maintains two current accounts and one securities account for the IMF. The IMF No 1 and No 2 current accounts appear in the Statement of Financial Position under the heading "Demand Deposits from Other Financial Institutions". The securities account is not included in the Statement of Financial Position and is kept separately.

The Government of Mauritius has been participating in the IMF Quarterly Financial Transactions Plan. Participation in the plan entails the obligation to provide usable currencies in exchange for SDRs when designated, and accords the right to use SDRs in case of a balance of payment need.

32. SUBSEQUENT EVENTS

There were no material subsequent events after the reporting date.

33. TAXATION

The Bank is exempted from any tax imposed on income, profits or capital gains under section 64 of the Bank of Mauritius Act 2004.

8

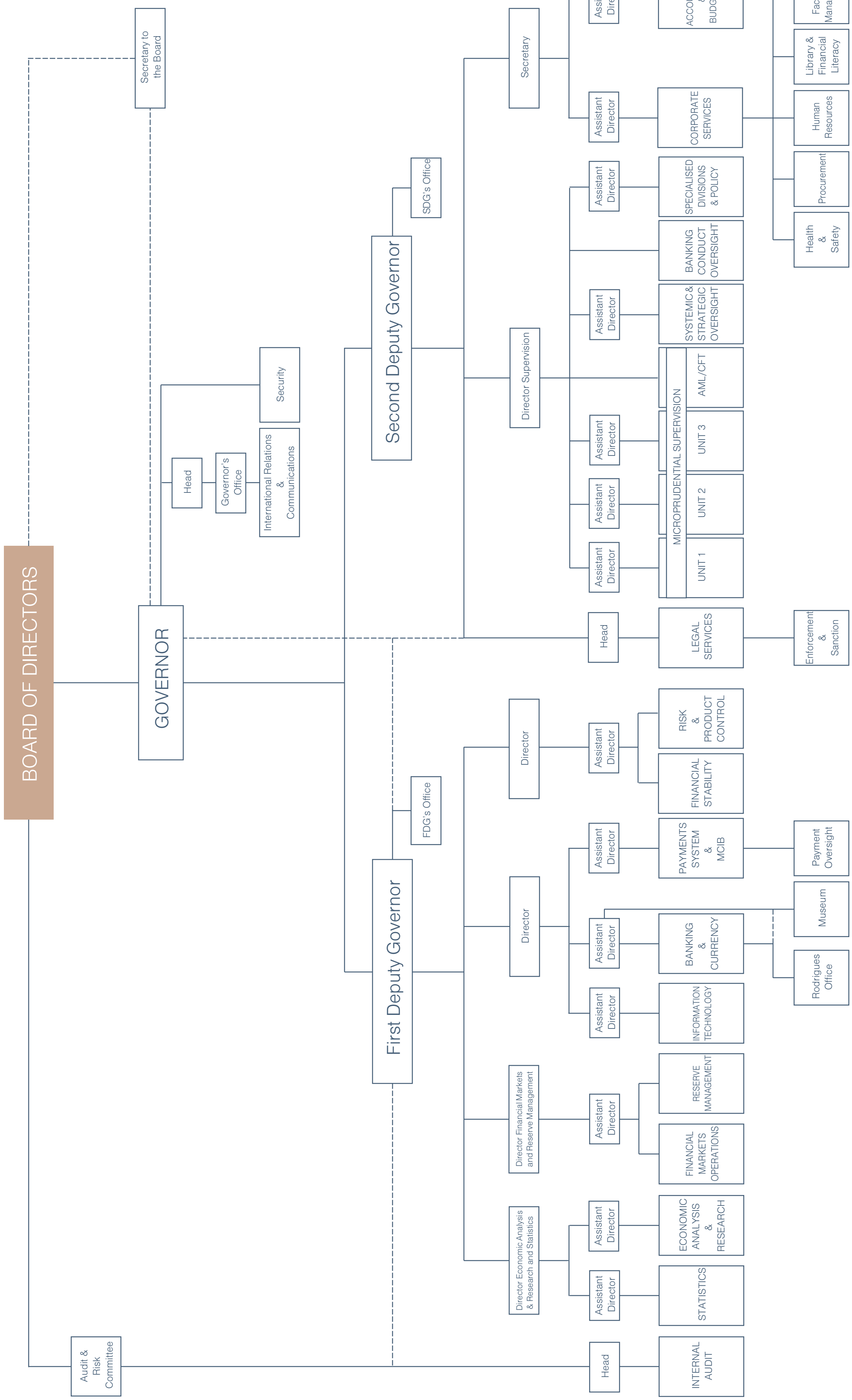
Appendices

Appendices

Appendix I	The organisation structure of the Bank
Appendix II	Senior Management Officials
Appendix III	Overseas meetings attended by Governor, First Deputy Governor and Second Deputy Governor
Appendix IV	Overseas meetings, training courses, seminars and workshops
Appendix V	Local courses, seminars and workshops
Appendix VI	List of banks, non-bank deposit-taking institutions, money-changers and foreign exchange dealers licensed by the Bank of Mauritius as at 30 June 2019

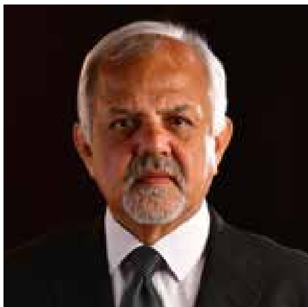
Appendix I

Bank of Mauritius - Organisation Chart



Appendix II

Senior Management Officials



Mr Yandraduth Googoolye
Governor

FCCA, FAIA

Dr Renganaden Padayachy
First Deputy Governor

Doctor of Philosophy in Economics,
MA Public Economics,
MA Industrial Economics

Mr Mahendra Vikramdass Punchoo
Second Deputy Governor

Maîtrise en Sciences Economiques,
MSc Economics

Mrs Hemlata Sadhna Sewraj-Gopal
Secretary

BA (Hons) Economics,
ACA (Chartered Accountant)

Mr Jitendra Nathsingh Bissessur
Acting Director - Economic Analysis & Research and Statistics

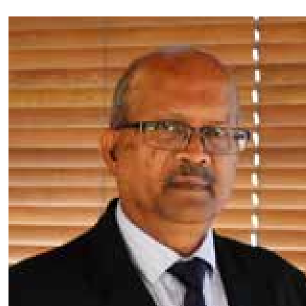
MSc Applied Economics,
BA (Hons) Mathematical Statistics

Mrs Marjorie M. A. Heerah Pampusa
Acting Director - Financial Markets Operations and Reserve Management

MA Economics, BSc (Hons) Economics

Mr Jaywant Pandoo
Acting Director - Financial Stability and Risk & Product Control

FCCA, MSc Finance



Mr Anil Kumar Tohooloo
Acting Director - Banking & Currency, IT and Payments System & MCIB

MSc Finance,
BSc Accounting

Ms Smeeta Bissoonauth
Assistant Director - Corporate Services

ACMA CGMA,
MSc Actuarial Science

Mr Ramsamy Chinniah
Assistant Director - Supervision

FCCA, MSc Financial Economics

Mr Yuntat Chu Fung Leung
Head - Internal Audit

MBA Finance,
BA (Hons) Economics and Social Studies

Mrs Urvashi Chuttarsing-Soobarah
Assistant Director - Supervision

MSc Financial Mathematics,
BSc Mathematics

Mrs Sudha Hurrymun
Assistant Director - Supervision

FCCA, MSc Finance
Associateship of Chartered Institute of Bankers

Mr Youssouf Waesh Khodabocus
Head - Governor`s Office

BA (Hons) Economics

Mr Ng Cheong Jose Li Yun Fong
Assistant Director - IT

BSc Computer Science

Mr Dhanesswurnath Thakoor
Assistant Director - Payments System & MCIB

MBA Finance, Ingénieur en Informatique - Mesures - Automatique

Appendix III

Overseas Meetings attended by Governor, First Deputy Governor and Second Deputy Governor

The Governor, Mr Yandraduth Googoolye, attended:

i. the 41st Annual Meeting of the Assembly of Governors of the Association of African Central Banks on 09 August 2018 in Sharm El-Sheikh, Egypt;

He was accompanied by Mr Karankumar Pitteea, Senior Analyst-Economic Analysis & Research, and Mr Arjun Munbodh, Bank Officer Grade 1-Supervision;

ii. the 47th Meeting of the SADC Committee of Central Bank Governors on 07 September 2018 in Maseru, Lesotho;

He was accompanied by Mr Neetyanand Kowlessur, then Chief-Governor's Office, and Ms Tayushma Sewak, Bank Officer Grade 1-Economic Analysis & Research;

iii. a meeting with De La Rue on 01 and 02 October 2018 in London, United Kingdom;

He was accompanied by Mr Anil Kumar Tohooloo, then Assistant Director-Banking and Currency Division.

iv. the 'Belt and Road' International Financial Exchange and Cooperation Seminar from 24 to 31 October 2018 in Beijing and Shanghai, China;

v. the 21st International Islamic Liquidity Management Corporation Governing Board Meeting on 05 December 2018 in Jeddah, Saudi Arabia;

vi. a signing ceremony for the Memorandum of Understanding between the Bank of Mauritius and the China Banking and Insurance Regulatory Commission on cooperation and information sharing in the area of banking supervision, and a meeting with the Bank of China on 22 and 23 January 2019 in Beijing, China;

He was accompanied by Mr Dhanesswurnath Thakoor, Assistant Director-Payments System and MCIB, Mrs Rajshri Devi Jutton-Gopy, Chief-Legal Services and Ms Elisa Hay Nam Chan Yiet Po, Communications Officer-International Relations and Communications;

vii. the 2019 ADC Global Blockchain Summit hosted by the Premier of South Australia, The Honourable Steven Marshall, from 18 to 20 March 2019 in Adelaide, South Australia;

viii. the 2019 IMF/World Bank Spring Meetings from 10 to 14 April 2019 in Washington DC, USA, and several ancillary meetings in the margins of the Spring Meetings;

He was accompanied by Mrs Marjorie Marie-Agnes Heerah-Pampusa, then Assistant Director-Financial Markets and Reserve Management;

ix. the 2nd Belt and Road Forum for International Cooperation organised by the People's Republic of China, from 25 to 27 April 2019 in Beijing, China;

He was accompanied by Ms Elisa Hay Nam Chan Yiet Po, Communications Officer-International Relations and Communications; and

x. the 89th Annual General Meeting of the Bank for International Settlements from 28 to 30 June 2019 in Basel, Switzerland, together with the Meeting of the Macroeconomic & Financial Management Institute of Eastern and Southern Africa (MEFMI) Regional Central Bank Governors Forum, followed by the 12th Andrew Crockett Governors' Roundtable for African Central Bankers from 01 to 03 July 2019 in Oxford, UK;

He was accompanied by Miss Bibi Koraïsha Jeewoot, Chief-Risk and Product Control.

The First Deputy Governor, Dr Renganaden Padayachy:

i. attended the Oberthur Fiduciaire Banknote Managers' Seminar from 23 to 27 July 2018 in Paris, France and Amsterdam, Netherlands;

ii. attended the Sommet des Banques Centrales des Pays Francophones: la Cybersécurité et le Système Financier from 11 to 12 September 2018 in Ottawa, Canada;

iii. attended the 50th Meeting of the OECD Forum on Harmful Tax Practices from 15 to 19 October 2018 in Paris, France;

iv. attended the Global Payments Week from 03 to 06 December 2018 in Kuala Lumpur, Malaysia;

v. attended the European and African Leaders High Level Forum from 17 to 18 December 2018 in Vienna, Austria;

vi. attended a meeting with representatives of the European Union regarding taxation from 04 to 06 March 2019 in Brussels, Belgium;

vii. represented the Governor at the CCBG Meeting on 05 April 2019 in Pretoria, South Africa;

He was accompanied by Mr Neetyanand Kowlessur, then Chief-Governor's Office; and

viii. attended the 45th Annual Official Reserves Management Seminar organised by JP Morgan from 29 April to 03 May 2019 in New York, USA.

The Second Deputy Governor, Mr Mahendra Vikramdass Punchoo:

i. attended the Workshop on FinTech, Payments and Financial Inclusion from 09 to 10 July 2018 in Gaborone, Botswana;

ii. attended the Euroclear Central Bank Workshop and Euroclear Collateral Conference from 14 to 16 November 2018 in Brussels, Belgium;

iii. attended the Meetings of the regional groups of banking supervisors, 20th International Conference of Banking Supervisors and Group of International Finance Centre Supervisors Plenary Meeting from 26 to 27 November 2018 in Abu Dhabi, United Arab Emirates;

iv. attended the 14th Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa on 11 December 2018 in Johannesburg, South Africa;

He was accompanied by Mr Dhirajsingh Rughoobur, Senior Analyst-Supervision;

v. attended the Mobile World Conference hosted by Huawei Technologies Co Ltd from 25 to 28 February 2019 in Barcelona, Spain;

He was accompanied by Mr Mooneesing Janna Naikeny, Advisor to Management in Technology;

vi. represented the Governor at the FSI 20th Anniversary Conference sponsored by BIS: A Cross-Sectoral Reflection on the Past and Looking Ahead to the Future from 12 to 13 March 2019 in Basel, Switzerland;

vii. represented the Governor at the 25ème Conférence des Gouverneurs des Banques Centrales des Pays Francophones from 23 to 25 May 2019 in Bordeaux, France; and

viii. attended the19th Annual International Conference on Policy Challenges for the Financial Sector from 05 to 07 June 2019 in Washington DC, USA.

Appendix IV

Overseas Training Courses/Seminars/ Workshops

Overseas Trainings/Courses/Seminars/Workshops attended by Secretary/Acting Directors/Heads of Divisions/Advisor

- **Mrs Hemlata Sadhna Sewraj-Gopal, Secretary, attended** the 19th Islamic Financial Stability Forum, 34th IFSB Council Meeting, 17th General Assembly, 22nd Governing Board Meeting of the IILM and 10th General Assembly Meeting hosted by International Islamic Liquidity Management & Islamic Financial Stability Board, from 28 April to 01 May 2019, preceded by one-day visit at Bank Negara Malaysia, on 26 April 2019, Kuala Lumpur, Malaysia.
- **Mr Jitendra Nathsingh Bissessur, Acting Director-Economic Analysis & Research and Statistics, attended** the 19th Ordinary Meeting of Governors of the AACB, preceded by Technical Committee hosted by Banque Centrale des Comores, from 11 to 13 June 2019, Moroni, Comoros.
- **Mrs Marjorie Marie-Agnes Heerah Pampusa, Acting Director-Financial Markets Operations and Reserve Management,**
  i. attended the Peer to Peer Learning Programme hosted by Afritac South in collaboration with the Central Bank of Seychelles, from 29 October to 09 November 2018, Seychelles; and
  ii. accompanied the Governor to the 2019 IMF/World Bank Spring Meetings and several ancillary meetings in the margins of the Spring Meetings from 10 to 14 April 2019 and attended the 17th Executive Forum for Policy-Makers and Senior Officials hosted by the IMF and World Bank Treasury, from 15 to 16 April 2019, Washington, DC, USA.
- **Mr Jaywant Pandoo, Acting Director-Financial Stability and Risk & Product Control, attended**
  i. 22nd Board Audit Committee Meeting hosted by International Islamic Liquidity Management Corporation, from 03 to 07 September 2018 and from 29 to 31 October 2018, Kuala Lumpur, Malaysia; and
  ii. 23rd Board Audit Committee Meeting hosted by International Islamic Liquidity Management Corporation, from 04 to 05 April 2019, Kuala Lumpur, Malaysia.
- **Mr Anil Kumar Tohooloo, Acting Director-Banking & Currency, Information Technology and Payments System & MCIB accompanied** the Governor to De La Rue on 01 and 02 October 2018, London, United Kingdom.
- **Mr Ramsamy Chinniah, Assistant Director-Supervision, attended** the Meeting of the Supervisory College for State Bank of India hosted by Reserve Bank of India, on 14 January 2019, Mumbai, India.
- **Mr Yuntat Chu Fung Leung, Head-Internal Audit, attended** the 11ème Conférence des Responsables d'Audit Interne des Banques Centrales des Pays Francophones hosted by Swiss National Bank, from 04 to 05 October 2018, Zurich, Switzerland.
- **Mrs Urvashi Chuttarsing-Soobarah, Assistant Director-Supervision, attended**
  i. Supervisory College for Supervisors of ABSA Group Limited's banking operations outside Africa hosted by Prudential Authority of South African Reserve Bank, from 05 to 07 September 2018, Pretoria, South Africa;
  ii. Remittance Recommendation Workshop hosted by Financial Stability Board and Standard Chartered Bank, on 11 March 2019, London, UK;
  iii. Group of International Finance Centre Supervisors Plenary Meeting hosted by GIFCS, from 24 to 25 April 2019, London, UK; and
  iv. On-site Visit at the ABSA Group Limited (AGL) and Africa Supervisory College pertaining to AGL's separation from Barclays Plc hosted by Prudential Authority of South African Reserve Bank, from 09 to 10 May 2019, Johannesburg and Pretoria, South Africa.
- **Mrs Sudha Hurrymun, Assistant Director-Supervision, attended**
  i. 36th ESAAMLG Task Force of Senior Officials Meeting and 4th AML/CFT Public Private Sector Dialogue Meeting hosted by ESAAMLG, from 02 to 08 September 2018, Seychelles;
  ii. 14th BCBS-FSI High Level Meeting for Africa on Strengthening Financial Sector Supervision and Current Regulatory Priorities hosted by Financial Stability Institute and the Basel Committee on Banking Supervision, from 31 January to 01 February 2019, Cape Town, South Africa; and
  iii. IADI 2019 Biennial Research Conference "Towards Building a more Resilient Financial System-Challenges in Deposit Insurance and Bank Resolution" hosted by International Association of Deposit Insurers, from 23 to 24 May 2019, Basel, Switzerland.

- **Mr Mardayah Kona Yerukunondu, former Head-Legal Services, attended** the 36th ESAAMLG Task Force of Senior Officials Meeting and 4th AML/CFT Public Private Sector Dialogue Meeting hosted by ESAAMLG, from 02 to 08 September 2018, Seychelles.
- **Mr Ng Cheong Jose Li Yun Fong, Assistant Director-IT, attended**
  i. Innovation and Cybersecurity Conference 2018 hosted by South African Reserve Bank, from 28 to 30 August 2018, Johannesburg, South Africa;
  ii. 24th CCBG ICT Subcommittee Annual Conference hosted by CCBG ICT Subcommittee, from 18 to 22 February 2019, Pretoria, South Africa; and
  iii. Conference on "Cybersecurity: Coordinating efforts to protect the financial sector in the global economy" hosted by Banque de France, on 10 May 2019, Paris, France.
- **Mr Dhanesswurnath Thakoor, Assistant Director-Payments System and MCIB,**
  i. attended the World Bank Payment Week hosted by World Bank in collaboration with Bank Negara Malaysia, from 03 to 05 December 2018, Kuala Lumpur, Malaysia;
  ii. accompanied the Governor to a signing ceremony for the Memorandum of Understanding between the Bank of Mauritius and the China Banking and Insurance Regulatory Commission on cooperation and information sharing in the area of banking supervision, and a meeting with the Bank of China on 22 and 23 January 2019 in Beijing, China;
  iii. attended the Banque de France Seminar on Payment Systems hosted by Institut Bancaire et Financier International and Banque de France, from 12 to 14 March 2019, Reunion Island; and
  iv. attended the Conference on Balancing Fintech Opportunities and Risks: Implementing the Bali Fintech Agenda hosted by IMF and Bank of Botswana, from 24 to 25 June 2019, Gaborone, Botswana.
- **Mr Mooneesing Janna Naikeny, Advisor to Management in Technology,** accompanied the Second Deputy Governor to the Mobile World Conference hosted by Huawei Technologies Co Ltd, from 25 to 28 February 2019, Barcelona, Spain.

Overseas Trainings/ Courses/ Seminars/ Workshops attended by Chiefs

- **Mr Jean Claude Benoit Chamary, Chief-Supervision, attended**
  i. Standard Chartered Global Supervisory College back-to-back with the Global College Workshop hosted by Prudential Regulation Authority and Standard Chartered Bank, from 19 to 20 July 2018, London, UK; and
  ii. MANSA Training hosted by Afreximbank and Central Bank of Egypt, from 24 to 27 June 2019, Cairo, Egypt.
- **Mr Jayvind Kumar Choolhun, Chief-Payments System and MCIB, attended**
  i. SADC Payment System Oversight Committee Meeting hosted by SADC Payment System Oversight Committee, from 11 to 13 September 2018, Pretoria, South Africa; and
  ii. Workshop on the Development of an Inter-Regional Payment Systems Integration Framework and an Integrated Inter-Regional Mobile Payment Strategy hosted by AACB and Central Bank of Egypt, from 18 to 20 April 2019, Cairo, Egypt.
- **Mr Qayyum Ali Ismael Ghanty, Chief-Risk & Product Control, attended** the 6th IT Governance and BCM Champions Joint Meeting hosted by CCBG ICT Subcommittee, from 11 to 14 June 2019, Ezulwini, eSwatini.
- **Mrs Tilotma Gobin Jhurry, Chief-Payments System and MCIB, attended**
  i. SADC Payment Systems Annual Regional Conference and Payment Systems Oversight Committee Meeting hosted by SADC Payment System Project, from 10 to 12 July 2018, Maseru, Lesotho; and
  ii. 2019 AACB-Official Sector Service Providers Forum on Central Bank Foreign Currency Operations hosted by AACB, from 26 to 28 June 2019, Pretoria, South Africa.
- **Mr Shardhanand Gopaul, Chief-Accounting and Budgeting, attended** the Workshop on Effective Internal Audit of a Central Bank's Foreign Exchange Reserve Management Operations hosted by World Bank Treasury, from 03 to 07 December 2018, Washington DC, USA.
- **Miss Bibi Koraïsha Jeewoot, Chief-Risk & Product Control, accompanied** the Governor to the 89th Annual General Meeting of the Bank for International Settlements from 28 to 30 June 2019 in Basel, Switzerland, together with the Meeting of the Macroeconomic & Financial Management Institute of Eastern and Southern Africa (MEFMI) Regional Central Bank Governors Forum, followed by the 12th Andrew Crockett Governors' Roundtable for African Central Bankers from 01 to 03 July 2019 in Oxford, UK.

- **Mrs Rajshri Devi Jutton-Gopy, Chief-Legal Services,**
  i. attended Seminar on Crisis Management and Crisis Resolution hosted by SARB Academy and AFRITAC South, from 15 to 19 October 2018, Pretoria, South Africa;
  ii. accompanied the Governor to a signing ceremony for the Memorandum of Understanding between the Bank of Mauritius and the China Banking and Insurance Regulatory Commission on cooperation and information sharing in the area of banking supervision, and a meeting with the Bank of China on 22 and 23 January 2019 in Beijing, China; and
  iii. attended the 37th ESAAMLG Task Force of Senior Officials Meeting back-to-back with ESAAMLG/FATF Assessor Training Event hosted by ESAAMLG, from 07 to 18 April 2019, Arusha, Tanzania.
- **Mr Gawtam Raiy Kallychurn, former Chief-Information Security Officer, Risk & Product Control, attended** the Business Continuity Management System Lead Implementer Certification Training hosted by South African Reserve Bank Academy, from 02 to 06 July 2018, Pretoria, South Africa.
- **Mr Neetyanand Kowlessur, Chief-Economic Analysis & Research, attended**
  i. SADC Committee of Central Bank Officials Meeting on 05 and 06 September 2018 and accompanied the Governor to the 47th Meeting of the SADC Committee of Central Bank Governors on 07 September 2018, Maseru, Lesotho; and
  ii. SADC Committee of Central Bank Officials Meeting on 03 and 04 April 2019 and accompanied the First Deputy Governor to the Meeting of the SADC Committee of Central Bank Governors, 05 April 2019, Pretoria, South Africa.
- **Dr Ashwin Kumar Madhou, Chief-Economic Analysis & Research, attended** the CCBG Macroeconomic Subcommittee Meeting & Macroeconomic Convergence Workshop hosted by Secretariat of the CCBG in SADC, from 26 February to 01 March 2019, Maputo, Mozambique.
- **Dr Ashwin Moheeput, Chief-Financial Stability, attended**
  i. Training on Early Warning Models to avoid Financial Distress in Banks: An Application of Multinomial Panel Data Analysis hosted by COMESA Monetary Institute and SADC, from 01 to 05 October 2018, Nairobi, Kenya;
  ii. International Programme on Financial Stability and Macro-Prudential Regulation hosted by Reserve Bank Staff College, from 05 to 08 March 2019, Chennai, India; and
  iii. Meeting of the Research Review Panel and the CCBG Macroeconomic Subcommittee hosted by CCBG Subcommittee, from 24 to 26 June 2019, Pretoria, South Africa.
- **Mrs Hemlata Nundoochan, Chief-Supervision, attended** the Supervisory College for Supervisors of ABSA Group Limited's banking operations outside Africa hosted by Prudential Authority of South African Reserve Bank, from 05 to 07 September 2018, Pretoria, South Africa.
- **Mrs Malini Ramdhan, Chief-Supervision, attended** the CCBG Banking Supervision Subcommittee Meeting and Regional Workshop on Cross-Border Crisis Resolution hosted by South African Reserve Bank and Bank of England, from 11 to 15 February 2019, Pretoria, South Africa.
- **Mr Ashvin Kumar Ramduny, Chief-Payments System and MCIB, attended** the SADC Payment System Integration Workshop hosted by World Bank and SADC Payment System Project Team, from 28 to 29 March 2019, Pretoria, South Africa.
- **Mr Sanjay Ramnarainsing, Chief-Financial Markets Operations, attended** the Business Continuity Management System Lead Implementer Certification Training hosted by South African Reserve Bank Academy, from 02 to 06 July 2018, Pretoria, South Africa.
- **Mr Keshwarajsingh Ramnauth, Chief-Financial Markets Operations, attended** the SADC CCBG Financial Markets Subcommittee hosted by Secretariat of the CCBG in SADC, from 07 to 08 February 2019, Benguela City, Angola.
- **Mr Harryram Ramsurn, Chief-Supervision, attended** the International Programme on Regulation and Supervision of Non-Banking Financial Companies - Issues and Challenges hosted by Reserve Bank Staff College, from 25 February to 01 March 2019, Chennai, India.
- **Mr Chandradeo Sharma Rutah, Chief-Supervision, attended** the Business Continuity Management System Lead Implementer Certification Training hosted by South African Reserve Bank Academy, from 02 to 06 July 2018, Pretoria, South Africa.

Overseas Trainings/ Courses/ Seminars/ Workshops attended by Senior Analysts

- **Mr Ghanish Beegoo, Senior Analyst-Statistics, attended** the Training on Basic Dynamic Stochastic

General Equilibrium Modelling and Time Series Analysis hosted by Kenya School of Monetary Studies and COMESA Monetary Institute, from 04 to 08 March 2019, Nairobi, Kenya.

- **Mr Satishingh Jugoo, Senior Analyst-Statistics, attended** the Validation Workshop on the Implementation of Trade in Services Statistics Template hosted by SADC, from 11 to 13 July 2018, Johannesburg, South Africa.
- **Miss Marie Medgee Lauricourt, Senior Analyst-Supervision, attended**
  i. International Programme on Banking Regulation hosted by Reserve Bank Staff College, from 17 to 21 December 2018, Chennai, India; and
  ii. IADI 2019 Biennial Research Conference "Towards Building a More Resilient Financial System - Challenges in Deposit Insurance and Bank Resolutions" hosted by International Association of Deposit Insurers, from 23 to 24 May 2019, Basel, Switzerland.
- **Mr Karankumar Pitteea, Senior Analyst-Economic Analysis & Research, attended** the Annual Meetings of the Association of African Central Banks for 2018 and accompanied Governor to the 41st Annual Meeting of the Assembly of Governors of the Association of African Central Banks hosted by AACB and Central Bank of Egypt, from 05 to 09 August 2018, Sharm El-Sheikh, Egypt.
- **Mrs Marie Aline Pyne, Senior Analyst-Rodrigues Office, attended** the Course on the Role and Functioning of Central Bank hosted by National Institute of Bank Management under the ITEC/ SCAAP Programme, from 02 to 14 July 2018, Pune, India.
- **Mr Dhirajsingh Rughoobur, Senior Analyst-Supervision,**
  i. attended the Seminar on Crisis Management and Crisis Resolution hosted by South African Reserve Bank Academy and AFRITAC South, from 15 to 19 October 2018, Pretoria, South Africa;
  ii. accompanied the Second Deputy Governor to the 14th Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa hosted by South African Reserve Bank, on 11 December 2018, Johannesburg, South Africa; and
  iii. attended the 2019 Community of African Banking Supervisors Conference and Meeting hosted by Central Bank of Egypt, from 10 to 11 June 2019, Cairo, Egypt.
- **Mr Sandiren Vadeevaloo, Senior Analyst-Supervision, attended**
  i. Meeting of Supervisory College for Bank of Baroda hosted by Reserve Bank of India, on 09 July 2018, Mumbai, India;
  ii. Conference on Trading Book Issues and Market Infrastructure hosted by Financial Stability Institute & International Organisation of Securities Commissions, from 14 to 16 November 2018, Basel, Switzerland; and
  iii. Standard Chartered Bank Global College 2019 hosted by Prudential Regulation Authority, on 26 June 2019, London, UK.

Overseas Trainings/ Courses/ Seminars/ Workshops attended by Analysts and Communications Officer

- **Mr Abhimanyou Rao Appadu, Analyst-Supervision, attended** the 27th MAS Banking Supervisors' Training Programme hosted by Monetary Authority of Singapore, from 25 to 30 November 2018, Singapore.
- **Mrs Falzana Atchia, Analyst-Statistics, attended** the Technical Meeting on the Regional Integration Indicators and Agenda 2063 Index hosted by African Union, from 17 to 21 September 2018, Kampala, Uganda.
- **Mr Rajesh Kumar Beegun, Analyst-IT, attended** the SWIFT African Regional Conference hosted by SWIFT, from 18 to 20 June 2019, Accra, Ghana.
- **Mr Ibne Faraz Beekun, Analyst-IT, attended** the Innovation and Cybersecurity Conference 2018 hosted by South African Reserve Bank, from 28 to 30 August 2018, Johannesburg, South Africa.
- **Mr Minesh Bhundoo, Analyst-Human Resources, attended**
  i. Business Continuity Management System Lead Implementer Certification Training hosted by South African Reserve Bank Academy, from 02 to 06 July 2018, Pretoria, South Africa; and
  ii. 19th Islamic Financial Stability Forum, 34th IFSB Council Meeting, 17th General Assembly, 22nd Governing Board Meeting of the IILM and 10th General Assembly Meeting hosted by International Islamic Liquidity Management & Islamic Financial Stability Board, from 28 April to 01 May 2019, preceded by one-day visit at Bank Negara Malaysia, on 26 April 2019, Kuala Lumpur, Malaysia.
- **Mrs Mahima Bhurtha, Analyst-Economic Analysis & Research, attended** the Validation Workshop of a manual on "Application of Panel VAR, SVAR and VECM for Analysis of Transmission

of Monetary Policy" hosted by COMESA Monetary Institute and Kenya School of Monetary Studies, from 27 to 31 August 2018, Nairobi, Kenya.

- **Miss Elisa Chan Yiet Po, Communications Officer-International Relations and Communications, accompanied the Governor to**
  - i. a signing ceremony for the Memorandum of Understanding between the Bank of Mauritius and the China Banking and Insurance Regulatory Commission on cooperation and information sharing in the area of banking supervision, and a meeting with the Bank of China on 22 and 23 January 2019 in Beijing, China; and
  - ii. 2nd Belt and Road Forum for International Cooperation from 25 to 27 April 2019, Beijing, China.
- **Mr Chetanand Christna, Analyst-Accounting and Budgeting, attended** the Workshop on Applying IFRS to Investment Portfolios hosted by World Bank Treasury and co-hosted by National Bank of Romania, from 24 to 28 September 2018, Sinaia, Romania.
- **Mr Shehzaad Chutoo, Analyst-Reserve Management, attended**
  - i. Programme on Asset Allocation and Factor Based Investing hosted by BlackRock Educational Academy, from 29 October to 02 November 2018, New York, USA; and
  - ii. The Evolution of Portfolio Construction hosted by BlackRock Educational Academy, from 17 to 21 June 2019, Hong Kong.
- **Mr Nandkumar Daworaz, Analyst-Financial Markets Operations, attended** the Validation Workshop of a manual on "Application of Panel VAR, SVAR and VECM for Analysis of Transmission of Monetary Policy" hosted by COMESA Monetary Institute and Kenya School of Monetary Studies, from 27 to 31 August 2018, Nairobi, Kenya.
- **Mr Suyash Dhurmea, Analyst-Statistics, attended** the 12th Seminar for Central Bankers "Formulation and Implementation of Monetary Policy in the Euro Area" hosted by European Central Bank, from 09 to 13 July 2018, Frankfurt, Germany.
- **Miss Archana Devi Gobin, Analyst-IT, attended** the FINTECH Conference hosted by Financial Sector Advisory Centre and World Bank Group, from 22 to 23 May 2019, Vienna, Austria.
- **Mr Manod Gopaul, Analyst-Supervision, attended** the Seminar on Anti-Money Laundering Examination hosted by South African Reserve Bank Academy and Prudential Authority, from 28 January to 01 February 2019, Pretoria, South Africa.
- **Mr Sahadeosing Gungabissoon, Analyst-Supervision, attended** the Course on Bank Financial Management-Focus: Risk Management and Basel II and III and Accord hosted by National Institute of Bank Management under ITEC/SCAAP Programme, from 07 to 19 January 2019, Pune, India.
- **Miss Yuvna Hemoo, Analyst-Financial Markets Operations, attended** the Training on Advanced Derivatives and Structured Finance hosted by Reserve Bank of India Staff College, from 17 to 20 September 2018, Chennai, India.
- **Miss Monysha Lyna Jany Singh Jhamna, Analyst-Risk & Product Control, attended** the Risk Management, Operational and Human Talent Excellence hosted by BlackRock Educational Academy, from 10 to 14 June 2019, London, UK.
- **Mr Ranjeet Kallychurn, Analyst-IT, attended** the Fintech Workshop on "Building a Fintech Platform for Seychelles - Opportunities and Challenges" hosted by Central Bank of Seychelles and World Bank, from 08 to 10 May 2019, Seychelles.
- **Mr Ved Prakash Anand Koonjul, Analyst-Financial Markets Operations, attended** the 7th African Financial Markets Initiative Annual Workshop hosted by African Development Bank's African Financial Market Initiative Group, from 29 to 31 October 2018, Livingstone, Zambia.
- **Mrs Lutchmee Devi Maistry, Analyst-Supervision, attended** the 27th MAS Banking Supervisors' Training Programme hosted by Monetary Authority of Singapore, from 25 to 30 November 2018, Singapore.
- **Mrs Nitisha Mihdidin, Analyst-Supervision, attended**
  - i. Meeting of Supervisory College for Bank of Baroda hosted by Reserve Bank of India, on 09 July 2018, Mumbai, India; and
  - ii. Training on Domestication of Basel III with particular Emphasis on Post Crisis Regulatory Framework hosted by COMESA Monetary Institute, from 22 to 26 October 2018, Nairobi, Kenya.
- **Mr Kumaravel Mootoosamy, Analyst-Legal Services, attended** the Meeting of the Committee of Central Bank Governors Legal Subcommittee hosted by Secretariat of CCBG, from 02 to 03 August 2018, Ezulwini, eSwatini.
- **Mr Dany Allan Nicolas Ng Cheong Vee, Analyst-Risk & Product Control, attended** the Reserve and Asset Management Seminar followed by Asset Management Associate Programme, from 10 to 21 June 2019, Brunnen and Basel, Switzerland.

- **Mr Premchand Nundlall, Analyst-Supervision, attended** the Prudential Regulation Authority's African Regional Supervisory College for Standard Chartered Bank hosted by Bank of Tanzania, from 30 to 31 October 2018, Zanzibar, Tanzania.
- **Mr Yahseen Mohammad Peerbocus, Analyst-Reserve Management, attended**
  i. Programme on Advanced Fixed Income hosted by BlackRock Educational Academy, from 17 to 21 September 2018, New York, USA; and
  ii. Official Institution Symposium: Portfolio Optimisation and ESG: Trends, Opportunities, Solutions hosted by BlackRock Educational Academy, from 13 to 16 May 2019, London, UK.
- **Mrs Shakuntala Devi Ramanah, Analyst-Supervision, attended** the 37th ESAAMLG Task Force of Senior Officials Meeting hosted by ESAAMLG, from 07 to 12 April 2019, Arusha, Tanzania.
- **Miss Meenakshi Ramchurn, Analyst-Reserve Management, attended** the Workshop on Investing in China's Financial Markets hosted by World Bank Treasury, from 25 February to 01 March 2019, Washington, DC, USA.
- **Miss Yogeeta Devi Ramphul, Analyst-Supervision, attended**
  i. 9th MAS Information Technology Supervision Workshop 2018 hosted by Monetary Authority of Singapore, from 12 to 14 November 2018, Singapore; and
  ii. International Seminar on "Ageing Populations: Understanding and Responding to the Needs of Older Financial Consumers" and FinCoNet Standing Committee meetings and open meeting hosted by G20/OECD Task Force on Financial consumer protection and FinCoNet, from 26 to 27 March 2019, Paris, France.
- **Mrs Deepmala Ramrup, Analyst-IT, attended** the SADC Payment Systems Annual Regional Conference and Payment Systems Oversight Committee Meeting hosted by SADC Payment System Project, from 10 to 12 July 2018, Maseru, Lesotho.
- **Mrs Preethee Ramudit Bakhoree, Analyst-Risk & Product Control, attended**
  i. Seminar on Fixed Income hosted by Deutsche Gesellschaft fur Wertpapier-Sparen, from 09 to 11 October 2018, London, UK, followed by a one-day training at Deutsche Bank on 12 October 2018, Frankfurt, Germany; and
  ii. Workshop on Risk Budgeting in Active Portfolio Management for Institutional Investors hosted by World Bank Treasury and RAMP, from 24 to 28 June 2019, Washington, DC, USA.
- **Mr Vasan Kumar Ranlaul, Analyst-IT, attended** the MANSA Training hosted by Afreximbank and Central Bank of Egypt, from 10 to 11 June 2019, Cairo, Egypt.
- **Mr Roopeswarchanda Rashpassing, Analyst-IT, attended** the 6th IT Governance and BCM Champions Joint Meeting hosted by CCBG ICT Subcommittee, from 11 to 14 June 2019, Ezulwini, eSwatini.
- **Miss Komal Rughoo, Analyst-Supervision, attended** the Seminar on Anti-Money Laundering Examination hosted by SARB Academy and Prudential Authority, from 28 January to 01 February 2019, Pretoria, South Africa.
- **Mrs Kaajal Seebaluck-Beerbul, Analyst-IT, attended** the 6th IT Governance and BCM Champions Joint Meeting hosted by CCBG ICT Subcommittee, from 11 to 14 June 2019, Ezulwini, eSwatini.

Overseas Trainings/ Courses/ Seminars/ Workshops attended by Bank Officers Grade 1

- **Mr Stephan Soon Chan Ah Kine, Bank Officer Grade I-Supervision, attended** the Seminar on Crisis Management and Crisis Resolution hosted by SARB Academy and AFRITAC South, from 15 to 19 October 2018, Pretoria, South Africa.
- **Miss Bibi Zoya Aungraheeta, Bank Officer Grade I-Supervision, attended** the Training on "On-site and Off-site Review of Credit Risk with Special Emphasis on IFRS 9 and ICAAP hosted by COMESA Monetary Institute, from 29 April to 03 May 2019, Nairobi, Kenya.
- **Mr Atish Babboo, Bank Officer Grade I-Economic Analysis & Research, attended** the Workshop on Advanced Macroeconomic Modelling of African Economies hosted by African Development Bank, from 17 to 28 September 2018, Pretoria, South Africa.
- **Mrs Yashtee Deeksha Beeharry, former Bank Officer Grade I-Risk & Product Control, attended** the Fixed Income Advanced Training and Training on Passive Investment hosted by Deutsche Gesellschaft fur Wertpapier-Sparen from 12 to 15 March 2019, preceded by one-day visit at the Deutsche Bank, on 11 March 2019, London, UK.

- **Mr Larveen Bhujun, Bank Officer Grade I-Supervision, attended** the On-site Visit at the ABSA Group Limited and Africa Supervisory College pertaining to AGL's separation from Barclays Plc hosted by Prudential Authority of South African Reserve Bank, from 09 to 10 May 2019, Johannesburg and Pretoria, South Africa.
- **Miss Geeleena Bissessur, Bank Officer Grade I-Financial Markets Operations, attended** the Strengthening Primary-Dealer Systems Training hosted by Collaborative Africa Budget Reform Initiative, from 09 to 10 April 2019, Casablanca, Morocco.
- **Mr Percy Fabrice Dabeesing, Bank Officer Grade I-Banking, attended** the Course on the Role and Functioning of Central Bank hosted by National Institute of Bank Management under the ITEC and SCAAP Programme, from 02 to 14 July 2018, Pune, India.
- **Miss Nisha Dharkhan, Bank Officer Grade I-Supervision, attended** the Seminar on Emerging Financial Technologies: Balancing Innovation and Regulation hosted by AFRITAC South and AFRITAC East, from 18 to 20 March 2019, Pretoria, South Africa.
- **Miss Kevina Dwarka, Bank Officer Grade I-Supervision, attended** the Training on "On-site and Off-site Review of Credit Risk with Special Emphasis on IFRS 9 and ICAAP hosted by COMESA Monetary Institute, from 29 April to 03 May 2019, Nairobi, Kenya.
- **Mrs Jazbeen Banu Edoo, Bank Officer Grade I-Economic Analysis & Research, attended** the SADC Financial Inclusion Forum hosted by SADC Secretariat in partnership with FinMark Trust and SADC Banking Association, from 24 to 25 July 2018, Pretoria, South Africa.
- **Mrs Soobhadra Fowdur, Bank Officer Grade I-Statistics, attended** the Understanding the Financial Markets Course hosted by South African Reserve Bank, from 19 to 21 June 2019, Pretoria, South Africa.
- **Mr Yashilall Gopaul, Bank Officer Grade I-Supervision, attended** the Risk-Focused Supervision of Cross Border Transactions Training hosted by South African Reserve Bank Academy, from 23 to 27 July 2018, Pretoria, South Africa.
- **Mrs Vimlawtee Gungah, Bank Officer Grade I-Accounting and Budgeting, attended** the Workshop on Settlement and Custodian Relations hosted by World Bank and National Bank of Georgia, from 10 to 14 September 2018, Tbilisi, Georgia.
- **Mrs Doushy Jeeana Dawoodharry, Bank Officer Grade I-Payments System and MCIB, attended** the Banque de France Seminar on Payment Systems hosted by Institut Bancaire et Financier International and Banque de France, from 12 to 14 March 2019, Reunion Island.
- **Miss Madhvi Jhumun, Bank Officer Grade I-Supervision, attended** the CCBG Banking Supervision Subcommittee Meeting and Regional Workshop on Cross-Border Crisis Resolution hosted by South African Reserve Bank and Bank of England, from 11 to 15 February 2019, Pretoria, South Africa.
- **Miss Humairaa Juman, Bank Officer Grade I-Payments System and MCIB, attended** the Seminar on Emerging Financial Technologies: Balancing Innovation and Regulation hosted by AFRITAC South and AFRITAC East, from 18 to 20 March 2019, Pretoria, South Africa.
- **Mrs Jaiwantee Koosha Burumdoyal, Bank Officer Grade 1-Payments System and MCIB, attended** the SWIFT African Regional Conference hosted by SWIFT, from 18 to 20 June 2019, Accra, Ghana.
- **Mr Muhammad Maahi Lall Beeharry, Bank Officer Grade I-Supervision, attended** the 28th MAS Banking Supervisors' Training Programme hosted by Monetary Authority of Singapore, from 23 to 28 June 2019, Singapore.
- **Mr Francois Yohann Lanfray, Bank Officer Grade I-Reserve Management, attended**
  1. Training on Advanced Derivatives and Structured Finance hosted by Reserve Bank Staff College, from 17 to 20 September 2018, Chennai, India; and
  2. Global Investor Seminar and Training-Asset Allocation & Sustainable Investing hosted by Deutsche Gesellschaft fur Wertpapier-Sparen, from 24 to 28 June 2019, Frankfurt, Germany.
- **Miss Navisha Lobin, Bank Officer Grade I-Reserve Management, attended** the Fixed Income Advanced Training and Training on Passive Investment hosted by Deutsche Gesellschaft fur Wertpapier-Sparen, from 12 to 14 March 2019, preceded by one-day visit at the Deutsche Bank, on 11 March 2019, London, UK.
- **Mrs Mehisha Luchmadu-Imrit, Bank Officer Grade I-Supervision, attended** the Training Workshop on AML/CFT Risk Based Supervision hosted by ESAAMLG Secretariat in collaboration with Central Bank of Seychelles, from 27 to 30 May 2019, Seychelles.

- **Mr Rajeev Luchmun, Bank Officer Grade I-Financial Markets Operations, attended** the Understanding the Financial Markets Course hosted by South African Reserve Bank, from 19 to 21 June 2019, Pretoria, South Africa.
- **Miss Bihisht Mautadin, Bank Officer Grade I-Economic Analysis & Research, attended** the 9th COMESA Committee on Statistical Matters Meeting hosted by COMESA, from 07 to 09 November 2018, Lusaka, Zambia.
- **Mr Avisen Mootealloo, Bank Officer Grade I-Payments System and MCIB, attended** the Risk Management, Operational and Human Talent Excellence hosted by BlackRock Educational Academy, from 10 to 14 June 2019, London, UK.
- **Mr Arjun Munbodh, Bank Officer Grade I-Supervision, attended**
  1. Annual Meetings of the Association of African Central Banks for 2018 and accompanied Governor to the 41st Annual Meeting of the Assembly of Governors of the Association of African Central Banks hosted by AACB and Central Bank of Egypt, from 05 to 09 August 2018, Sharm El-Sheikh, Egypt; and
  2. Programme on Cross Border Banking Supervision, hosted by Community of African Banking Supervisors, from 18 to 22 February 2019, Cape Town, South Africa.
- **Miss Nirmala Nunkoo, Bank Officer Grade 1-Supervision, attended** the 28th MAS Banking Supervisors' Training Programme hosted by Monetary Authority of Singapore, from 23 to 28 June 2019, Singapore.
- **Mrs Ouma Purmessur-Dookhit, Bank Officer Grade I-Economic Analysis & Research attended** the Course on "The Role of Central Banks in a Dynamic Market – The Egyptian Experience" hosted by Egyptian Banking Institute, from 13 to 24 January 2019, Cairo, Egypt.
- **Mrs Mridula Daibee Ramkissoon, Bank Officer Grade I-Payments System and MCIB, attended** the SADC Payment Systems Course hosted by South African Reserve Bank, from 10 to 12 September 2018, Pretoria, South Africa.
- **Mrs Sarita Devi Ramkooleea, Bank Officer Grade I-Payments System and MCIB, attended** the Training on Enhancing the Safety and Efficiency of the National Payments System: The role of the overseer hosted by South African Reserve Bank Academy and Toronto Centre, from 01 to 05 October 2018, Pretoria, South Africa.
- **Mr Damien Christophe Seblin, Bank Officer Grade I-Reserve Management, attended** the Workshop on Advanced Techniques in Portfolio Management hosted by World Bank Treasury, from 05 to 09 November 2018, Washington DC, USA.
- **Miss Nainam Priyadarshinee Seedoyal, Bank Officer Grade I-Payments System and MCIB, attended** the Banque de France Seminar on Payment Systems hosted by Institut Bancaire et Financier International and Banque de France, from 12 to 14 March 2019, Reunion Island.
- **Miss Tayushma Sewak, Bank Officer Grade I-Economic Analysis & Research, accompanied** the Governor to the Meeting of the Committee of Central Bank Governors in SADC, preceded by the meeting of the Committee of Central Bank Officials hosted by CCBG and AACB, from 05 to 07 September 2018, Maseru, Lesotho.
- **Mr Cedric Wong Tai Yun, Bank Officer Grade I-Financial Markets Operations, attended** the Workshop on Governance and Fundamentals of Asset Allocation for Reserve Managers hosted by World Bank Treasury, from 04 to 08 February 2019, Washington DC, USA.

Appendix V

Local Courses/Seminars/Workshops

Local Courses/Seminars/Workshops attended by Director/ Acting Directors/Heads of Division

- **Dr Chiragra Tapas Kumar Chakrabarty, former Director-Financial Markets and Reserve Management, attended** the 2-day conference themed "Mauritius International Financial Centre-Forward Looking" hosted by Financial Services Commission, from 19 to 20 September 2018, Balaclava.
- **Mrs Marjorie Marie Agnes Heerah Pampusa, Acting Director-Financial Markets Operations and Reserve Management, attended** the 3rd Pension Funds and Alternative Investments Conference hosted by National Productivity and Competitiveness Council and World Bank, from 20 to 21 March 2019, Flic en Flac.
- **Mr Mardayah Kona Yerukunondu, former Head-Legal Services, attended** the 2-day conference themed "Mauritius International Financial Centre-Forward Looking" hosted by Financial Services Commission, from 19 to 20 September 2018, Balaclava.
- **Mrs Sudha Hurrymun, Assistant Director-Supervision, attended** the 2-day conference themed "Mauritius International Financial Centre-Forward Looking" hosted by Financial Services Commission, from 19 to 20 September 2018, Balaclava.

Local Courses/Seminars/Workshops attended by Chiefs

- **Mr Chitananda Ellapah, Chief-Statistics, attended** the Course on Fiscal Framework hosted by ATI, from 24 September to 05 October 2018, Ebene.
- **Mrs Rajshri Jutton-Gopy, Chief-Legal Services, attended** the 7th Meeting on the India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, from 19 to 23 November 2018, Flic en Flac.
- **Mr Gawtam Raiy Kallychurn, former Chief-Risk & Product Control, attended** the SADC Capacity Building Workshop on Cybersecurity and SADC Regional Cybersecurity Drill on Financial Sector Surveillance hosted by National Computer Board, from 10 to 13 September 2018, Ebene.
- **Mrs Nancy Powkeem Lo Tiap Kwong, Chief-Statistics, attended** the Course on Inclusive Growth hosted by ATI, from 15 to 26 October 2018, Ebene.
- **Dr Ashwin Kumar Madhou, Chief-Economic Analysis & Research, attended** the Course on Fiscal Policy Analysis hosted by ATI, from 04 to 15 February 2019, Ebene.
- **Mrs Najma Nabee, Chief-Economic Analysis and Research, attended**
  i. 2-day conference themed "Mauritius International Financial Centre-Forward Looking" hosted by Financial Services Commission, from 19 to 20 September 2018, Balaclava; and
  ii. Workshop on Strengthening Fiscal Institutions and Managing Fiscal Risks hosted by ATI, from 08 to 12 October 2018, Ebene.
- **Mrs Hemlata Nundoochan, Chief-Supervision, attended** the National Risk Assessment Validation Workshop hosted by World Bank and Ministry of Financial Services and Good Governance, from 07 to 08 June 2019, Flic en Flac.
- **Mr Aswin Ramduny, Chief-Payments System and MCIB, attended** the Workshop on FINTECH and Tourism hosted by Ministry of Tourism, on 01 June 2019, Flic en Flac.
- **Mr Keshwarajsingh Ramnauth, Chief-Financial Markets Operations, attended** the Workshop on Liquidity Forecasting Frameworks hosted by Afritac South, from 03 to 07 June 2019, Ebene.

Local Courses/Seminars/Workshops attended by Senior Analysts

- **Mr Ravishin Bullyraz, Senior Analyst-Supervision, attended**
  i. Course on Legal Framework for Banking Supervision and Resolution hosted by ATI, from 11 to 15 February 2019, Ebene; and
  ii. Risk based Approaches to AML/CFT Supervision hosted by Ministry of Financial Services and Good Governance in collaboration with Financial Services Commission, from 22 to 26 April 2019, Ebene.
- **Mr Satishingh Jugoo, Senior Analyst-Statistics, attended** the Course on Financial Programming and Policies hosted by ATI, from 06 to 17 August 2018, Ebene.
- **Miss Marie Medgee Lauricourt, Senior Analyst-Supervision, attended**
  i. Course on Legal Framework for Banking Supervision and Resolution hosted by ATI, from 11 to 15 February 2019, Ebene; and

ii. Training on 'Ánti-Money Laundering Enforcement' hosted by MRA, from 24 to 28 June 2019, Port Louis.

- **Mrs Kaveeta Nowbutsing-Hurynag, Senior Analyst-International Relations and Communications, attended** the Training Workshop on the SADC Online Monitoring and Evaluation System hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, from 02 to 04 October 2018, Quatre Bornes.
- **Mr Karankumar Pitteea, Senior Analyst-Economic Analysis & Research, attended**

i. Course on High Frequency Indicators of Economic Activity hosted by ATI, from 10 to 14 September 2018, Ebene; and

ii. Course on Financial Development and Financial Inclusion hosted by Afritac South, from 17 to 28 June 2019, Ebene.

- **Mrs Nivedita Sajadah-Aujayeb, Senior Analyst-Legal Services, attended**

i. Course on Legal Framework for Banking Supervision and Resolution hosted by ATI, from 11 to 15 February 2019, Ebene; and

ii. National Risk Assessment Validation Workshop hosted by World Bank and Ministry of Financial Services and Good Governance, from 07 to 08 June 2019, Flic en Flac.

- **Mr Feisal Bin Khalid Sooklall, Senior Analyst-Economic Analysis & Research, attended**

i. Course on Financial Programming and Policies hosted by ATI, from 06 to 17 August 2018, Ebene;

ii. National Workshop on the State of Play of the World Trade Organisation Negotiations hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, from 14 to 15 November 2018, Balaclava; and

iii. National Risk Assessment Validation Workshop hosted by World Bank and Ministry of Financial Services and Good Governance, from 07 to 08 June 2019, Flic en Flac.

Local Courses/Seminars/Workshops attended by Analysts and Facilities Officer

- **Mr Faraz Ibne Beekun, Analyst-IT, attended** the SADC Capacity Building Workshop on Cybersecurity and SADC Regional Cybersecurity Drill on Financial Sector Surveillance hosted by National Computer Board, from 10 to 13 September 2018, Ebene.
- **Mrs Mahima Bhurtha, Analyst-Economic Analysis & Research, attended**

i. 7th Meeting on the India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, from 19 to 23 November 2018, Flic en Flac; and

ii. Workshop: Productivity Survey with Technical Assistance from World Bank hosted by NPCC and World Bank, on 21 March 2019, Quatres Bornes.

- **Mr Doorgesh Choonucksing, Facilities Officer-Facilities Management, attended** the Workshop on Lightning Protection and Earthing hosted by Regional Training Centre, on 25 February 2019, Reduit.
- **Mr Suyash Dhurmea, Analyst-Statistics, attended** the Workshop on Financial Sector Policies hosted by ATI, from 20 to 31 August 2018, Ebene.
- **Miss Archana Devi Gobin, Analyst-IT, attended** the Meridian Training Programme hosted by Ministry of Finance & Economic Development, from 27 August to 05 September 2018, Ebene.
- **Mrs Tameshwaree Gokool, Analyst-Supervision, attended** the Seminar on Impact of Basel III reforms in the implementation of Basel II/III in Emerging Market and Developing Economies hosted by Afritac South, from 16 to 20 July 2018, Ebene.
- **Mrs Bindoomatee Gungaram, Analyst-Financial Markets Operations, attended** the Workshop on Liquidity Forecasting Frameworks hosted by Afritac South, from 03 to 07 June 2019, Ebene.
- **Miss Yuvna Hemoo, Analyst-Financial Markets Operations, attended** the Workshop on Liquidity Forecasting Frameworks hosted by Afritac South, from 03 to 07 June 2019, Ebene.
- **Mrs Lutchmee Devi Maistry, Analyst-Supervision, attended** the Seminar on Impact of Basel III reforms in the implementation of Basel II/III in Emerging Market and Developing Economies hosted by Afritac South, from 16 to 20 July 2018, Ebene.
- **Mr Abdool Anwar Massafeer, Analyst-Statistics, attended** the Course on Financial Development and Financial Inclusion hosted by Afritac South, from 17 to 28 June 2019, Ebene.
- **Mrs Shakuntala Devi Ramanah, Analyst-Supervision, attended**

i. Workshop on Financial Sector Policies hosted by ATI, from 20 to 31 August 2018, Ebene; and

ii. National Risk Assessment Validation Workshop hosted by World Bank and Ministry of Financial Services and Good Governance, from 07 to 08 June 2019, Flic en Flac.

- **Miss Yogeeta Devi Ramphul, Analyst-Supervision, attended** the National Risk Assessment Validation Workshop hosted by World Bank and Ministry of Financial Services and Good Governance, from 07 to 08 June 2019, Flic en Flac.
- **Mrs Preethee Ramudit-Bakhoree, Analyst-Risk & Product Control, attended** the Roundtable of African Development Bank in collaboration with the Mauritius Africa Fund hosted by African Development Bank, on 06 March 2019, Port Louis.
- **Mr Roopeswarchanda Rashpassing, BI Analyst-IT, attended** the Training on Geospatial Data for Infrastructure and Innovation hosted by National Computer Board, from 20 to 22 February 2019, Ebene.
- **Mr Uttam Deepak Seetul, Analyst-Supervision, attended** the Seminar on Impact of Basel III reforms in the implementation of Basel II/III in Emerging Market and Developing Economies hosted by Afritac South, from 16 to 20 July 2018, Ebene.

Local Courses/Seminars/Workshops attended by Bank Officers Grade I

- **Miss Martine Martine Acham, Bank Officer Grade I-Supervision, attended** the Seminar on Impact of Basel III reforms in the implementation of Basel II/III in Emerging Market and Developing Economies hosted by Afritac South, from 16 to 20 July 2018, Ebene.
- **Mr Stephan Soon Chan Ah Kine, Bank Officer Grade I-Supervision, attended** the Seminar on Blockchain hosted by Financial Services Commission, on 20 May 2019, Ebene.
- **Mr Atish Babboo, Bank Officer Grade I-Economic Analysis & Research, attended** the Course on Macroeconomic Management in Resource-Rich Countries hosted by ATI, from 23 July to 03 August 2018, Ebene.
- **Mrs Rafika Parveen Bakarkhan, Bank Officer Grade I-Accounting and Budgeting, attended** the Workshop on Payroll Accounting: Best Practices hosted by ProNumeris, on 28 February 2019, Bagatelle.
- **Miss Preeyamvada Banarsee, Bank Officer Grade I-Legal Services, attended**
  - i. National Capacity Building Workshop on Countering the Financing of Terrorism for Mauritius hosted by Ministry of Financial Services and Good Governance , from 29 to 31 October 2018, Flic en Flac; and
  - ii. National Risk Assessment Refresher Workshop hosted by Ministry of Financial Services and Good Governance together with FIU with technical assistance from World Bank, on 13 November 2018, Plaine Magnien.
- **Miss Anne Cecile Baptiste, Bank Officer Grade I-Economic Analysis & Research, attended** the Course on Financial Programming and Policies hosted by ATI, from 06 to 17 August 2018, Ebene.
- **Mr Yaasir Bhurtun, Bank Officer Grade I-Supervision, attended**
  - i. Training Programme on Forensic Financial Investigation hosted by Financial Services Commission, from 04 to 13 July 2018, Ebene;
  - ii. Workshop on Risk Based Supervision for Securities and Insurance/Pensions Supervisors hosted by Financial Services Commission, from 19 to 22 November 2018, Plaine Magnien; and
  - iii. Risk based Approaches to AML/CFT Supervision hosted by Ministry of Financial Services and Good Governance in collaboration with Financial Services Commission, from 22 to 26 April 2019, Ebene.
- **Miss Geeleena Bissessur, Bank Officer Grade I-Financial Markets Operations, attended**
  - i. Meridian Training Programme hosted by Ministry of Finance and Economic Development, from 27 August to 05 September 2018, Port Louis; and
  - ii. Course on Monetary Policy hosted by ATI, from 22 April to 03 May 2019, Ebene.
- **Miss Rideema Cunniah, Bank Officer Grade I-Economic Analysis & Research, attended**
  - i. Course on Compilation of Balance of Payments Statistics hosted by ATI, from 10 to 21 September 2018, Ebene;
  - ii. Course on Model-Based Monetary Policy Analysis and Forecasting hosted by Afritac South, from 05 to 16 November 2018, Ebene; and
  - iii. Course on Economic Issues in Regional Integration hosted by ATI, from 03 to 14 June 2019, Ebene.
- **Miss Urvashee Dussooa, Bank Officer Grade I-Statistics, attended**
  - i. Seminar on “Tourism Demand for the Length of Stay in Mauritius: Socio-Economic Status and Psychological Development” hosted by Mauritius Research Council, on 19 July 2018, Ebene;
  - ii. Mauritian Diaspora Project Launch hosted by IOM Mauritius, on 29 November 2018, Balaclava; and

iii. Course on Economic Issues in Regional Integration hosted by ATI, from 03 to 14 June 2019, Ebene.

- **Mrs Jazbeen Banu Edoo, Bank Officer Grade I- Economic Analysis & Research, attended** the Course on Macroeconomic Diagnostics hosted by ATI, from 02 to 13 July 2018, Ebene.
- **Miss Bibi Sharmeen Gariban, Bank Officer Grade I- Economic Analysis & Research, attended**

i. Course on Tax Policy and Administration: Theory and Practice hosted by ATI, from 16 to 27 July 2018, Ebene; and

ii. Course on Model-Based Monetary Policy Analysis and Forecasting hosted by Afritac South, from 05 to 16 November 2018, Ebene.

- **Miss Yeshni Goburdhun, Bank Officer Grade I-Supervision, attended** the Risk based Approaches to AML/CFT Supervision hosted by Ministry of Financial Services and Good Governance in collaboration with Financial Services Commission, from 22 to 26 April 2019, Ebene.
- **Mrs Vimlawtee Gungah, Bank Officer Grade I-Accounting and Budgeting, attended** the Workshop on Liquidity Forecasting Frameworks hosted by Afritac South, from 03 to 07 June 2019, Ebene.
- **Miss Bibi Shaheen Banoo Hawseea, Bank Officer Grade I-Supervision, attended** the Risk based Approaches to AML/CFT Supervision hosted by Ministry of Financial Services and Good Governance in collaboration with Financial Services Commission, from 22 to 26 April 2019, Ebene.
- **Mr Vachaspati Sharma Hurreeram, Bank Officer Grade I-International Relations and Communications, attended** the Course on Economic issues in Regional Integration hosted by ATI, from 03 June to 14 June 2019, Ebene.
- **Miss Heeranee Jugessur, Bank Officer Grade I-Statistics, attended**

i. Seminar on Mainstream National Accounts and Balance of Payments Statistics hosted by Afritac South, from 03 to 07 December 2018, Ebene; and

ii. Second Regional Workshop on Financial Access Data Collection hosted by Afritac South, from 04 to 07 March 2019, Ebene.

- **Miss Sidhi Devi Kawal, Bank Officer Grade I-Financial Stability, attended** the Course on Financial Sector Surveillance hosted by ATI, from 25 March to 05 April 2019, Ebene.
- **Miss Preksha Kurrumchand, Bank Officer Grade I-Supervision, attended** the Workshop on Risk Based Supervision for Securities and Insurance/Pensions Supervisors hosted by Financial Services Commission, from 19 to 22 November 2018, Plaine Magnien.
- **Mrs Mehisha Luchmadu-Imrit, Bank Officer Grade I-Supervision, attended** the Workshop on Risk Based Supervision for Securities and Insurance/Pensions Supervisors hosted by Financial Services Commission, from 19 to 22 November 2018, Plaine Magnien.
- **Mr Muhammad Maahi Lallbeeharry, Bank Officer Grade I-Supervision, attended** the Training Programme on Forensic Financial Investigation hosted by FSC, from 04 to 13 July 2018, Ebene.
- **Miss Bihisht Mautadin, Bank Officer Grade I-Economic Analysis & Research, attended** the External Debt Statistics Workshop hosted by ATI, from 13 to 17 August 2018, Ebene.
- **Miss Pooja Yashni Mohesh, Bank Officer Grade I-Supervision, attended** the Seminar on Impact of Basel III reforms in the implementation of Basel II/III in Emerging Market and Developing Economies hosted by Afritac South, from 16 to 20 July 2018, Ebene.
- **Mr Balaganapathi Mootoo, Bank Officer Grade I-Supervision, attended** the Risk based Approaches to AML/CFT Supervision hosted by Ministry of Financial Services and Good Governance in collaboration with Financial Services Commission, from 22 to 26 April 2019, Ebene.
- **Miss Koveena Mootoosamy, Bank Officer Grade I-Supervision, attended** the Course on Financial Sector Surveillance hosted by ATI, from 25 March to 05 April 2019, Ebene.
- **Mr Faizal Mahomed Mussa, Bank Officer Grade I-Statistics, attended** the Course on Compilation of Balance of Payments Statistics hosted by ATI, from 10 to 21 September 2018, Ebene.
- **Mrs Ouma Purmessur-Dookhit, Bank Officer Grade I-Economic Analysis & Research, attended** the Course on Macroeconomic Management in Resource-Rich Countries hosted by ATI, from 23 July to 03 August 2018, Ebene.
- **Mrs Amrita Devi Ramburun, Bank Officer Grade I-Accounting and Budgeting, attended** the Workshop on Payroll Accounting: Best Practices hosted by ProNumeris, on 28 February 2019, Bagatelle.

- **Mr Chidanand Rughoobar, Bank Officer Grade I-Economic Analysis & Research, attended** the Course on High Frequency Indicators of Economic Activity hosted by ATI, from 10 to 14 September 2018, Ebene.
- **Miss Nainam Priyadarshinee Seedoyal, Bank Officer Grade I-Payments System and MCIB, attended** the Seminar on Blockchain hosted by Financial Services Commission, on 20 May 2019, Ebene.
- **Miss Rajlukshmee Tengur, Bank Officer Grade I-Economic Analysis & Research, attended**

  i. Course on Fiscal Framework hosted by ATI, from 24 September to 05 October 2018, Ebene;

  ii. Second Regional Workshop on Financial Access Data Collection hosted by Afritac South, from 04 to 07 March 2019, Ebene; and

  iii. Workshop on Liquidity Forecasting Frameworks hosted by Afritac South, from 03 to 07 June 2019, Ebene.
- **Mr Sheik Muhammad Hafeez Toofail, Bank Officer Grade I-Legal services, attended** the National Capacity Building Workshop on Countering the Financing of Terrorism for Mauritius hosted by Ministry of Financial Services and Good Governance, from 29 to 31 October 2018, Flic en Flac.

Appendix VI

LIST OF BANKS, NON-BANK DEPOSIT TAKING INSTITUTIONS, MONEY-CHANGERS AND FOREIGN EXCHANGE DEALERS LICENSED BY THE BANK OF MAURITIUS

The following is an official list of banks holding a Banking Licence, institutions other than banks which are licensed to transact deposit taking business and cash dealers licensed to transact the business of money-changer or foreign exchange dealer in Mauritius and Rodrigues as at 30 June 2019.

Banks

1. ABC Banking Corporation Ltd
2. AfrAsia Bank Limited
3. Bank One Limited
4. Bank of Baroda
5. Bank of China (Mauritius) Limited
6. BanyanTree Bank Limited
7. Barclays Bank Mauritius Limited
8. BCP Bank (Mauritius) Ltd
9. Century Banking Corporation Ltd [1]
10. Habib Bank Limited
11. HSBC Bank (Mauritius) Limited
12. Investec Bank (Mauritius) Limited
13. MauBank Ltd
14. SBI (Mauritius) Ltd
15. SBM Bank (Mauritius) Ltd
16. Standard Bank (Mauritius) Limited
17. Standard Chartered Bank (Mauritius) Limited
18. The Hongkong and Shanghai Banking Corporation Limited
19. The Mauritius Commercial Bank Limited
20. Warwyck Private Bank Ltd [2]

Non-Bank Deposit Taking Institutions

1. Cim Finance Ltd
2. Finlease Company Limited
3. La Prudence Leasing Finance Co. Ltd
4. Mauritian Eagle Leasing Company Limited
5. Mauritius Housing Company Ltd
6. SICOM Financial Services Ltd
7. SPICE Finance Ltd
8. The Mauritius Civil Service Mutual Aid Association Ltd

Money-Changers (Bureaux de Change)

1. Abbey Royal Finance Ltd
2. EFK Ltd
3. Iron Eagle Ltd
4. Moneytime Co. Ltd
5. Unit E Co Ltd
6. Vish Exchange Ltd

Foreign Exchange Dealers

1. British American Exchange Co. Ltd
2. Change Express Ltd
3. Cim Forex Ltd
4. Mauritius Post Foreign Exchange Co Ltd
5. Shibani Finance Co. Ltd
6. Thomas Cook (Mauritius) Operations Company Limited

[1] The bank carries on exclusively Islamic banking business.
[2] The bank carries on exclusively private banking business.

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List of Acronyms

AACB	Association of African Central Banks
AMCP	African Monetary Cooperation Programme
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATM	Automated Teller Machine
BCS	Bulk Clearing System
BCBS	Basel Committee on Banking Supervision
BML	Broad Money Liabilities
BoE	Bank of England
CCBG	Committee of Central Bank Governors
CDS	Central Depository System
c.i.f	Cost, insurance, freight
CNP	Contribution Network Project
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
DCs	Depository Corporations
D-SIB	Domestic Systemically Important Banks
ECB	European Central Bank
EMDEs	Emerging Market and Developing Economies
FAO	Food and Agriculture Organisation
FAS	Financial Access Survey
FinCoNet	International Financial Consumer Protection Organisation
f.o.b	Free on board
FSB	Financial Stability Board
FSC	Financial Services Commission
FSI	Financial Soundness Indicators
FY	Financial Year
GBC	Global Business Company
GBLH	Global Business Licence Holders
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GFCF	Gross Fixed Capital Formation
GMTB	Government of Mauritius Treasury Bill
GNDI	Gross National Disposable Income
GNI	Gross National Income
GNS	Gross National Savings
GOIR	Gross Official International Reserve
GOS	Gross Operating Surplus
GVA	Gross Value Added
ICT	Information and Communication Technology
IFSB	Islamic Financial Services Board
IGC	International Grains Council
IILM	International Islamic Liquidity Management
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
IT	Information Technology
KRR	Key Repo Rate

List of Acronyms

LCR	Liquidity Coverage Ratio
LTV	Loan to Value
MACSS	Mauritius Automated Clearing and Settlement System
MCIB	Mauritius Credit Information Bureau
MERI	Mauritius Exchange Rate Index
MPC	Monetary Policy Committee
MRA	Mauritius Revenue Authority
MSCI	Morgan Stanley Capital International
NBDTI	Non-Bank Deposit-Taking Institutions
NFA	Net Foreign Assets
NPL	Non-Performing Loans
NPS	National Payment Switch
NYMEX	New York Mercantile Exchange
ODCs	Other Depository Corporations
OECD	Organisation for Economic Co-operation and Development
ONFCs	Other Non-Financial Corporations
OPEC	Organization of the Petroleum Exporting Countries
PLACH	Port-Louis Automated Clearing House
PLR	Prime Lending Rate
PPI-A	Producer Price Inflation-Agriculture
PPI-M	Producer Price Inflation-Manufacturing
RCG	Regional Consultative Group
REER	Real Effective Exchange Rate
REPSS	Regional Payment and Settlement System
RISDP	Regional Indicative Strategic Development Plan
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SDR	Savings Deposit Rate
SEM	Stock Exchange of Mauritius
SEMDEX	Stock Exchange of Mauritius Index
SIRESS	SADC Integrated Regional Settlement System
SME	Small and Medium Enterprises
SWIFT	Society for Worldwide Interbank Financial Telecommunication
US Fed	US Federal Reserve
VIX	Volatility Index
WRI	Wage Rate Index
WTI	West Texas Intermediate
y-o-y	year-on-year

The coins illustrated in the Report are on display in the Bank of Mauritius Museum.

Unless otherwise stated, the Report relies on information and financial data available up to the end of June 2019.

Paper used is issued from sustainably managed forests
and controlled sources PEFC Certified

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