BANK OF MAURITIUS

Annual Report

YEAR ENDED **JUNE 2020**

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LETTER OF TRANSMITTAL

The Governor

Bank of Mauritius
Port Louis

30 October 2020

Dr the Honourable Renganaden Padayachy
Minister of Finance, Economic Planning and Development
Government House
Port Louis

Dear Minister of Finance, Economic Planning and Development

Annual Report and Audited Accounts 2019-20

In accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, I transmit herewith the fifty-third Annual Report of the Bank, which also contains the audited Accounts of the Bank for the year ended 30 June 2020.

Yours sincerely

Harvesh Seegolam

HARVESH SEEGOLAM
Governor, Bank of Mauritius

STATEMENT FROM THE GOVERNOR

When I assumed office, together with my two Deputy Governors, at the beginning of March 2020, little did we know that the fundamentals of the global economy, including ours, would change drastically. The year 2020 will be remembered by policymakers across the globe on account of the worst economic crisis that the world has ever faced in living memory. The COVID-19 pandemic, which caused a national lockdown, has halted the longest stream of economic expansion that Mauritius has experienced.

The depth of the economic crisis and its wide-ranging social implications required prompt and unprecedented policy actions by monetary and fiscal authorities worldwide. These proactive measures have contributed to partly stabilise economic conditions and minimise risks to financial stability. However, the road to sustained economic recovery remains arduous at this stage, given the high degree of uncertainty as well as the risk of a second wave of COVID-19 infections.

In keeping with the long-established tradition of the Statement from the Governor, I will provide a brief overview of the global and domestic economic and financial developments. I will equally highlight the major projects that I have initiated to ensure the statutory objectives of the Bank of Mauritius (Bank) are fulfilled in these challenging times and beyond.

Prior to the emergence of the pandemic in March 2020, the global economy was already losing some momentum, reflecting, inter alia, the broad-based decline in manufacturing output, ongoing trade and technology disputes, and unresolved negotiations over Brexit. Global growth moderated further to 2.9 per cent in 2019, from 3.6 per cent in 2018. In the absence of inflationary pressures, many central banks further eased monetary policy to sustain their economies.

The Mauritian economy witnessed a real GDP growth by 3.2 per cent in 2019, backed by positive contributions from our key economic pillars. Household consumption and public investment expenditure contributed to sustain growth. Net external demand continued to be a drag on economic performance, resulting in a current account deficit of 5.5 per cent in 2019.

Inflation was low during 2019-2020, though it rose to 1.8 per cent in June 2020 from 1.0 per cent a year earlier. Supply side pressures to inflation, at their height during the lockdown, have gradually eased. Demand side pressures coming from domestic economic activity have also declined. Inflation is expected to rise to around 2.5 per cent by December 2020, as projected by the Bank's staff.

The moderate recovery of the global economy initially expected at the start of 2020, was hit by the outbreak of COVID-19. Lockdown measures and sanitary curfew imposed in many countries to contain the spread of the disease restricted mobility and travel, and led to temporary closure of businesses and factories. This brought a sudden and unexpected halt to economic activities worldwide. Broad-based aggregate demand and supply shocks resulted in a significant drop in consumer demand, investment and external trade, dragging the global economy into its worst recession. Disruptions to supply chains and trade flows took a major toll on production. Employment and corporate earnings were severely impacted.

Policymakers proactively launched multipronged conventional and unconventional policy measures to cushion the economic and financial blow. Central banks had recourse to aggressive policy rate cuts and liquidity injections on a massive scale to support the global financial system and facilitate the provision of liquidity to businesses and households. Responses also included a wide array of regulatory forbearance measures, such as the use of countercyclical capital buffers and easing of capital and liquidity requirements. Central banks also encouraged financial institutions to facilitate the restructuring of loans of economic operators affected by COVID-19.

Governments implemented massive fiscal stimulus packages. In several countries, they came forward with welfare payments to the unemployed and additional income support schemes to firms, households and individuals. Governments resorted to these measures given the urgency to protect livelihood in addition to sanitary measures to save lives.

In its October 2020 World Economic Outlook, the IMF projected that the global economy would contract by 4.4 per cent in 2020 due to the economic fallout of the pandemic. The global economy is expected to recover in 2021, with a growth of 5.2 per cent.

The national lockdown and closure of borders around mid-March 2020 in Mauritius, deemed an absolute necessity, disrupted economic activities in the country. To limit the socio-economic impact of COVID-19, the government introduced a range of fiscal measures including a Wage Assistance Scheme. These measures contributed to prevent a sharp rise in unemployment.

Since the start of June 2020 with the lifting of the lockdown, economic activity has gradually resumed. The manufacturing and tourism sectors are the hardest hit. The tourism sector is expected to shrink by 70 per cent in 2020, reflecting an unparalleled decline in tourist arrivals of around 1 million tourists. Evidence continues to point towards both demand and supply disruptions that can potentially affect the global economy and, therefore, external demand for our goods and services. The Bank has forecast a real economic contraction of 13 per cent in 2020. For 2021, real GDP is projected to grow at about 7.5 per cent.

The Bank proactively came up with a series of policy measures—even before the first case of COVID-19 was detected in Mauritius—to ensure the economic fallouts were contained and the flow of credit to the economy was uninterrupted. Policy initiatives included a series of financial assistance measures, such as moratoriums designed to help businesses, households and individuals facing financial difficulties. The first policy decision was a reduction of the Key Repo Rate (KRR) by 50 basis points on 10 March 2020, followed by another 100 basis points cut on 16 April 2020 to bring the KRR at a historical low of 1.85 per cent. The aggressive easing of the monetary policy stance post-COVID-19 mitigated economic damage, amid low inflation risks.

We introduced the Bank of Mauritius Support Programme, a blend of conventional and unconventional measures, as from 13 March 2020. The Support Programme measures eased the financial burden of economic operators, SMEs and also citizens impacted by the pandemic and, thus, mitigated risks to financial stability. I thank CEOs of banks and the Mauritius Bankers Association Limited (MBA) for the continued close collaboration in these testing times.

The main monetary, financial and regulatory measures consisted of:

- a Special Relief Amount of Rs5 billion to meet cash flow and working capital requirements of economic operators,
- a reduction in the cash reserve ratio to support banks to further assist businesses,
- moratoriums on capital and/or interest repayments for existing loans for eligible borrowers,
- servicing by the Bank of the interest payable on eligible households' bank loans,
- putting on hold the Guideline on Credit Impairment Measurement and Income Recognition, initially introduced since January 2020, to provide banks more leeway to support enterprises facing cash flow and working capital difficulties,
- extending the implementation of the last tranche of 0.625 per cent of the capital conservation buffer to 1 January 2021,
- reviewing the risk weight applicable for certain categories of exposures to encourage lending commensurate with a lower capital requirement,
- assisting depositors in the diversification of their savings portfolios with the introduction of the 2.5 per cent Two-Year Bank of Mauritius 2020 Savings Bond,
- the introduction of foreign exchange (FX) lines of credit and swaps with banks for an aggregate of US$1 billion to ensure adequate FX liquidity besides regular FX interventions, and
- meeting the FX needs of the State Trading Corporation (STC) till the end of December 2020.

In May 2020, the Bank came forward with two key measures to support our economy. First, it decided to make a one-off contribution of Rs60 billion to the State for the purposes of economic stabilisation in line with the Bank's mandate to sustain economic activity and mitigate risks to financial stability stemming from deteriorating global and domestic economic conditions. This contribution has been financed through the issue of the Bank's own instruments.

Secondly, it set up the Mauritius Investment Corporation Ltd (MIC) as its fully-owned subsidiary. One of the main objectives of the MIC is to keep afloat systemically large and viable companies in Mauritius that are financially distressed as a result of the pandemic. The difficulties these companies could face to service their financial obligations would represent a direct threat to financial stability. The other objectives of the MIC are to support and accelerate economic development while building a value base for the current and future generations. The Bank has earmarked up to around US$2 billion, or its equivalent in rupees, to this end.

Prior to the pandemic, the Bank managed excess rupee liquidity by conducting open market operations to minimise volatility in short-term yields. When the pandemic emerged, money market yields fell significantly as the Bank allowed rupee liquidity to increase commensurate with its easing of monetary conditions.

Activity on the domestic FX market was disrupted as from March 2020. Monthly FX turnover dropped by nearly 50 per cent in the second quarter of 2020, as FX revenues from the tourism and manufacturing sectors collapsed. The Bank acted swiftly through a range of measures to supply the market with much-needed FX. As from mid-March 2020, it started intervening to sell FX to the market, provided special FX lines of credit as well as swap lines to banks, and sold FX directly to the STC.

The Bank was a net supplier of FX to the market in FY2019-20, after eight years of being a net buyer. From March to September 2020, the Bank sold US$727 million to banks and another US$125 million to the STC, which complemented the US$1 billion that the Bank had put at the disposal of the market through FX lines of credit and swap lines.

I have regular interactions with bankers to review and assess FX market conditions. Prompt and timely responses successfully contained undue exchange rate volatility and also allayed fears of FX shortage. The exchange rate continues to move in line with domestic macroeconomic fundamentals and international market conditions. The Bank is closely monitoring conditions on the FX market and will continue to intervene to ensure orderly conditions on the market.

The large FX reserves buffer held by the Bank has been, and continues to be, a crucial element towards sustaining market confidence. In September 2020, the official reserves were at US$7.2 billion, representing 13.2 months of import cover. Based on a combination of traditional and rigorous methodologies used by the IMF, the reserves are assessed to be adequate to withstand headwinds over the next few quarters.

All banks in Mauritius are compliant with the FX Global Code (Code) since end-September 2020. This Code provides a common set of guidelines to promote the integrity and effective functioning of the foreign exchange markets. It was developed under the aegis of the Bank for International Settlements, by a partnership between central banks and market participants from 16 jurisdictions around the world.

Most central banks expanded their balance sheets in a very short time span to contain the economic fallouts of the crisis, the more so as interest rates were already near the zero bound. The Bank also expanded its balance sheet to contain the damaging effects of the crisis. Adjusting for valuation changes, rapid policy responses in the form of the COVID-19 Support Programme and accompanying measures led to about 27 per cent growth in the Bank's balance sheet in the seven months to September 2020.

I reassure all stakeholders that the balance sheet of the Bank is actively managed to support the economy and to maintain price and financial stability as per its mandate. However, risks cannot be overlooked and they are continuously and prudently managed by various interdepartmental teams. To reinforce the Bank's financial position, its share capital was raised by Rs8 billion to Rs10 billion in July 2020.

On the regulatory front, the Bank activated the consultation phase with banks and external auditors on the issue of guidelines to the banking sector as from June 2020. Two new guidelines on cross-border exposure and payment of dividends were issued. The guideline on cross-border exposure aims at having a more rigorous process within banks before they engage in cross-border exposure. The guideline on payment of dividend ensures the preservation of the capital of deposit-taking financial institutions. This will consolidate the financial position of banks to absorb losses in the future, particularly in the current dire economic context where there is much uncertainty.

In September 2020, the Bank became a member of the Groupe des Superviseurs Bancaires Francophones (GSBF). This membership will allow the Bank to benefit from the experience of other jurisdictions on issues of mutual interest as well as from ongoing work at the level of the Basel Committee on Banking Supervision.

When a bank is in the midst of an irreversible financial predicament, it becomes the responsibility of the regulator to step in to safeguard the interest of depositors and preserve financial stability. The Bank had to act promptly when two banks found themselves in such a situation.

Currently, the asset base of the banking system is stable standing at about three times the size of the country's GDP. Banks have enjoyed strong capital and liquidity buffers, which are good insulators against shocks. The capital adequacy ratio of banks stood at 19.5 per cent in June 2020, well above the regulatory threshold.

COVID-19 poses risks to the banking sector. One of the first and main effects is the rise in the ratio of non-performing loans to total loans of banks, which rose to 5.3 per cent in June 2020, from 4.5 per cent in March 2020. Overall, the risks have been mitigated for now. But the longer it takes for the economy to recover, the higher the risk that banks would need to draw from their buffers.

The results of the recent stress tests performed by the Bank show that the level of support extended by the authorities is key to upholding the general resilience of the banking sector. As a coordinated approach is needed to contain risks to financial stability and address growing challenges, I have established two Task Forces on COVID-19 Support Measures and on Banking Resilience under the chairmanship of the First Deputy Governor and the Second Deputy Governor, respectively, comprising bankers and the MBA.

The Bank has achieved good progress in the implementation of the risk-based supervision framework with the assistance of the World Bank. The Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) module has already been deployed. The modules on credit and liquidity risks are under pilot runs. The development of the operational risk module including IT Risk has reached an advanced stage and work has already been initiated on the modules for market and pillar 2 risks.

Mauritius was included in the list of Jurisdictions under Increased Monitoring by the FATF in February 2020. This was followed in May 2020 by the European Commission placing Mauritius on its list of High-Risk Third Countries. The Bank is committed to collaborating with all competent authorities to ensure Mauritius is delisted in the shortest timeframe.

The Bank has launched several initiatives to meet the recommendations of the Eastern and Southern Africa Anti-Money Laundering Group Mutual Evaluation Report 2018. The legal framework was amended to entrench in the Banking Act the implementation of a risk-based approach to AML/CFT supervision by the Bank. Alongside, the Bank's risk-based supervision framework was improved to allow for risk-based AML/CFT examinations, both on-site and off-site, as from May 2019.

I have made AML/CFT one of the Bank's priorities. To that effect, the Bank maintains its unflinching commitment to combat money laundering and terrorism and proliferation financing. The Bank's Guideline on AML/CFT was thoroughly reviewed in January 2020. A Sanctions Framework was implemented, formalising the methodology and procedures for the application of effective, proportionate and dissuasive enforcement actions and sanctions for breaches of regulatory requirements. Accordingly, the Banking Act was amended by increasing the penalty that may be imposed for a breach of AML/CFT measures. Additionally, the Bank ensures that its regulated entities are up to par in their understanding of money laundering and terrorism financing risks through the conduct of outreach and awareness sessions in various AML/CFT areas.

The Bank is fully committed in its participation in the national and international efforts in the area of AML/CFT, as authorities take concerted action in their combat against money laundering, and terrorism and proliferation financing. As a member of the National AML/CFT Committee, the Bank is actively engaged in its various sub-committees for ground-level and cooperative work to bring Mauritius forward in its alignment with the Financial Action Task Force (FATF) Recommendations. Exchange of information with authorities, both foreign and local, is on-going, based on the relevant memoranda of understanding. The Bank also hosted a Supervisory College in November 2019 for its two largest banking groups, with agenda items covering AML/CFT matters.

To enhance national coordination in the implementation of effective AML/CFT measures, a High-Level Committee chaired by the Honourable Prime Minister was set up. A Core Group was also established to coordinate progress made by the different stakeholders. My membership to the National Sanctions Committee, established under the National Sanctions (Financial Prohibitions, Arms Embargo and Travel Ban) Act 2019, also bears testimony of the engagement of the Bank in the fight against terrorism financing and proliferation financing.

On 26 August 2020, the Bank as the AML/CFT supervisor for the banking sector concluded a multipartite Memorandum of Cooperation (MOC) with 7 other domestic AML/CFT Supervisors—namely, the Attorney General's Office, the Financial Services Commission (FSC), the Financial Intelligence Unit, the Registrar of Companies, the Gambling Regulatory Authority, the Mauritius Institute of Professional Accountants, and the Registrar of Associations. The MOC aims to facilitate policy formulation, exchange of information and operational coordination to effectively combat money laundering and the financing of terrorism and proliferation among members. I chair an Interagency Coordination Committee, established under the MOC, for optimal implementation of the AML/CFT regime.

I have reorganised the AML/CFT Unit in the Supervision Department into a full-fledged Directorate on Financial Crime, Enforcement and AML/CFT in August 2020. Additional resources are being recruited to consolidate the existing pool of qualified work force. The setting up of this Directorate is a milestone for the Bank in the fight against financial crime.

As one of the components of supervisory effectiveness, staff training also remains high on the Bank's agenda. Training is regularly dispensed to the Bank's AML/CFT team to upgrade their skills.

The Bank is working on a Central KYC (CKYC) Registry, in collaboration with other stakeholders, and an international Request For Proposal was launched in May 2020. The CKYC Registry, a national repository of KYC information on individuals, corporates and other types of entities, will centralise and streamline the KYC process. The system will support the setting up of a financially inclusive digital economy. The execution of the project will start once procurement process is completed and a supplier would have been appointed.

The CKYC project, supported by the info highway set up by the government for sharing of information among government agencies, will pave the way for a more rapid transition to a digitalised banking landscape. The Bank is concurrently planning to license digital banks and the CKYC will be a catalyst.

The Mauritius Credit Information Bureau (MCIB) has effectively fulfilled its mandate over the past 15 years. With the rapid evolution of the market environment, there is growing demand from credit providers to access information from the MCIB through Application Programming Interfaces (APIs) to automate their credit appraisal processes. A credit scoring facility will add value in the credit information system, as it assigns a score to a borrower's creditworthiness. The Bank has already initiated procedures for the revamping of the MCIB and to include credit scoring system within the MCIB.

STATEMENT FROM THE GOVERNOR

The implementation of climate and environment-related risks management policies is at the forefront of the Bank's agenda. In January 2020, it carried out a survey on climate change to gather information on banks' approach to climate change and environment-related risks. On the basis of the information collected, future work will be carried out from both regulatory and disclosure angles.

The Bank accomplished another milestone when it joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) on 23 July 2020, a platform that promotes the sharing of experience and best practices among its 72 members to address climate risk management. Joining the NGFS supports one of my objectives of fostering sustainable development and embedding the concept of a greener banking sector in Mauritius. The Bank is currently working on a project to require its regulatees to disclose their business strategy in addressing the issue of climate change and environment related risks.

In line with the government Budget proposals and as part of its commitment to promote the sustainable economic development of Mauritius, the Bank is working on a Sustainable Financing Framework for the issuance of green, blue and sustainable bonds. This initiative is being undertaken in collaboration with stakeholders including the FSC and the Stock Exchange of Mauritius Ltd. The Bank is also engaging with a number of international agencies—namely, the World Bank, the United Nations Development Programme and the Agence Française de Développement—to guide it through the elaboration of the framework.

Islamic finance is a fast-growing segment of the global finance industry that presents many opportunities as our International Financial Centre seeks to broaden its product offering. The Bank remains committed to promote Islamic finance in Mauritius. Following the announcement of an Inaugural Sukuk issuance in the Budget 2020-21, the Bank has reconstituted an internal Task Force on Islamic Banking and Finance to work, amongst others, on this Sukuk issuance. I have requested and obtained technical assistance from the Islamic Financial Services Board to help the Bank put in place the necessary framework for Sukuk issuance.

During the confinement period, I had encouraged the public to make greater use of digital channels for payment and banking transactions. I have noted with satisfaction the steady increase in the use of electronic payments during the confinement period and the pace has been maintained even after the confinement period.

The Bank has progressed a long way in the modernisation of payment infrastructures but the COVID-19 lockdown exposed some limitations. The public had restricted access to physical banking that hindered seamless access to cash and payments services. As the Mauritian economy is still heavily cash based, there is a dire necessity to accelerate the process of digitalisation of payments.

When I took office, I initiated several projects to pave the way from a cash-based to a digital payment ecosystem. I also re-engineered ongoing key projects to ensure they are aligned to the revamped digitalisation strategy of the Bank. The upgrading of the MACSS, the setting up of a platform for facilitating digital customer identification, the implementation of an infrastructure to support digitalisation of government payments, and the introduction of a Central Bank Digital Currency (CBDC) are some of the main projects the Bank is currently working on.

My vision is to uplift the payments ecosystem and make it a key pillar for digitalisation of the economy. All banks are on board the Instant Payment System since August 2020. This platform offers significant opportunities for innovation in payments and other related services. It allows retail payments using mobile phones and other devices and enables interoperability among banks and non-bank operators. The Card Payment System, a component of the MauCAS, brings resilience and can boost competition in the card payment ecosystem.

The Bank is facilitating product development by Fintech companies through the MauCAS platform, which can spur growth in digital payments. Integration of non-bank operators on the MauCAS platform will entail transaction settlements in central bank money in line with the recommendations of the BIS Principles for Financial Market Infrastructures and the Bank's mandate to ensure financial stability.

The introduction of a CBDC would be a catalyst by complementing banknotes and bringing more resilience to the current payment ecosystem. Moreover, easy access and use of central bank money would provide Fintech companies an opportunity to disrupt the market by offering innovative CBDC-related payment services at competitive prices. The on-going feasibility exercise is assessing the wide-ranging implications of a CBDC to help devise the most appropriate approach for its design and implementation.

The Bank is currently in the process of revamping its Core Banking systems to accelerate its digital journey. To maximise operational efficiency, the Bank is also focussing on developing human capital to use new technologies such as Artificial Intelligence, Automation and Machine learning, Blockchain and Distributed Ledger technology.

STATEMENT FROM THE GOVERNOR

The Bank is simultaneously prioritising the protection of its systems against cyber-attacks. It is investing in solutions to prevent information loss and business disruption, and in cost-reduction technologies. User education and training are essential in the Bank's cyber-security strategy.

As banking is classified an essential service, the Bank provided the necessary facilities during the lockdown to ensure banks adequately serviced members of the public. Banks kept branches in strategic locations open for business and the public could access the ATM nearest to their residence free of cost since banks waived their fees during that period.

To reflect the vibrancy of our International Financial Centre (IFC), the banking industry needs to be at the forefront of innovation and disruptive technology as well as meeting the evolving expectations of both domestic and cross-border customers. To that effect, in July 2020, I constituted a think tank comprising seasoned banking experts to deliberate on the challenges the banking sector is facing and to pave the way for the future in a collaborative manner. The think tank will come up with a strategic roadmap for the banking sector of the country.

The Bank of Mauritius Museum has been active in promoting numismatic, historical, cultural and touristic publications. Regular articles, together with full-length television and online documentaries, have helped the museum garner visibility locally and internationally. Students and members of the public visiting the Museum have been systematically invited to an educational session on the role of the central bank in the economic development of the island, as part of the Bank's endeavour to promote financial literary.

The Bank has reinforced media relationships through closer interaction with business journalists. This has been of particular importance during the confinement period with a view to swiftly inform the public of actions taken by the Bank in the context of COVID-19. The Bank has also focused on strengthening its online presence, though a LinkedIn page, and a Twitter account for enhanced information dissemination and transparency.

Though COVID-19 gave rise to unforeseen human resource challenges, the Bank remained fully operational throughout the confinement period. Limited personnel from specific teams worked in the Bank's premises and the rest worked from home with remote access to the Bank's IT infrastructure. Proactive and efficient planning coupled with the staff's dedication have enabled the Bank to successfully rise to the challenge of flawlessly delivering on its critical role.

Today policymakers are in the midst of a crisis and stand at a turning point where lingering uncertainty is the norm. But, every cloud has a silver lining. Now is the time, more than ever, for unity and solidarity as we grapple together with the enduring impact of the pandemic on our economy and society. I sincerely believe that all stakeholders should revisit current frameworks and models so that we can transform challenges into opportunities. Otherwise we run the risk of becoming irrelevant in the world today and beyond.

I have restructured the Bank, with a new organigram introduced in August 2020, to enhance effective delivery of its functions. New directorates and divisions have been created, depicting my overarching focus on innovation and digitalisation of financial services as well as the fight against financial crime and enforcement of the AML/CFT regime. I have also launched a review of the monetary, regulatory and financial stability frameworks to ascertain they are aligned with best international practices and suit our macroeconomic and financial set up.

Upgrading the institutional and international relations of the Bank is also one of my key targets. I have initiated a strategic review of the Bank's relations with external stakeholders, both domestic and international, to foster results-driven engagements.

Before concluding my Statement, I have to reiterate that the Bank is closely monitoring the economic and financial situation, both domestic and international. The Bank stands ready to deploy additional measures, should there be further deterioration in the economy and the financial system, to steer the economy back on the path of sustained economic growth.

I thank the Honourable Pravind Kumar Jugnauth, Prime Minister, Minister of Defence, Home Affairs and External Communications, Minister for Rodrigues, Outer Islands and Territorial Integrity, and Dr the Honourable Renganaden Padayachy, Minister of Finance, Economic Planning and Development for their support to the Bank in its mission to maintain price stability and financial stability and protect the country's economy during this unprecedented economic crisis. I am also grateful to the Board of Directors and my two Deputy Governors for their commitment throughout.

I equally pay tribute to the Bank's employees for their exemplary commitment in ensuring that the institution delivers on its mandate in these difficult times. I also thank the MPC Members, CEOs of banks and financial institutions, and all stakeholders for their unflinching support.

Harvesh Seegolam
Governor

30 October 2020

01

About Bank of Mauritius

Assignat in Livre Tournois

The Isles de France et de Bourbon (now Mauritius and Reunion island) were at one time administered as a single colony by France. A common currency was issued and used across the two islands. The currency was a printed note called the 'Assignat'. The first French paper money issued between 1701 and 1720 was denominated in livre tournois.

ABOUT BANK OF MAURITIUS

Objects and Functions

The Bank of Mauritius was established under the Bank of Mauritius Ordinance 1966 and is, by statute, the central bank of the Republic of Mauritius. The Bank is governed by the Bank of Mauritius Act 2004, and in terms of Section 3 of the Act, the Bank is a body corporate with perpetual succession.

Primary Object

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

Other Objects

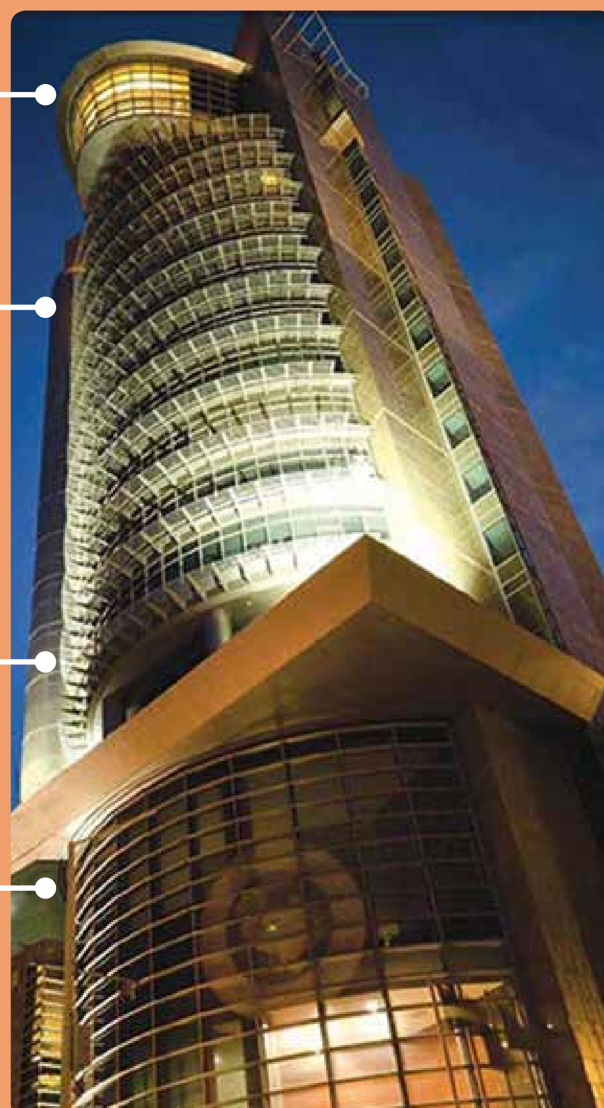
- To regulate credit and currency in the best interests of the economic development of Mauritius.
- To ensure the stability and soundness of the financial system.
- To act as the central bank for Mauritius.

Monetary Policy

- To formulate and execute monetary policy consistent with the Bank's objectives.

Currency Operations and Settlement Services

- The sole issuer of currency.
- To oversee and supervise the national payment system that supports the smooth functioning of the economy.
- To safeguard the rights and interests of depositors and creditors.



ABOUT BANK OF MAURITIUS

- 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.
- To formulate and implement appropriate policies to 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 the 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.

ABOUT BANK OF MAURITIUS

Governance

Board of Directors

The Board of Directors is chaired by the Governor and comprises the two Deputy Governors, and six other Directors appointed by the Minister of Finance. The Board is entrusted with the responsibility of formulating the general policy of the affairs and business of the Bank, other than the formulation and determination of monetary policy. As per the Bank of Mauritius Act 2004, the Board must meet at the seat of the Bank at least once every two months. The Board of Directors was reconstituted in March 2020 and met on 17 occasions during FY2019-20, of which 9 meetings were chaired by Governor Yandraduth Googoolye and 8 meetings were chaired by Governor Harvesh Seegolam. Additionally, Dr Renganaden Padayachy resigned as First Deputy Governor with effect from 9 October 2019 to sit for the General Elections which were held on 7 November 2019. Dr Padayachy attended the 4 Board meetings which were held prior to his resignation.

Change in Leadership

FY2019-20 saw a change in leadership at the Bank. Mr Harvesh Seegolam was appointed Governor on 01 March 2020 and Mr Mardayah Kona Yerukunondu, formerly the Ombudsperson for Financial Services, and Mrs Hemlata Sadhna Sewraj-Gopal, formerly Secretary of the Bank, were appointed First Deputy Governor on 24 February 2020 and Second Deputy Governor on 01 March 2020, respectively.


Mr Harvesh Seegolam

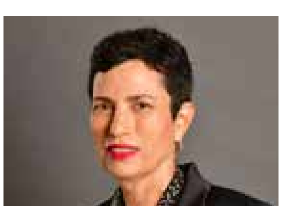

Mr Mardayah Kona Yerukunondu


Mrs Hemlata Sadhna Sewraj-Gopal

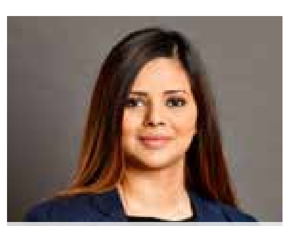

Mr Antoine Seeyave


Mr Saïd Toorbuth


Mr Ishwar Anoopum Gaya


Mrs Christine Marie Isabelle Sauzier


Mr Piragalathan Chinnapen


Mrs Melissa Prishni Ramsahye

Composition of the Board of Directors until end-February 2020

Mr Yandraduth Googoolye Governor and Chairperson	9/9
Dr Renganaden Padayachy First Deputy Governor	4/4
Mr Mahendra Vikramdass Punchoo Second Deputy Governor	9/9
Mr Sanjay Gopaul	7/9
Mr Axel Pellegrin	9/9
Mr Antoine Seeyave	8/9
Mr Ranapartab Tacouri	9/9
Mr Saïd Toorbuth	8/9

Composition of the Board of Directors as at 30 June 2020

Mr Harvesh Seegolam Governor and Chairperson	8/8
Mr Mardayah Kona Yerukunondu First Deputy Governor	8/8
Mrs Hemlata Sadhna Sewraj-Gopal Second Deputy Governor	8/8
Mr Antoine Seeyave	8/8
Mr Saïd Toorbuth	8/8
Mr Ishwar Anoopum Gaya*	8/8
Mrs Christine Marie Isabelle Sauzier*	2/8
Mr Piragalathan Chinnapen*	8/8
Mrs Melissa Prishni Ramsahye**	7/8

Note: Mrs Sauzier was overseas for the last six board meetings.

** Appointed on 04 March 2020.*
*** Appointed on 13 March 2020. Mrs Ramsahye attended the 7 Board meetings held after her appointment.*

Other significant changes were noted at senior management level, namely the appointment of Mr Jaywant Pandoo, formerly Acting Director-Financial Markets Operations & Reserve Management as Managing Director of the Development Bank of Mauritius, and of Mr Dhanesswurnath Thakoor, Assistant Director-Payment Systems and MCIB, as Chief Executive of the Financial Services Commission.

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 2020 and presently comprises three non-executive Board Directors, namely Mr Saïd Toorbuth, who is the Chairperson of the Committee, Mr Ishwar Anoopum Gaya and Mrs Melissa Prishni Ramsahye. The Committee held 4 meetings during FY2019-20. The Head-Internal Audit is in attendance at the Audit and Risk Committee meetings.

Monetary Policy Committee

In terms of Section 5(1)(a) of the Bank of Mauritius Act 2004, the Bank is vested with the responsibility of conducting monetary policy and manage the exchange rate of the rupee. To this effect, the Monetary Policy Committee (MPC), established under Section 54 of the Bank of Mauritius Act 2004, formulates and determines the monetary policy to be conducted by the Bank to achieve price stability, taking into account the orderly and balanced economic development of the country.

The MPC determines the appropriate monetary policy stance through an assessment of the current and evolving macroeconomic and financial conditions as well as the balance of risks to real GDP growth and inflation. The MPC signals the monetary policy stance that is consistent with domestic economic conditions through changes in the Bank's policy rate, namely the Key Repo Rate (KRR).

The MPC usually meets four times during a year, but stands ready to meet in between its regular meetings, should the need arise. MPC Members are bound by a Code of Conduct to ensure observance with the highest standards of ethical conduct. The MPC comprises the Governor, who is the Chairperson, the two Deputy Governors, two members appointed by the Prime Minister and three members appointed by the Minister of Finance.

Table 1.1: Monetary Policy Committee Meetings

		Meetings attended	09.08.19	27.11.19	10.03.20	16.04.20	Total fees Rs
Mr Yandraduth Googoolye	Former Governor, Chairperson	2	✓	✓			400,000
Mr Harvesh Seegolam	Governor, Chairperson	2			✓	✓	200,000
Dr Renganaden Padayachy	Former First Deputy Governor	1	✓				120,000
Mr Mardayah Kona Yerukunondu	First Deputy Governor	2			✓	✓	150,000
Mr Mahendra Vikramdass Punchoo	Former Second Deputy Governor	2	✓	✓			240,000
Mrs Hemlata Sadhna Sewraj-Gopal	Second Deputy Governor	2			✓	✓	120,000
Professor Sanjeev Kumar Sobhee	External Member, appointed by the Prime Minister	4	✓	✓	✓	✓	360,000
Mr Lim Chan Kwong Lam Thuon Mine	External Member, appointed by the Prime Minister	4	✓	✓	✓	✓	360,000
Dr Streevarsen Narrainen	External Member, appointed by the Finance Minister	4	✓	✓	✓	✓	360,000
Mr Mohammad Mushtaq Namdarkhan	External Member, appointed by the Finance Minister	4	✓	✓	✓	✓	360,000
Ms Marie Rosy Priscilla Pattoo	Former External Member, appointed by the Finance Minister	2	✓	✓			240,000
Mrs Christine Marie Isabelle Sauzier	External Member, appointed by the Finance Minister	2			✓	✓	120,000

Note:
All MPC Members attended the 55th meeting held on 16 April 2020 through video conference given that national confinement was in place.
The Governor receives a monthly fee of Rs50,000 for contribution to the MPC, payable with effect from 1 January 2016.
The Deputy Governors receive a monthly fee of Rs30,000 for contribution to the MPC, payable with effect from 1 January 2016.
The MPC was reconstituted on 04 March 2020.

✓*: Attended.*

Monetary policy decisions are communicated to the public shortly after the conclusion of the MPC meeting. The Governor, as Chairperson of the MPC, holds a press conference to explain the motivations behind the decision of the MPC. In parallel, a Communiqué that summarises the evaluation of prevalent economic and financial conditions and forecasts for inflation and real GDP growth rates is posted on the Bank's website. The Minutes of the meeting are also posted on the Bank's website exactly two weeks after the meeting and contain the voting pattern of the MPC Members.

Human Resources

The Bank's People

People are at the core of the successful achievement of the Bank's objectives. The Bank, as a knowledge-based organisation, is committed to attract and retain a diverse and talented workforce to deliver on its mandate. It endeavours to develop a culture of life-long learning.

As at 30 June 2020, the total workforce of the Bank stood at 309 people, of which 291 were on the permanent and pensionable establishment and 18 on contractual basis. People from different age-groups and a wide variety of professional background work alongside one another to create a working environment where experience, dynamism and ideas meet. The turnover rate increased from 6.9 per cent in FY2018-19 to 11.3 per cent in FY2019-20. During the year under review, 23 employees left the Bank on ground of retirement, resignation and expiry of contract. The Bank terminated the employment of one staff member.

Number of Employees

309

2018-19: **315**

Staff Turnover

11.3%

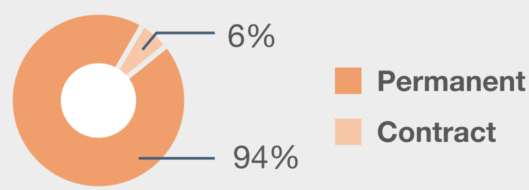
2018-19: **6.9%**

Our Staff

50% Women

50% Men

Employment Type



Leavers

Retirement	Resignation	Expiry of Contract	Termination
10 ▲	12 ▲	1 ▼	1 ▲
2018-19: **6**	2018-19: **11**	2018-19: **4**	2018-19: **NIL**

Enhancing Organisational Capability

During FY2019-20, the Bank recruited staff at various grades in the organisation structure and appointed staff members to higher positions. The Bank has in the pipeline recruitment exercises for different grades to continue enhancing organisational capability.

COVID-19

The wellbeing of its staff has been a key priority for the Bank during the COVID-19 crisis. When the country went on lockdown on 20 March 2020, the Bank maintained all critical operations, enabling staff to work from home, except for some staff posted in the Banking and Currency Division, who were required to be physically present at the Bank. With the assistance of its IT team, the Bank was able to put in place the necessary infrastructure to enable its employees to work remotely and ensure that they deliver on their respective Division's objectives.

Following the removal of the curfew, the Bank has extended the work from home arrangement to employees who are required to work round the clock. The work from home arrangement is set to become in future the new norm at the workplace worldwide.

Training and Developing Our People

The Bank considers it a priority to ensure that its people are equipped with the appropriate skills, competencies and knowledge to ensure that it delivers on its mandate. Accordingly, prior to the outbreak of the COVID-19 pandemic, 22 per cent of the workforce had undergone overseas training in specialised areas to meet the demands of their jobs. The training programmes in various fields delivered in the last quarter of FY2019-20 were held virtually and were attended by 10 officers. During FY2019-20, training was dispensed to 47 per cent of the workforce compared to 44 per cent in FY2018-19.

Overseas	Local
68	76
2018-19: **104**	2018-19: **68**

Internship Programme

The Bank's Internship programme continues to attract numerous applications from university students and school leavers. The positive feedback received from past interns on their relatively short exposure to the Bank's work environment has made the institution a preferred option for those who want to make a career in the financial sector. However, with the outbreak of COVID-19, the Bank has had to defer the internship intake scheduled for April/June 2020 to August 2020.

In FY2019-20, nine interns were on-boarded and posted in Divisions relevant to their field of study.

Human Resource Management System

As part of the Bank's objective of boosting the efficiency and effectiveness of the Human Resources Section and equipping the staff with appropriate tools, a public tender exercise for the provision of a Human Resource Management System was launched in the second quarter of 2020. The Bank is targeting to implement the System in FY2020-21.

SAFETY AND HEALTH AT THE BANK

The Bank values the safety, health and wellbeing of its staff members. It adopts a culture that focuses on work safety and health risk profile through preventive and proactive approaches.

Activities

Inspections

Inspections were conducted on all floors to ensure that safety and health arrangements were in place.

Safety and Health Committee Meeting

The Committee, a platform where representatives of both Management and employees meet every two months to discuss issues related to safety and health, met on 7 occasions.

First-aid

First-aid kits were verified and replenished accordingly to ensure that they did not contain any expired items.

Fire Safety

The Bank held its yearly fire drill on 25 September 2019 and all staff, including visitors, evacuated the Bank and proceeded to the Assembly Point for the roll call process as per the Fire and Emergency Plan.

Accident Statistics

One minor injury sustained by staff was reported. First-aid assistance was provided and necessary arrangement made to take the staff to the hospital for treatment as per the Bank's protocol.

Corporate Wellness Programme

The Football Team, set up under the Corporate Wellness Programme since March 2019, meet on Fridays from 6pm to 8pm at MUGA Phoenix. The team reached the knockout stages in the final leg of the Futsal tournament of the InterBank Footsal Fiesta organised by the Mauritius Bankers Association Limited in September 2019.

COVID-19 Response

While the world is still witnessing an alarming increase in the transmission of COVID-19 infections, the national lockdown and restrictions on people's movement imposed by the authorities succeeded in containing the spread of the disease. The Bank nonetheless ensured continuity in the provision of essential banking services during the national confinement period. In parallel, a series of proactive precautionary measures were taken to counteract any possible spread of the virus.

Social distancing

Chrome Pole and rope barriers were placed in the Banking Hall.

Limits were imposed on the number of persons inside lifts and in the Bank's transport to guarantee proper social distancing.

Controlling access

The body temperature of all staff and public entering the Bank's premises is continuously screened through hand-held thermometers at all entry points. Access is denied to people whose body temperature is above 37.3 °C.

Isolation room

The meeting room on Level 4 was converted into an Isolation Room in the event of a staff feeling unwell or displaying symptoms of COVID-19 at the Bank.

Provision of masks

Masks were provided to all staff members to be worn at all times on the Bank's premises. Access is denied to people who do not wear masks.

Reassuring staff members

Communiqués were posted on the Bank's Intranet to disseminate information about the precautionary measures taken at the Bank, the importance of personal hygiene as well as the need to adhere to all precautionary measures put in place.

Cleaning

Dispensers of hand sanitiser were placed at various locations on the Bank's premises.

An in-depth cleaning of all office surfaces was enforced by the cleaning contractors. Disinfection exercises were also conducted to prevent any possible transmission of COVID-19 across the Bank.

All vehicles used to transport staff were promptly cleaned and disinfected after each trip.

COVID-19 testing

On 27 May 2020, the Bank in collaboration with the Ministry of Health and Quality of Life, organised a Rapid COVID-19 Test for all staff members. All staff members screened were tested negative.

Information Technology and Facilities

During the confinement period that was imposed from 20 March to 30 May 2020, the Bank had to ensure that it could effectively discharge its statutory functions as a regulator and ensure uninterrupted provision of several of its IT-based services to the banking sector. Although the Bank had a well-tested Disaster Recovery Plan, it was the first time that it faced such a disaster scenario. A work from home protocol, devised by the Bank's Management in anticipation of a possible lockdown, was already formulated. Accordingly, the critical business functions to be carried out remotely were identified with around 60 staff members to carry out work from home.

To ensure business continuity, existing resources had to be enhanced to cater for large scale deployment of staff working from home. The Bank had to make provisions for end user devices including laptops, phones and internet dongles and ensure that the incoming internet bandwidth was sufficient to allow staff members to connect to the Bank's internal system. Steps were taken to ensure that staff members accessing the Bank's internal systems from home would do so via the internet securely through Virtual Private Network access.

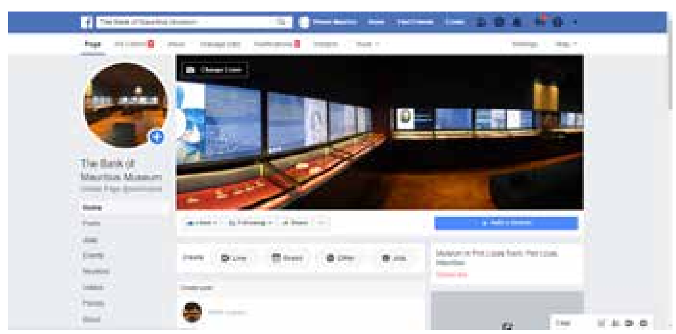
By the end of the lockdown period, the number of staff carrying work from home increased to 106. Nonetheless, a few staff members had to attend duty at the Bank during the lockdown given the nature of their duties. Staff members quickly adapted to the work from home mode and were able to access their working documents via their laptops. IT support was constantly provided by phone, WhatsApp and email. In this respect, no major incident was reported barring a few minor technical issues. After the lockdown, staff members acknowledged that it was a positive experience and that they would welcome innovative work arrangements combining work from home with traditional office environment.

Communications and Outreach

The Bank pursued its initiatives to help Mauritian youth better understand the significance of policy decisions and financial products through financial literacy initiatives enhanced with interactive multimedia sessions. Students and members of the public visiting the museum have been systematically invited to explanatory sessions on the role of the central bank. These sessions have been facilitated by the Communications and Museum teams.

The Communications team has also reinforced media relationships through close interaction with business journalists. This has been of particular importance during the confinement period with a view to swiftly bringing to the attention of the Mauritian public actions taken by the Bank in the context of COVID-19.

The Bank has focused on strengthening its online presence. A LinkedIn page, a Twitter platform and a YouTube channel were created in June 2019 for an enhanced interaction with the public at large. The Bank has also launched a Facebook page for its museum and a dedicated section has been created on the Bank's website.



Museum

During FY2019-20, the Bank of Mauritius Museum welcomed more than 4,000 visitors. Whilst the figure is lower compared to the previous year, the number of first-time visitors still stands as a significant achievement given the closure of the museum for almost four months due to the COVID-19 pandemic.

The Bank of Mauritius Museum has been very active with respect to the promotion of numismatic, historical, cultural and touristic publications. Articles on domain currency, the creation of the Board of Commissioners of Currency, and the Bank's museum and financial literacy initiatives have featured in the Aapravasi Ghat Trust Fund Newsletter, Spink's Insider International e-zine and Air Mauritius' Islander. These articles, together with full-length television and online documentaries on the Bank and its museum, have helped garner visibility locally and internationally. The Bank of Mauritius Museum is displayed on the Mauritius Tourism Promotion Authority's website and counters at the SSR International Airport. The museum has also successfully achieved the status of TripAdvisor member.

The Bank of Mauritius Museum launched its first temporary exhibition in September 2019. Entitled 'Banknotes: An artist's view', the exhibition showcased exclusive masterpieces created by world-famed artist Victoria Domski.

Employee Welfare

The Bank endeavours to remain an employer of choice by maintaining and promoting a professional, social, healthy and sound workplace. During FY2019-20, the Bank organised a number of activities for staff members, particularly during the end-of-year festivities. However, activities planned in the second half of FY2019-20 came to a halt with the outbreak of the pandemic.

JIOI Maurice 2019

In the context of the 10ème JIOI Maurice 2019, the Employee Welfare Committee (EWC) of the Bank organised a Prediction Game to create interest and enthusiasm among staff members with respect to various sporting events. The winner and runner-ups who scored the highest marks for the most accurate predictions were rewarded.

Diwali 2019

Members of the staff enlivened the Bank's Canteen with lights and embellished the place with *rangoli* designs to commemorate the Diwali Festival, which was celebrated on 27 October 2019.

Christmas Carols 2019

Children from the "Chorale des Enfants de la Paroisse de la Cathedrale St Louis, Port Louis" were invited at the Bank to perform Christmas Carols on the eve of Christmas Day.

Seasons Decoration 2019

The EWC organised the 5th edition of the Seasons Decoration based on the theme "Eco-Friendly Christmas". The decoration of offices provided staff members with the opportunity to demonstrate their creativity and artistic fibre to brighten the Christmas mood at the Bank. This activity is the Team Building Exercise *par excellence* for staff members.

BoM Got Talent Competition 2019

The EWC organised the 1st edition of the "BoM Got Talent Competition". Staff were invited to showcase their talents – a most revealing exercise. All participants in the competition were rewarded.

Bank of Mauritius Inter Club Youth Championship 2019

The 13th edition of the Annual Inter Club Athletics National Youth Championship 2019, organised by the Mauritius Athletics Association and co-sponsored by the Bank and commercial banks, was held on 07 December 2019 at the Maryse Justin Stadium, Réduit. Around 800 athletes from different clubs in Mauritius and Rodrigues participated in the championship. The 15 best athletes from Rodrigues also came to Mauritius to participate in the finals with their Mauritian counterparts.

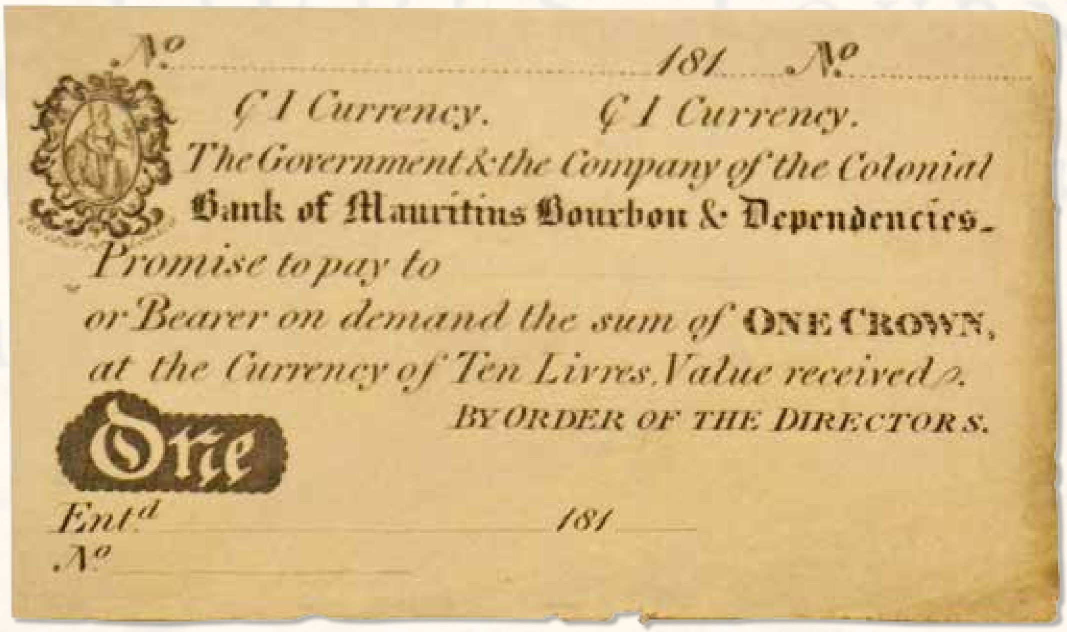
Around 30 athletes, who participated in the 12th Edition of the Inter Club Youth Championship 2018, were medalists in the JIOI Maurice 2019, seven of whom won Gold medals. Four national records were established during the 13th edition of the Championship.

Inter Bank Athletic Competition 2019

The Bank, in collaboration with various commercial banks, launched the 1st edition of the Inter Bank Athletic Competition. 102 participants from various commercial banks, including the Bank, participated in the competition.

02

Review of the Economy



The Bank of Mauritius, Bourbon and Dependencies banknote

The Bank of Mauritius, Bourbon and Dependencies started its operations on 10 April 1813 and issued promissory notes in British Crowns, which were equivalent to the piastre. It was during the establishment of this short-lived bank that an attempt was made to introduce British currency in day-to-day operations of the colony.

REVIEW OF THE ECONOMY

The domestic economy lost some pace in 2019H2. Year-on-year, real GDP growth slowed to 3.0 per cent and 2.8 per cent in 2019Q3 and 2019Q4, respectively, from 3.4 per cent in 2019Q1 and 3.6 per cent in 2019Q2. Domestic demand remained the key driver of growth during 2019H2, mainly supported by continued expansion in household consumption. Supportive labour market conditions amid a modest inflation environment helped to sustain consumption expenditure. Investment, however, expanded at a slower pace, reflecting lower capital spending by the private sector. The heightened uncertainty surrounding the global economy mostly due to trade tensions as well as subdued domestic economic activity dampened overall sentiment. A weakening domestic residential and non-residential property market also contributed towards the modest investment performance. On the external font, net external demand remained a drag on domestic economic activity, as reflected by a further contraction in exports of goods and services.

On the supply side, the services and construction sectors remained key contributors to growth during 2019H2, albeit some of these sectors expanded at a more moderate pace. Growth in the *'financial and insurance activities'* sector remained strong at more than 5.0 per cent while growth in the *'wholesale and retail trade'* sector stayed firm, lifted by steady household spending. The *'information and communication'* sector remained resilient and continued to benefit from high demand for data communication services. However, the *'accommodation and food service activities'* sector contracted in 2019H2, following lower tourist arrivals. Activity in the *'manufacturing'* sector also declined, weighed down by a significant contraction of more than 10 per cent in the *'textile'* subsector which was mainly affected by weak external demand. Growth in the *'construction'* sector kept momentum though, backed by ongoing infrastructure projects.

In 2020H1, the domestic economy suffered its worst ever slump as the COVID-19 pandemic took a huge toll on economic activity with concurrent demand and supply shocks. Stringent measures taken to stop the proliferation of the virus, both critical and necessary, weighed significantly on the domestic economy which contracted by 2.0 per cent in 2020Q1 with many sectors registering negative growth. In 2020Q2, the economy registered a deeper contraction of 32.9 per cent on account of the impact of the sanitary lockdown.

On the expenditure side, sharp contractions in household consumption, investment and exports converged to bring down GDP in 2020H1. Household consumption, which makes up about 75 per cent of GDP, was constrained to basic necessities during the lockdown period and was also affected by income losses amid weak economic conditions. Nonetheless, stimulus measures from the Government such as the Wage Assistance Scheme and the implementation of the loan moratorium from the Bank helped to cushion consumption spending to some extent. Investment registered a sharper contraction, weighed by significantly lower capital spending. By type of asset, investment in both *'building and construction work'* and *'machinery and equipment'* declined substantially, mostly on account of mobility restrictions which temporarily halted the implementation of projects. Exports of goods and services also contracted markedly due to production restrictions and weaker external demand conditions.

On the production side, most sectors registered negative growth in 2020H1 given that they either ceased operations or operated at reduced capacity. The *'accommodation and food service activities'* sector was severely hit with a cessation of international tourist arrivals since April 2020. The sector, which had already started to feel the brunt of the pandemic in 2020Q1, shrank considerably in 2020Q2. Other sectors did not remain unscathed even though the magnitude of the effect varied across sectors. The *'transportation and storage'* sector was severely impacted by travel restrictions imposed domestically as well as the closure of borders and contracted in both 2020Q1 and 2020Q2. Growth in the *'financial and insurance activities'* sector was weighed down by lower interest income amid subdued capital market activity. The sector, however, still registered positive growth in 2020H1. The sanitary lockdown substantially affected consumer spending as indicated by a significant decline in the *'wholesale and retail trade'* sector which registered negative growth in 2020H1. Meanwhile, the highest growth was registered in the *'information and communication'* sector where activity was sustained by persistently high demand for data communication services especially during the period of work from home arrangements.

The *'manufacturing'* sector contracted sharply in 2020H1 largely due to the lockdown as well as weak external demand conditions. Notwithstanding the fact that essential sectors and those in the related supply-chain sectors operated at reduced capacity, sectors such as textile-related industries could not operate and led to a severe contraction in the *'textile'* sub-sector. Activity in the *'construction'* sector also declined markedly. Headwinds from the pandemic were felt initially through disruptions in the supply and distribution of building materials and construction equipment that led to delays in some projects. With the outbreak of the pandemic and the subsequent imposition of national lockdown, activities in the sector came to a standstill while the toll on investors' confidence led to the postponement of some construction ventures. The economic damage of the pandemic on the *'agriculture, forestry and fishing'* sector was also significant. Output generated by the sector dropped considerably in 2020H1, with production of food crops falling by 17.8 per cent to 31,120 tonnes while fish production decreased by 22.3 per cent to 12,278 tonnes.

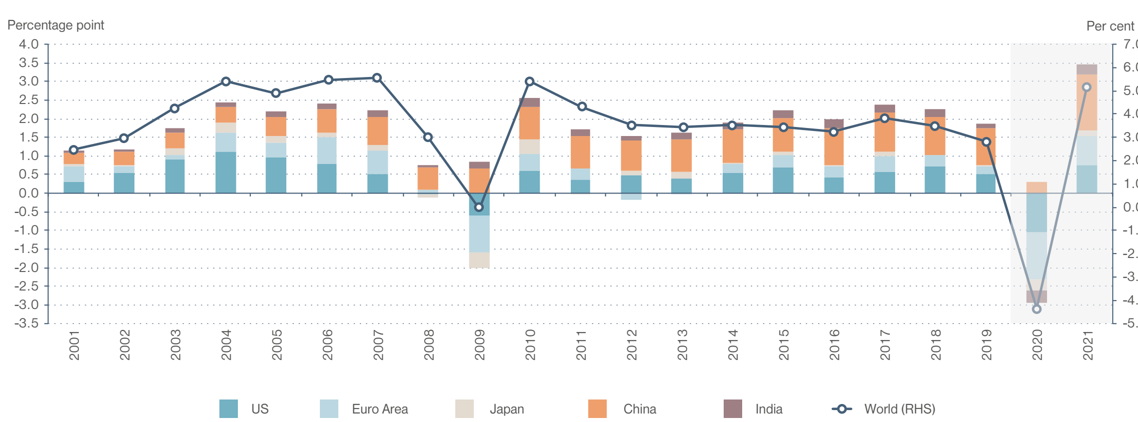
The first half of FY2019-20 was characterised by escalating global trade tensions, unresolved negotiations of Brexit and slowdown of economic activity in the euro area and China. Weaker manufacturing activity and trade in advanced economies, coupled with subdued investment and lower external demand in emerging economies, weighed on global economic activity. The weakness in the manufacturing sector spilled over to the services side of economic activity. In October 2019, the JPMorgan Global Composite PMI fell to its lowest since February 2016, registering one of the weakest monthly expansions since the global financial crisis. Protracted trade policy uncertainty between the US and China as well as their lingering technology rivalry dented business confidence and triggered bouts of financial market volatility. Nonetheless, global equity markets were broadly supported by expectations of a more accommodative global monetary policy stance. Meanwhile, global inflation remained subdued amid low oil prices and lacklustre growth.

Persistent downside risks to the global economic outlook prompted major multilateral institutions to scale down their global growth projections for 2019 while expressing caution for 2020. Global economic activity was projected to grow at its slowest pace in 2019 since the global financial crisis. Nonetheless, a mild recovery was anticipated in 2020 amid the prevalent accommodative global financing conditions, a bottoming out of manufacturing activity and trade, mitigated risks from the trade feud between the US and China and Brexit-related uncertainties. In parallel, recovery was also being projected in major commodity exporting countries and Emerging Market and Developing Economies earlier plagued with financial market distress.

However, the outbreak of the COVID-19 pandemic in China towards the end of 2019 took a toll on the growth performance of China for 2020 and disrupted the rebound in global economic growth, given China's weight in global output and its importance in the global value chain. During the second half of FY2019-20, the rapid proliferation of the pandemic across the world generated an unprecedented shock to almost all economies, inducing urgent responses from governments to save human lives and protect the most affected people and businesses from income losses. Confinement measures imposed by national authorities to prevent the spread of the infection undermined the global growth performance given that the COVID-19 pandemic combines a demand, a supply and an uncertainty shock. The decline in spending and production had an adverse impact on the real economy while the pandemic also rippled through financial markets, and even affected commodity prices.

Economic uncertainty has been dragging down global economic prospects. COVID-19 has pushed the global economy into a deep recession with more pessimistic growth scenarios reflecting amplified uncertainty. Forecasts by the IMF, OECD, World Bank, United Nations and the European Commission released since the beginning of 2020 and subsequently updated, all pointed to a marked deterioration in global growth. Large declines in economic sentiment and business climate indices in most countries signal expectations of afflicted growth performance, which might last over several quarters.

Contribution to Global GDP Growth



REVIEW OF THE ECONOMY

FY2019-20 AT A GLANCE

Rs **457.9** billion GDP at market prices	**-7.3** % Real GVA growth at basic prices	Rs **361,735** GDP per capita
17.8 % Investment as a share of GDP	**8.8** % Gross Domestic Savings as a share of GDP (2019)	**11.0** % Gross National Savings as a share of GNDI (2019)
1.8 % Headline Inflation (as at June 2020)	**0.6**% CORE1 Inflation (as at June 2020)	**1.85**% Key Repo Rate (as at June 2020)
13.6% Budget Deficit as a share of GDP	**22.2** % Trade Deficit as a share of GDP	**8.7**% Current Account Deficit as a share of GDP
10.2% Unemployment Rate (as of May 2020)	**67.8** % Public Sector Domestic Debt as a share of GDP	**13.9**% Public Sector External Debt as a share of GDP
9.5% Annual average growth rate of BML	Rs **289.5** billion Gross Official International Reserves (as at end-June 2020)	**13.2** months Import Cover (as at end-June 2020)

Salvaging the Mauritian Economy Post-COVID-19

Source: Budget Speech FY2020-21

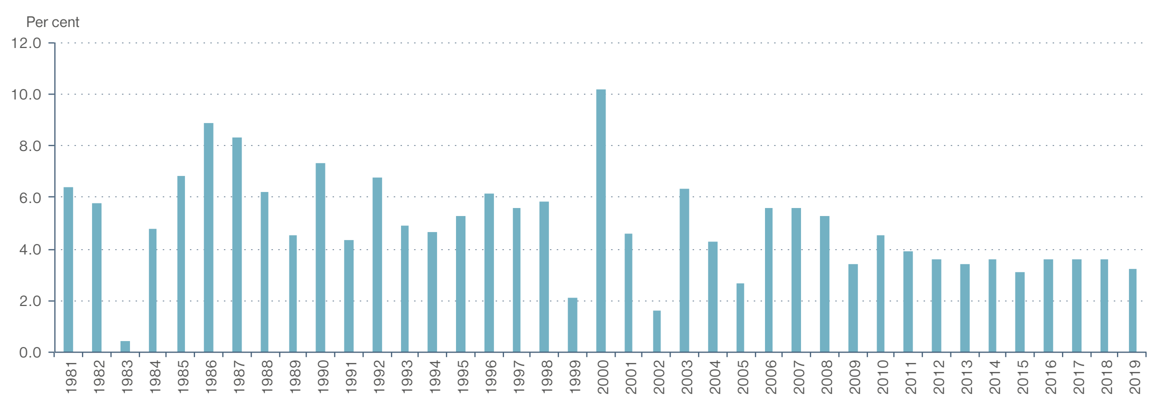
REVIEW OF THE ECONOMY

NATIONAL INCOME AND PRODUCTION

According to Statistics Mauritius, domestic GDP is estimated to have grown by 3.2 per cent in 2019 compared to 3.6 per cent in 2018 and a 5-year average of 3.4 per cent (Chart 2.1). In nominal terms, GDP at market prices increased by 3.6 per cent to Rs498,347 million in 2019 compared to a growth of 5.3 per cent in 2018.

Per capita Gross National Income (GNI) at market prices rose by 3.9 per cent to Rs442,447 (US$12,740) in 2019, from Rs425,786 (US$12,466) in 2018. The rise in per capita income mostly reflected the higher nominal GDP as population growth remained unchanged. Mauritius is now classified as a high-income country by the World Bank and joins Seychelles as the second high-income economy in Africa.

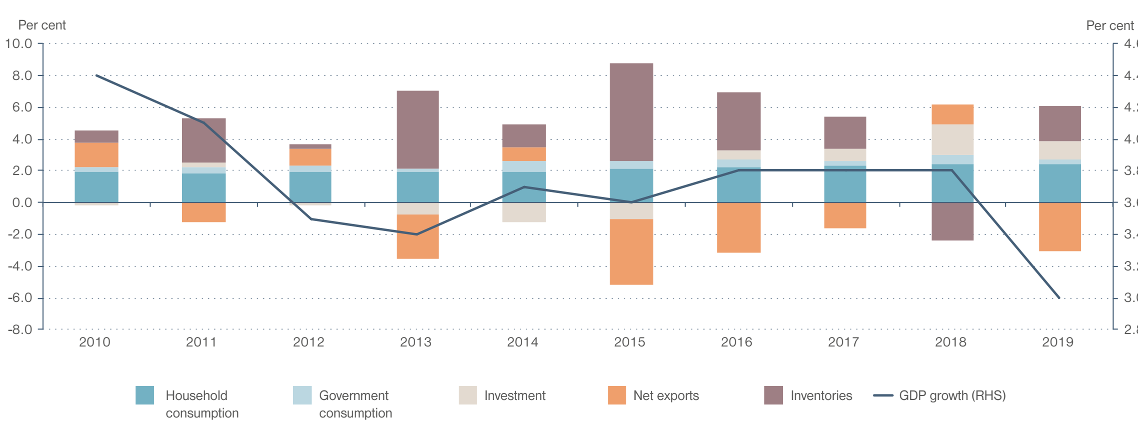
Chart 2.1: Real GDP Growth



The softening of the growth momentum in 2019 was mainly due to:

- A deterioration in external demand, with net exports turning into a major drag, weighed down by lower exports of goods and services (Chart 2.2);
- A contraction in the *'accommodation and food service activities'* as well as a deceleration in economic activity in other services sectors, such as *'wholesale and retail trade'*, *'financial and insurance activities'*, and *'transportation and storage'*; and
- Lower growth in the *'manufacturing'* and *'construction'* sectors.

Chart 2.2: Contribution by Domestic Demand and Net Exports to GDP Growth



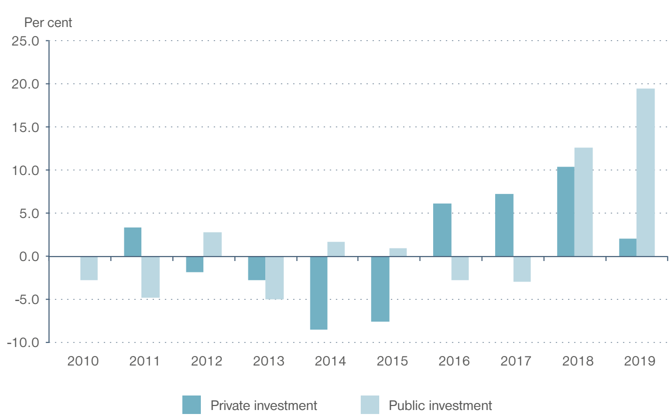
Sources: Statistics Mauritius and Bank of Mauritius.

Expenditure

Domestic demand grew at a slower pace in 2019, reflecting lower expansion in its major constituents. Final consumption expenditure increased at a lower rate of 3.0 per cent in 2019 compared to 3.4 per cent in 2018. While growth in household consumption expenditure was sustained on the back of favourable labour market conditions, government consumption spending rose at a sluggish pace. The annual growth in household consumption remained unchanged at 3.2 per cent in 2019. Government consumption, however, registered a subdued growth of 2.0 per cent compared to 4.2 per cent in the previous year. Gross Fixed Capital Formation (GFCF) displayed large quarterly swings during 2019, culminating in an annual growth of 6.2 per cent compared to 10.9 per cent in 2018. The drag mainly emanated from private sector machinery and equipment acquisition which registered a marked slowdown, while building and construction activities remained sustained, underpinned by ongoing public spending on infrastructural development (Chart 2.3).

Net external demand weakened in 2019 and dragged down GDP growth. Exports of goods and services contracted by 4.1 per cent in 2019 compared to an expansion of 2.7 per cent in 2018. Exports of goods were down by 4.9 per cent while exports of services declined by 3.5 per cent for the first time since 2013, reflecting subdued performance of the tourist industry. Imports of goods and services grew by 2.5 per cent in 2019, driven by an increase of 3.5 per cent in imports of goods and a marginal increase of 0.2 per cent in imports of services.

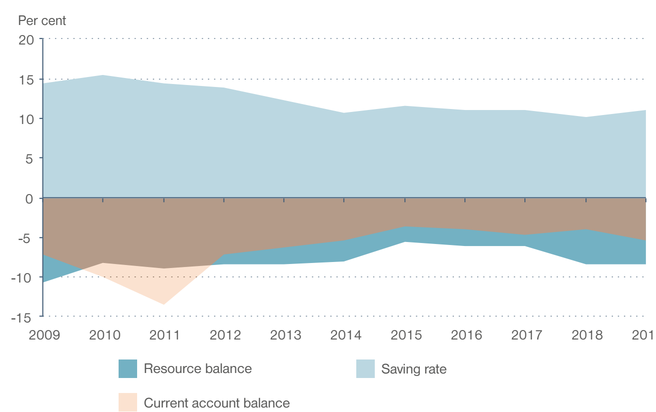
Chart 2.3: Growth Rates of Public and Private Investment



Source: Statistics Mauritius.

Gross National Savings (GNS), which is that part of Gross National Disposable Income (GNDI) that is not spent on consumption, rose by 13.0 per cent, from Rs49.8 billion in 2018 to Rs56.3 billion in 2019. Gross Domestic Savings (GDS), which is the difference between GDP at market prices and aggregate consumption expenditure, increased by 2.0 per cent from Rs43.1 billion to Rs43.9 billion over the same period. The Saving Rate, defined as the ratio of GNS to GNDI, excluding net primary income and transfer of Global Business Companies (GBC) from abroad, went up from 10.2 per cent in 2018 to 11.0 per cent in 2019. Accordingly, the Resource Balance (defined as Savings minus Investment) as a percentage of GDP at market prices, improved slightly from -8.4 per cent in 2018 to -8.3 per cent in 2019, reflecting the significant rise in GNS (Chart 2.4). A higher saving rate remains crucial to help finance higher levels of investment and boost productivity over the longer term.

Chart 2.4: Resource Balance and Saving Rate

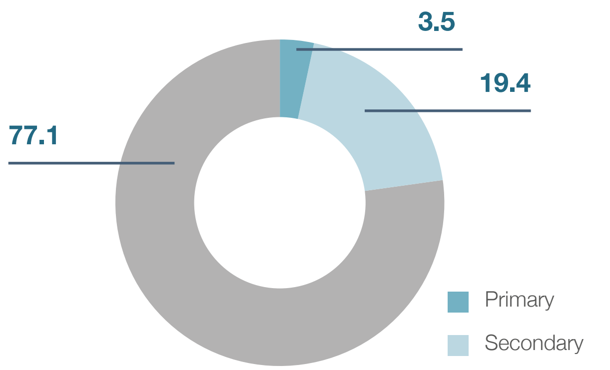


Sources: Statistics Mauritius and Bank of Mauritius.

Production

The tertiary sector remained the main contributor to GDP growth in 2019 (Chart 2.5). High growth services sectors such as *'information and communication'* and *'professional, scientific and technical activities'* maintained their growth momentum, while the *'financial and insurance activities'* and *'administrative and support service activities'* sectors grew at a slower pace. Moreover, the *'accommodation and food service activities'* sector contracted in 2019. The secondary sector also grew at a slower pace in 2019 amid a deceleration in the *'construction'* and *'manufacturing'* sectors. The primary sector, in contrast, expanded in 2019, after two successive years of negative growth, driven mainly by higher output of *'sugarcane' and 'fishing'*.

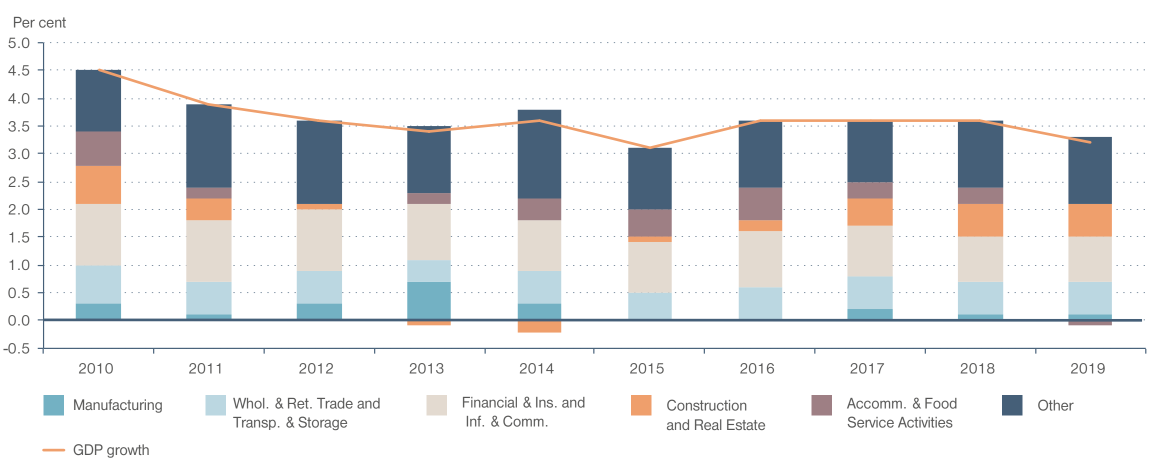
Chart 2.5: Share of Primary, Secondary and Tertiary Sectors in GVA, Per cent



Note: GVA refers to Gross Value Added.
Source: Statistics Mauritius.

Major economic sectors contributed positively to GDP growth in 2019. Value added in the services sector continued to be sustained and contributed around 2.5 percentage points to GDP growth, albeit lower compared to 3.0 percentage points in 2018. Among the major sectors of the economy, the contributions of *'financial services'*, *'distributive trade'*, *'construction'* and *'professional, scientific and technical activities'* remained noteworthy. The *'accommodation and food service activities'* sector was the only sector that dragged down GDP growth in 2019 (Chart 2.6).

Chart 2.6: Contribution to GDP Growth by Sector



Source: Statistics Mauritius.

The *'agriculture'* sector recovered from a contraction of 1.3 per cent in 2018 to expand by 4.1 per cent in 2019. An increase in sugar production from 323,406 tonnes in 2018 to 331,105 tonnes in 2019 partly accounted for the improved output produced by the sector. The share of sugar exports in total exports rose from 7.4 per cent in 2018 to 10.2 per cent in 2019. However, the area under sugarcane cultivation continued to shrink from 47,678 hectares in 2018 to 45,054 hectares in 2019, with the average extraction rate dropping to 9.7 per cent. The *'fishing'* sub-sector also performed remarkably and mostly accounted for the above-trend growth of the sector, with fish production growing by 8.7 per cent, from 29,116 tonnes in 2018 to 31,663 tonnes in 2019. *'Fish and fish preparations'* exports represented around 20 per cent of total domestic exports. In 2020, the agricultural sector is expected to remain resilient despite the economic fallout from the COVID-19 pandemic.

The *'manufacturing'* sector grew at a lower pace of 0.5 per cent in 2019 compared to 0.7 per cent in 2018. The *'sugar milling'* and *'food processing'* sub-sectors grew by 9.3 per cent and 1.3 per cent, respectively, whereas the *'textile'* sub-sector contracted by 5.9 per cent. Operators in the textile industry continued to suffer from weakening demand across main trading markets as well as erosion of competitiveness. Output contributed by the *'manufacturing'* sector remained on a downtrend, with the share of the sector in total value added dropping to a record low of 12.5 per cent in 2019. In 2020, the sector is expected to be directly hit by the COVID-19 pandemic, with the heavily export-reliant *'textile'* industry estimated to contract by a hefty 45 per cent on account of low demand from main export partners.

The *'construction'* sector remained supportive of domestic activity in 2019, growing by 8.5 per cent and above its average growth for the last ten years. Leveraging on the large scale infrastructure development projects under the Public Sector Investment Programme, the *'construction'* sector added 0.4 percentage point to GDP growth in 2019. For 2020, the sector is expected to be negatively affected by the COVID-19 pandemic, contracting by around 20 per cent. Confinement measures implemented to contain the local spread of the pandemic, as well as muted private sector investment projects, would dent growth momentum in the sector. Growth in the *'real estate'* sector firmed to 3.4 per cent in 2019, from 3.2 per cent in 2018, as some smart city projects kick-started.

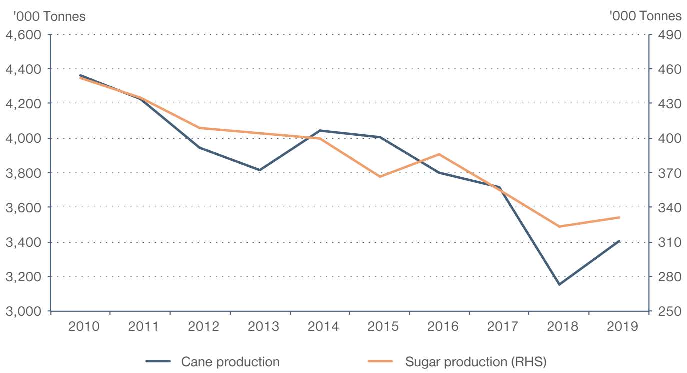
The *'accommodation and food service activities'* sector, which contracted by 1.1 per cent in 2019, as against a growth of 4.1 per cent in 2018, dragged down real GDP growth with a negative contribution of 0.1 percentage point. Tourist arrivals dropped by 1.1 per cent in 2019, led by the decline in arrivals from China (35.0 per cent), India (11.8 per cent), South Africa (7.4 per cent) and the United Kingdom (6.8 per cent). Gross tourism earnings for the year amounted to Rs63 billion, 1.5 per cent lower compared to Rs64 billion recorded in 2018. In the first half of 2020, the tourism industry felt the brunt of the rapid spread of the coronavirus. The imposition of national confinement, travel restrictions and closure of borders quickly entailed a complete stop of activities within the sector. In January 2020, tourist arrivals were promising, recording a growth of 12 per cent compared to 2018. However, as travel fears gained momentum and measures to contain the outbreak of COVID-19 were introduced, tourist arrivals dropped by more than 50 per cent in March 2020. As national borders remained closed throughout 2020Q2, tourist arrivals in 2020H1 were down by 53.1 per cent compared to 2019H1. Given this disconcerting situation, the sector is expected to contract by around 70 per cent in 2020.

Growth in the *'financial and insurance activities'* sector moderated somewhat to 5.2 per cent in 2019, from 5.4 per cent in 2018. The *'monetary intermediation'*, *'financial leasing and other credit granting'* and *'other financial intermediaries'* sub-sectors registered lower growth of 5.4 per cent, 6.3 per cent and 4.1 per cent, respectively. The *'insurance, reinsurance and pension'* sub-sector expanded by 5.0 per cent in 2019 compared to 4.8 per cent in 2018. The *'financial and insurance activities'* sector contributed 0.6 percentage point to real GDP growth in 2019. While the performance of the sector remained close to its trend level in 2019, the COVID-19 pandemic is expected to affect the sector's performance in 2020, mostly through a decline in global business activities. The sector is estimated to grow at a tepid pace of 1.0 per cent in 2020 - its lowest since 2008.

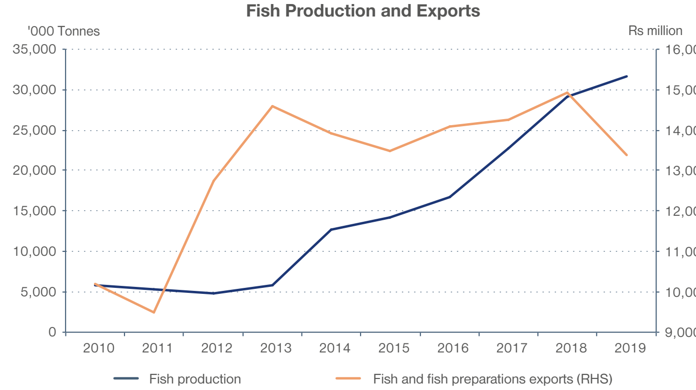
Growth in the *'information and communication'* sector remained steady at 5.5 per cent in 2019, unchanged since 2017 but well below the average growth of the last decade. The sector contributed 0.2 percentage point to real GDP growth in 2019, benefiting from robust demand for technology and communication products and services. The number of mobile cellular telephone subscriptions per 100 inhabitants dropped from 151.6 in 2018 to 147.5 in 2019, while internet access continued to improve from 107.1 subscriptions per 100 inhabitants in 2018 to 118.2 in 2019. The sector is expected to remain resilient in 2020, on account of a surge in demand for IT-related products and services, as some services have been enhanced following disruptions from COVID-19, including work from home.

Selected Sectoral Indicators

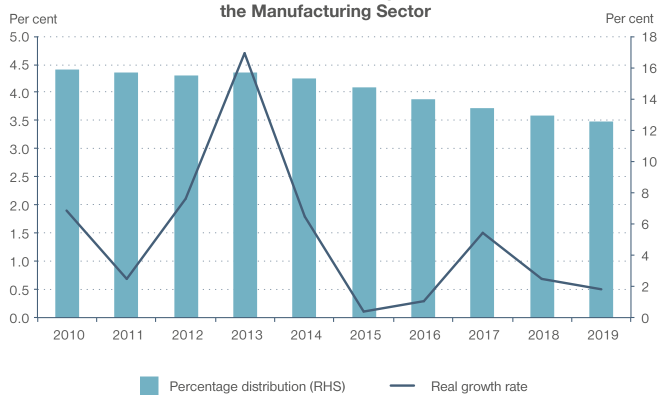
Cane and Sugar Production



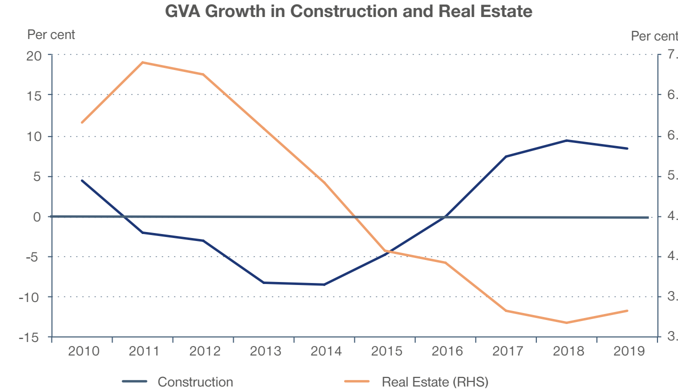
Fish Production and Exports



Real Growth Rate and Percentage Distribution of the Manufacturing Sector

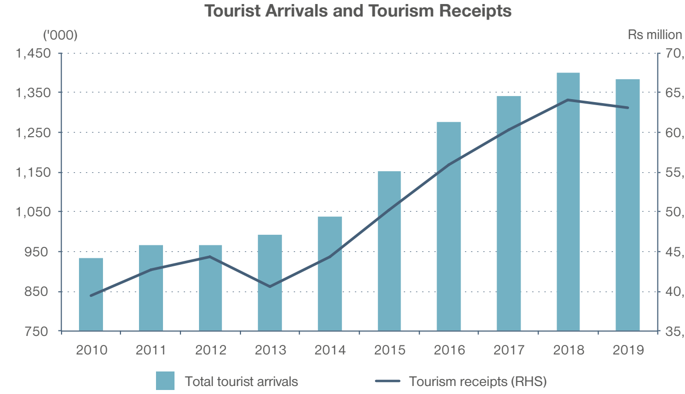


GVA Growth in Construction and Real Estate

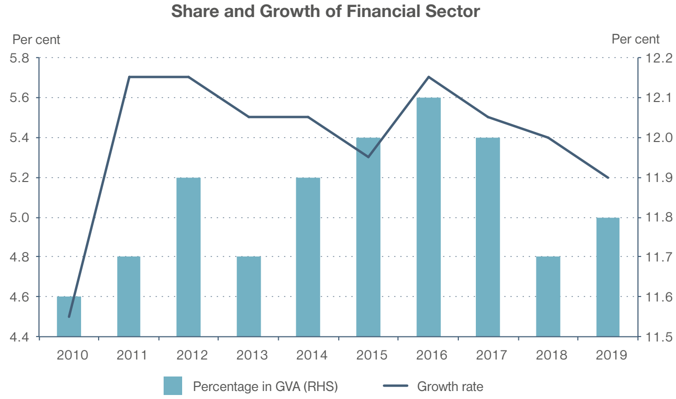


Accommodation and Food Service Activities

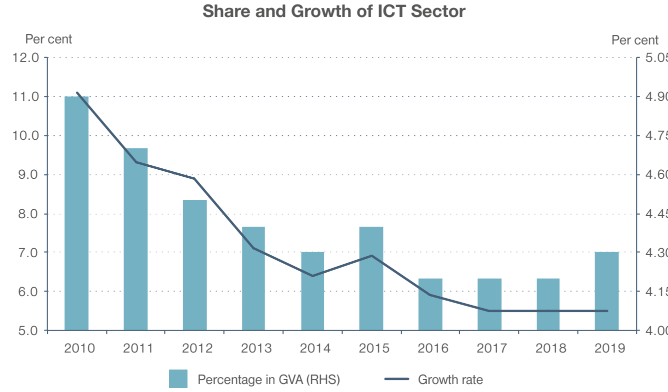
Tourist Arrivals and Tourism Receipts



Share and Growth of Financial Sector



Share and Growth of ICT Sector



Sources: Statistics Mauritius and Bank of Mauritius.

LABOUR MARKET DEVELOPMENTS

The labour market firmed further in 2019 as the headline unemployment rate declined to its lowest since 2000 to 6.7 per cent, edging closer to the equilibrium rate of unemployment for the economy. Dampening labour productivity growth was partly offset by slower compensation of employees' growth which limited the growth in unit labour costs, preserving the competitiveness of the labour resource. However, the Wage Assistance Scheme, implemented since March 2020 and which provides a wage subsidy to employers whose operations have been impacted by the pandemic, has to a large extent mitigated labour market disruptions.

Wage Rate Index

Wage Rate Index (WRI) reflects changes in labour costs across the economy

Containment measures weighed on wage growth in 2020Q2

WRI fell for the first time since quarterly records began in 2007. Q-o-q, WRI dropped by 1.8% in 2020Q2

Private and public sector wage indices dropped by 1.6% and 1.9%, respectively, on a q-o-q basis in 2020Q2

Contributors to the Wage Rate Index

Lower wages were recorded in the following sectors:

Private sector

Accommodation & food service activities

Wholesale & retail trade

Professional, scientific & technical activities

Administrative & support service activities

Public sector

Transportation

Storage

In the private sector, lower wages were recorded primarily in sectors such as '*accommodation and food service activities*' (-0.6 point), '*wholesale and retail trade*', '*professional, scientific and technical activities*' and '*administrative and support service activities*' (0.4 point each). Wages fell by 3-6 per cent in these sectors, although these declines were partly offset by an increase of 6.5 per cent in wages of the agricultural sector, which likely reflected hikes in prices of vegetables amid occasional disruptions in supply. In the public sector, the lower index was largely a result of a fall of 15.0 per cent in the index for '*transportation and storage*' which contributed 1.6 points to the overall decline in the public sector index.

Labour Force, Employment and Unemployment

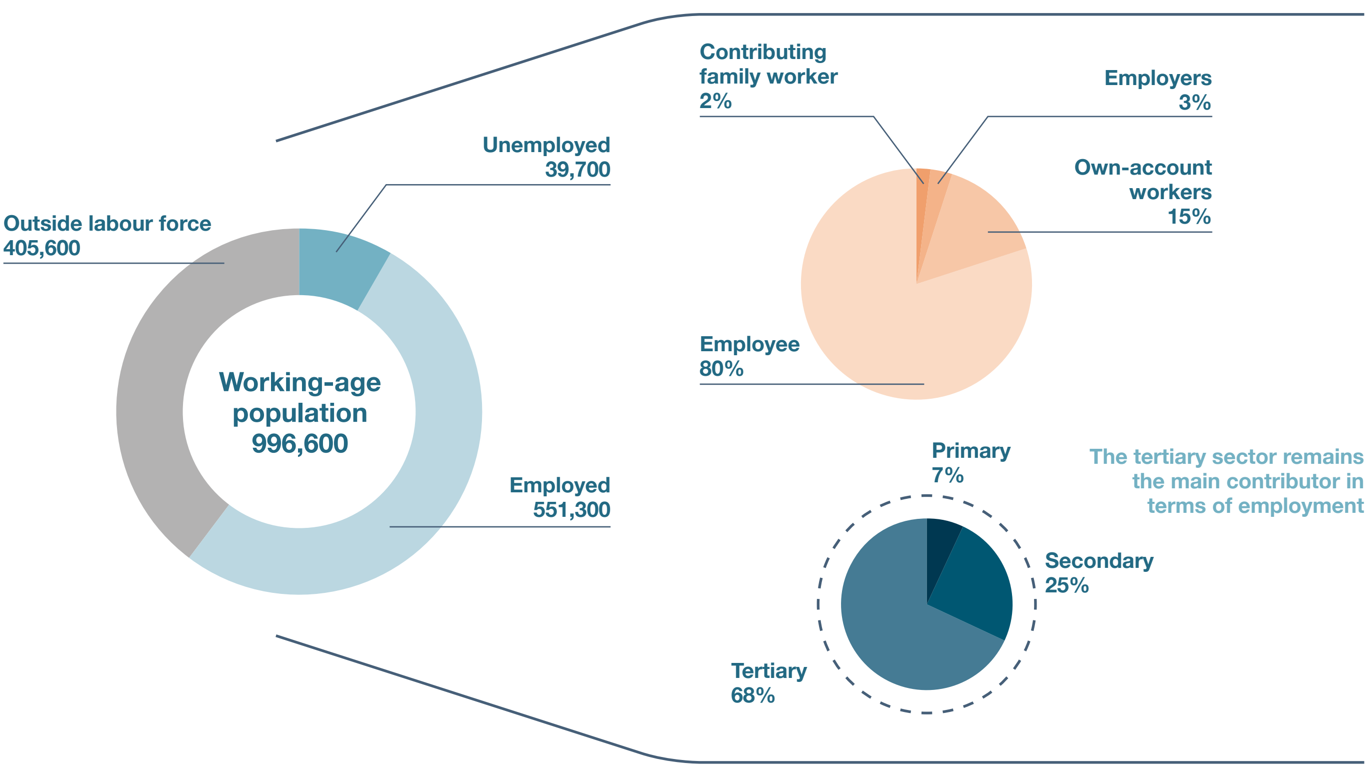
Based on the Continuous Multi-Purpose Household Survey, the working age population, comprising men and women aged 16 years or older, stood at 996,600 in 2019, higher compared to 990,900 in 2018. The labour force exclusive of foreign workers rose to 591,000 in 2019 against a contraction recorded in 2018, out of which 551,300 were in employment and 39,700 were unemployed. Accordingly, the labour force participation rate, measured as the labour force divided by the population aged 16 years and over, increased to 59.3 per cent in 2019, from 58.9 per cent in 2018. The remaining 405,600 people of working age were outside the labour force. As for the number of foreign workers in the labour force, it increased from 29,400 in 2018 to 30,700 in 2019.

Total employment, excluding foreign workers, increased by 7,600 from 543,700 in 2018 to 551,300 in 2019. The significant rise in employment reflects mainly higher employment of women from 207,600 to 212,200 in the age groups 40 to 49 years and 55 to 64 years. An increase in employment was noted in the '*construction*' sector (+3,800) and services sectors, in particular '*accommodation and food service activities*' (+2,400), '*public administration and defence*' (+2,000) and '*information and communication*' (+600). These gains were, however, partly offset by the decline in employment in the '*manufacturing*' sector

(-1,100) – a persisting trend since 2015 and *'agriculture, forestry and fishing'* sector (-700), reflecting mainly the challenges faced by these sectors.

The unemployment rate maintained its downtrend, declining from 6.9 per cent in 2018 to 6.7 per cent in 2019, the lowest level since 2000. The fall in unemployment was attributed to higher Mauritian employment of 7,600, which outweighed the increase in labour force of 7,200, hence reducing the number of unemployed by 400. Despite the unemployment rate reaching a 20-year low and substantial employment creation in 2019, labour market conditions are expected to weaken amid the disrupted economic performance in 2020. The unemployment rate is forecast to increase to around 15 per cent in 2020.

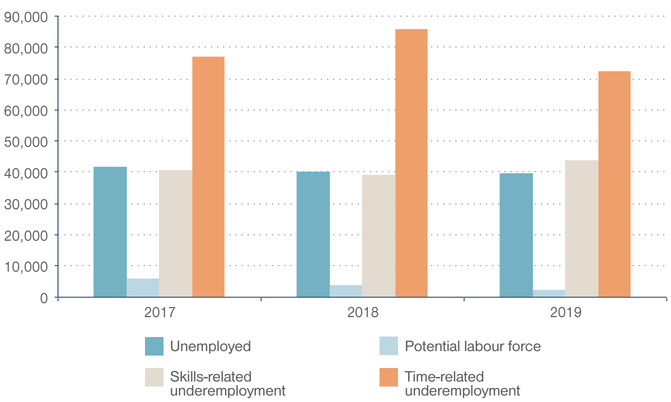
Snapshot of the Labour Market in Mauritius, 2019



Source: Statistics Mauritius.

Despite a broad improvement in employment creation in the labour market in 2019, measures of labour market underutilisation still pointed towards some degree of slack. Labour underutilisation, measured as the sum of the number of people in the labour force who are not being fully utilised and those who were outside the labour force, declined to 158,000 in 2019, from 168,800 in 2018 (Chart 2.7).

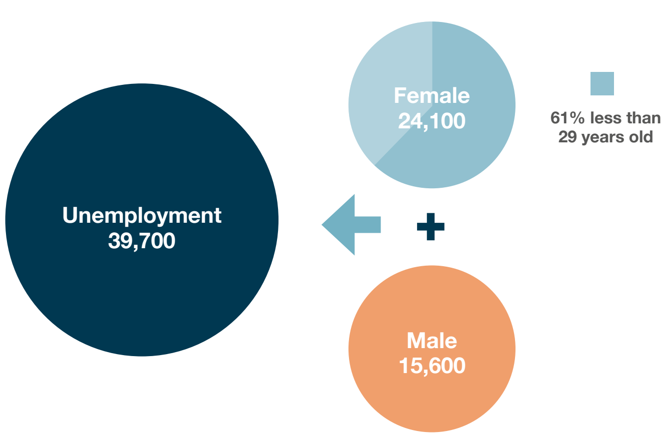
Chart 2.7: Labour Underutilisation



Source: Statistics Mauritius.

Imbalances in the labour market persisted, in terms of high female unemployment, skills-related underemployment and a sizeable number of low-skilled unemployed. Women accounted for a significant 61 per cent of the unemployed, while skills-related underemployment stood at 43,700 in 2019, representing almost 8 per cent of the employed population (Chart 2.8). Around half of the unemployed did not possess their School Certificate, which could raise concerns over the limited potential of this group for re-skilling and skills upgrading. In addition, an ageing population would constrain the contribution of labour in economic growth, although a relaxation of labour laws to attract foreign labour in the different sectors of the economy would address this concern in the medium term.

Chart 2.8: Unemployed Population in 2019



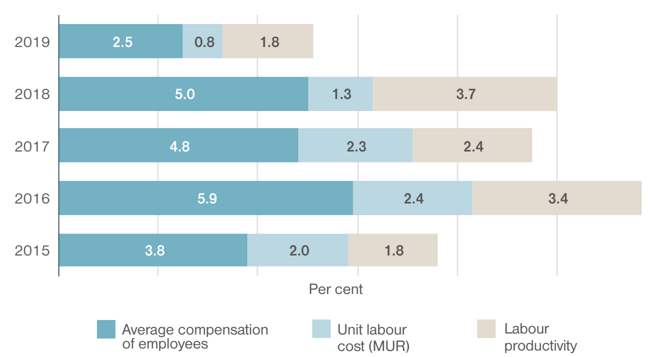
Source: Statistics Mauritius.

Labour Productivity and Unit Labour Cost

Growth in labour productivity, a key component of output growth and primary determinant of future gains in GDP per capita, slowed sharply to 1.8 per cent in 2019, from 3.7 per cent in 2018, reflecting predominantly an increase of 1.6 per cent in the labour input (Chart 2.9). Average compensation of employees, which rises on average by 5 per cent each year, halved to 2.5 per cent in 2019. This stemmed the growth in unit labour cost from 1.3 per cent in 2018 to 0.8 per cent in 2019. Given the 4.2 per cent depreciation of the rupee in 2019, following an appreciation of 1.8 per cent in 2018, unit labour cost in US dollar terms fell for the first time since 2015, declining by 3.3 per cent in 2019 after a 3.1 per cent rise in 2018.

Unit labour costs of Export-Oriented Enterprises (EOEs) rose by 4.7 per cent in 2019, decelerating from 6.9 per cent in 2018. This was associated with a noticeable rebound in labour productivity growth from -0.1 per cent in 2018 to 4.3 per cent in 2019, which offset the rise in average compensation from 6.7 per cent to 9.1 per cent. In US dollar terms, unit labour cost in the EOE sector rose by 0.5 per cent in 2019 compared to 8.8 per cent in 2018.

Chart 2.9: Growth in Labour Productivity and Competitiveness Indicators



Source: Statistics Mauritius.

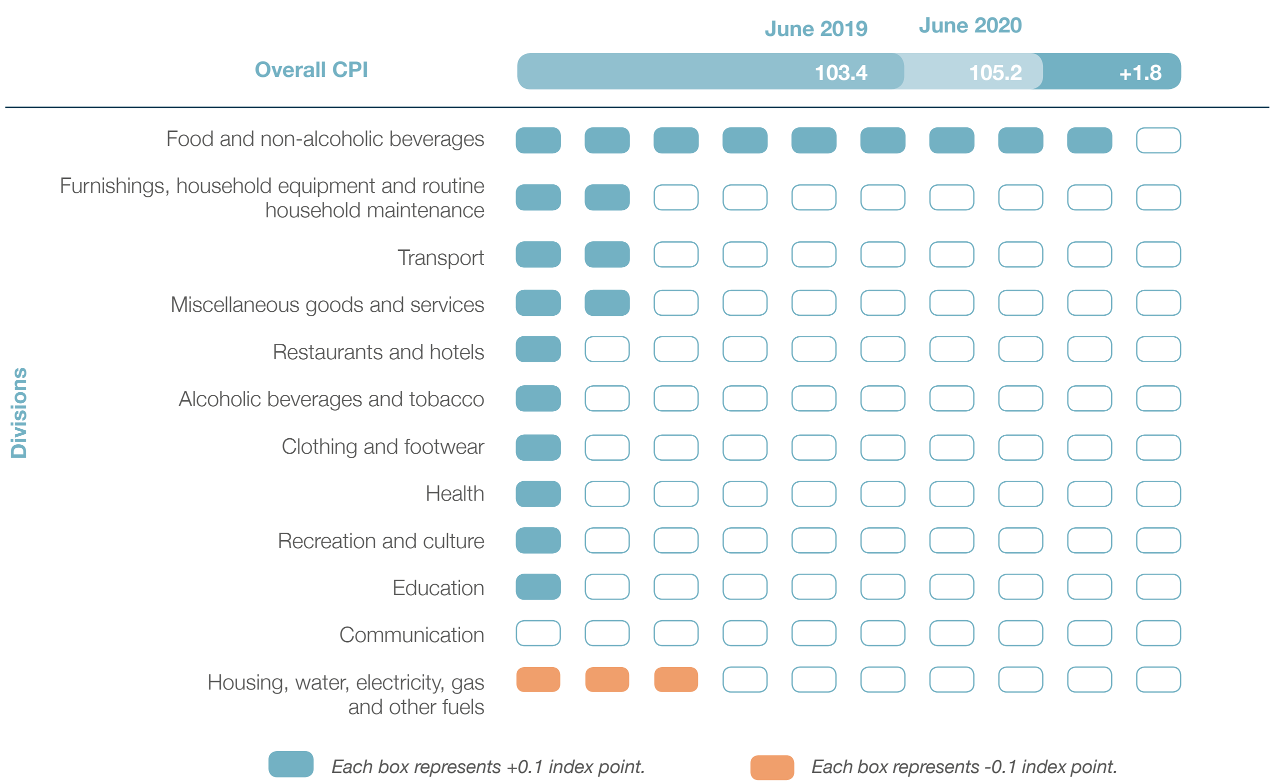
In the manufacturing sector, unit labour cost rose by 1.5 per cent in rupee terms in 2019 but declined in US dollar terms by 2.6 per cent. Prolonged periods of depressed competitiveness have implications for the viability of these sectors. In addition to the loss of competitiveness of the labour input, capital productivity growth has also slowed to 2.8 per cent in 2019 when compared to its long-term trend, estimated at 4.1 per cent from 2009 to 2019.

PRICE DEVELOPMENTS

Inflationary pressures remained subdued in 2019H2 before gaining momentum in 2020H1 on the back of seasonal gyrations in the price of fresh vegetables, coupled with some disruptions in the supply chain amid the COVID-19 pandemic. Headline inflation, as measured by the percentage change in the twelve-month average Consumer Price Index (CPI), eased from 1.0 per cent in June 2019 to a trough of 0.5 per cent in December 2019, before rising steadily to 1.8 per cent in June 2020. Year-on-year (y-o-y) inflation, computed as the percentage change in the CPI of a given month compared with the same month of the preceding year, rose from 0.6 per cent in June 2019 to peak at 4.2 per cent in April 2020, reflecting supply constraints during the national lockdown period. However, y-o-y inflation reversed course and dropped to 2.8 per cent in May 2020 and further to 1.7 per cent in June 2020 on the back of normalisation in the price of fresh vegetables towards close of FY2019-20.

Overall, the CPI increased by 1.8 index points, or 1.7 per cent, from 103.4 in June 2019 to 105.2 in June 2020. Chart 2.10 shows the weighted divisional contribution to the change in CPI during the period under review.

Chart 2.10: Weighted Divisional Contribution to Change in CPI

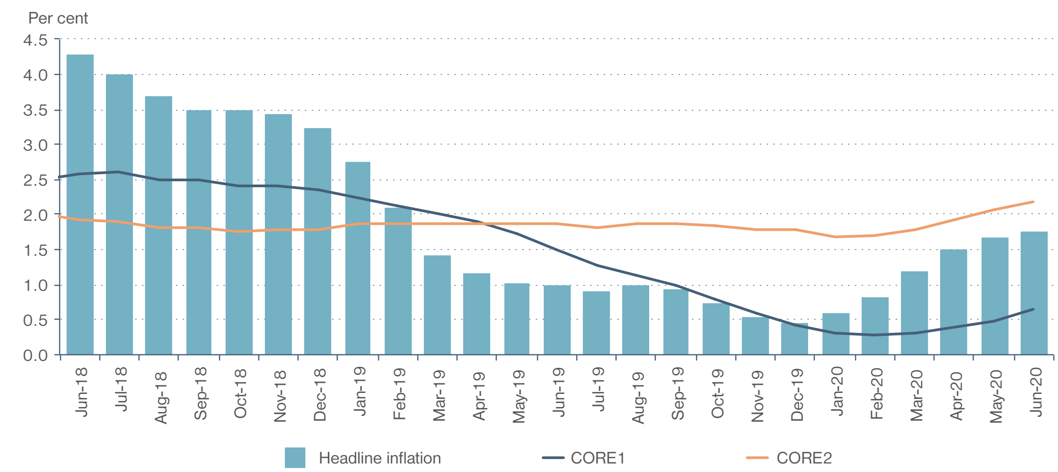


Sources: Statistics Mauritius and Bank of Mauritius.

Core Inflation

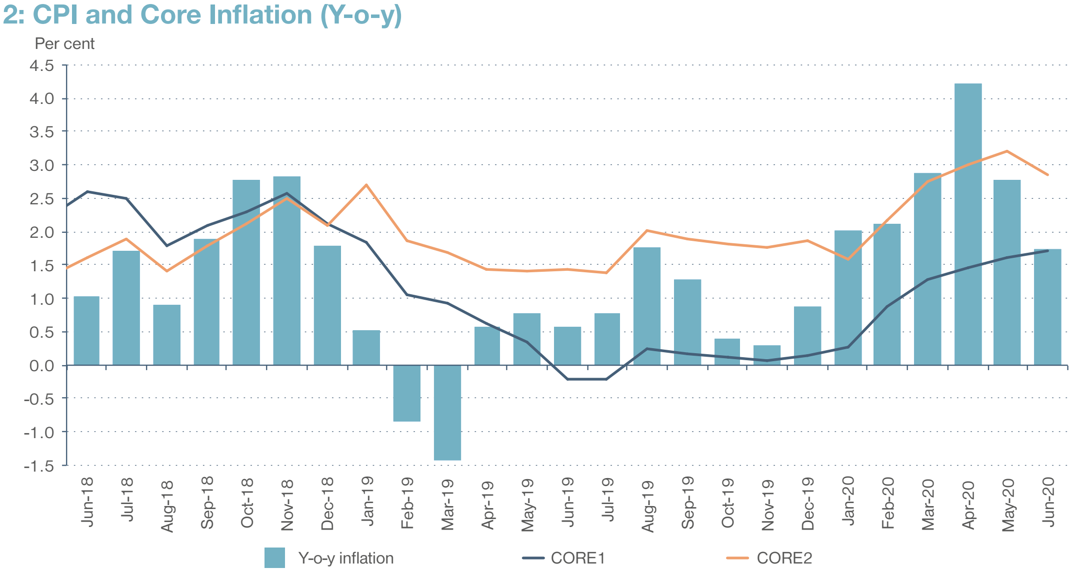
Core inflation measures maintained a relatively mild course and remained broadly subdued during FY2019-20. On a 12-month average basis, CORE1 inflation fell from 1.5 per cent in June 2019 to 0.6 per cent in June 2020, while CORE2 inflation went up from 1.9 per cent to 2.2 per cent over the same period. On a y-o-y basis, CORE1 inflation settled at 1.7 per cent in June 2020, higher compared to -0.2 per cent in June 2019, and in parallel, CORE2 inflation closed FY2019-20 at a higher rate of 2.9 per cent, from 1.4 per cent in June 2019. Chart 2.11 depicts the movements of headline and core inflation over the period June 2018 through June 2020 and Chart 2.12 shows the y-o-y movements of CPI and core inflation over the same period.

Chart 2.11: Headline and Core Inflation (12-month Average)



Sources: Statistics Mauritius and Bank of Mauritius.

Chart 2.12: CPI and Core Inflation (Y-o-y)

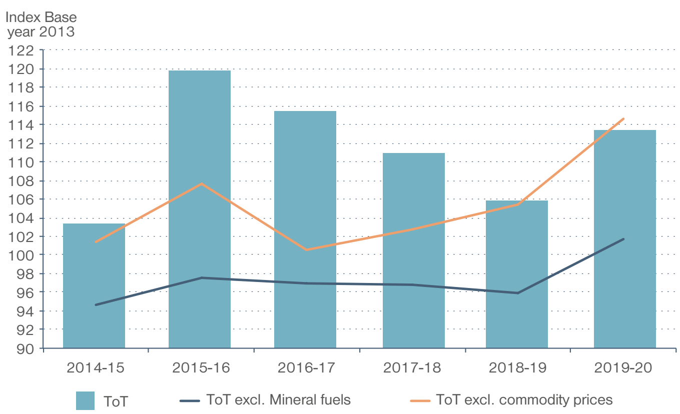


Sources: Statistics Mauritius and Bank of Mauritius.

Terms of Trade Developments

In FY2019-20, the terms of trade (ToT) improved by 6.9 per cent compared to FY2018-19 as the hike in export prices outweighed the increase in import prices. Excluding the import price of *'mineral fuels, lubricants and related materials',* ToT is estimated to have gained about 5.9 per cent but excluding commodity prices, the ToT is estimated to record a higher increase of about 8.8 per cent. Chart 2.13 depicts the terms of trade from FY2014-15 to FY2019-20. The export price index (EPI) increased by 11.6 per cent during the period under review and adjusted for exchange rate changes, the EPI rose by 11.8 per cent. The import price index (IPI) increased by 4.4 per cent while adjusted for exchange rate changes, the IPI increased by 4.6 per cent. Excluding *'mineral fuels, lubricants and related materials'*, the IPI rose by 5.3 per cent and excluding commodity prices, the IPI increased further by 6.2 per cent over the same period.

Chart 2.13: Terms of Trade

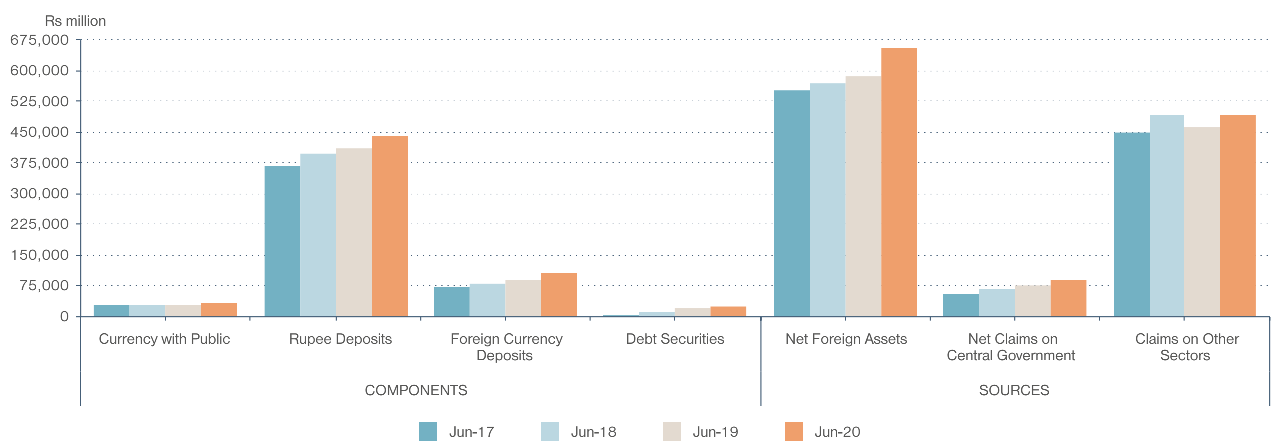


Source: Statistics Mauritius.

MONETARY AGGREGATES AND KEY MONETARY RATIOS

The growth rate of Broad Money Liabilities (BML) remained robust, while bank loans to private sector moderated somewhat during FY2019-20. BML expanded significantly in FY2019-20, fostered partly by accommodative monetary policy measures taken by the Bank to counter the negative impact of COVID-19 on the economy. The annual growth rate of BML almost doubled to 12.7 per cent as at end-June 2020, from 6.4 per cent as at end-June 2019. Currency with public and deposit liabilities grew by 20.2 per cent and 14.5 per cent, respectively, in FY2019-20 compared to 3.3 per cent and 5.3 per cent in FY2018-19. The increase in currency in circulation reflected partly higher cash withdrawals by depositors to meet needs during the lockdown period. Debt securities included in BML contracted significantly by 30.2 per cent in FY2019-20 as against an increase of 35.6 per cent in FY2018-19. In FY2019-20, rupee deposits and foreign currency deposits included in BML grew at a much faster pace of 10.9 per cent and 30.7 per cent, respectively, compared to 4.7 per cent and 8.2 per cent in FY2018-19. Chart 2.14 shows the components and sources of BML as at end-June 2017, 2018, 2019 and 2020.

Chart 2.14: Components and Sources of BML

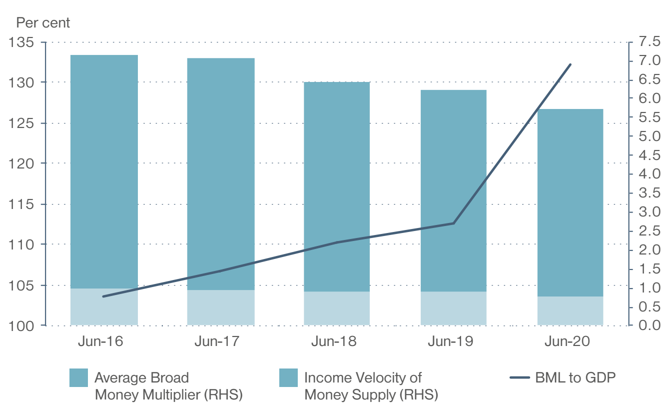


Y-o-y, net foreign assets (NFA) of depository corporations (DCs) rose by 19.9 per cent, from Rs592.0 billion as at end-June 2019 to Rs710.0 billion as at end-June 2020, supported by respective increases of 27.1 per cent and 10.2 per cent in the NFA of other depository corporations (ODCs) and those of the Bank. Domestic claims of DCs expanded by 10.1 per cent to Rs615.6 billion compared to an increase of 7.4 per cent registered in FY2018-19. Net claims on Central Government grew by 34.1 per cent to Rs108.9 billion as at end-June 2020, reflecting an increase in Government securities held by ODCs. Growth in claims on other sectors (excluding financial derivatives) slowed to 6.0 per cent as at end-June 2020, down from 6.6 per cent as at end-June 2019.

The monetary base expanded by a hefty 40.3 per cent, from Rs105.7 billion at the end of June 2019 to Rs148.3 billion at the end of June 2020, as against a contraction of 3.0 per cent in the preceding corresponding period. The expansion primarily resulted from increases in banks' deposits held with the Bank and currency in circulation which in essence, reflected monetary measures taken by the Bank to boost the economy amidst the negative impact of COVID-19 during 2020H1. On the sources side of the monetary base, NFA of the Bank grew by 10.2 per cent in FY2019-20 compared to 9.9 per cent in FY2018-19. Likewise, domestic claims of the Bank accelerated by 58.2 per cent, largely mirroring the increase in claims on ODCs due to disbursements of around Rs12.0 billion made to banks under the COVID-19 Special Foreign Currency Line of Credit.

The income velocity of money, which refers to the frequency of monetary transactions in an economy, edged down to 0.8 at the end of June 2020, from 0.9 at the end of June 2019, while the average broad money multiplier dropped further from 5.3 as at end-June 2019 to 5.0 as at end-June 2020. The BML to GDP ratio, which is an indication of financial depth, rose from 112.7 per cent as at end-June 2019 to 132.2 per cent as at end-June 2020. Currency with public to GDP ratio rose from 6.1 per cent to 7.3 per cent, reflecting to some extent, the usage of cash during the lockdown period. Chart 2.15 shows selected monetary ratios for the years ended June 2016 through to June 2020.

Chart 2.15: Selected Monetary Ratios



Bank Loans[1] to the Private Sector[2]

Bank loans to the private sector (excluding GBCs) rose by 4.0 per cent or Rs12.3 billion, from Rs304.5 billion as at end-June 2019 to Rs316.8 billion as at end-June 2020, compared to an increase of 5.0 per cent registered between end-June 2018 and end-June 2019. Bank lending to the private sector was marked by diverging growth trajectories during FY2019-20. Whilst in the first half of FY2019-20, y-o-y growth in bank lending to the private sector was on a declining trend, it reversed course in the second half of FY2019-20 and peaked at 5.0 per cent in February 2020, supported by buoyant corporate borrowings. Subsequently, with the slowdown in economic activity arising from national lockdown measures imposed over March through to mid-May 2020, annual growth in bank loans to the private sector gradually declined to 4.0 per cent in June 2020 (Chart 2.16).

Bank lending to corporates grew by 3.5 per cent, y-o-y, in June 2020, up from 2.0 per cent in June 2019. Annual growth in bank loans to corporates was primarily supported by additional borrowings in the *'accommodation and food service activities'* and *'real estate activities'* sectors which, together, accounted for almost 97.0 per cent of the increase in bank loans to corporates during FY2019-20 (Chart 2.17). In contrast, y-o-y growth in bank loans to households more than halved, dropping from 10.9 per cent as at end-June 2019 to 5.1 per cent by end-June 2020, mainly reflecting lower expansion in loans to households for 'purposes other than housing'[3]. Annual growth in loans to households for other purposes fell from 21.5 per cent in June 2019 to 1.5 per cent in June 2020, partly due to the drastic fall in household borrowings for consumption and working capital purposes following the outbreak of the COVID-19 pandemic in March 2020. Conversely, housing loans which accounted for almost two-third of loans to households as at end-June 2020, increased by 7.0 per cent or Rs4.8 billion over the year ended June 2020, compared to 5.8 per cent in the previous financial period.

[1] Loans include only facilities extended by banks in the form of loans, overdrafts and finance leases.
[2] Private sector includes Other Nonfinancial Corporations, Households, Public Nonfinancial Corporations and Other Financial Corporations.
[3] 'Purposes other than housing' include loans availed by households for acquisition of other consumer durable goods, purchase of land property, purchase of motor vehicles, education, medical expenses, purchase of equity, purchase of other financial assets, working capital/longer-term funds for proprietorships and other miscellaneous purposes.

Chart 2.16: Y-o-y Change in Bank Loans to the Private Sector

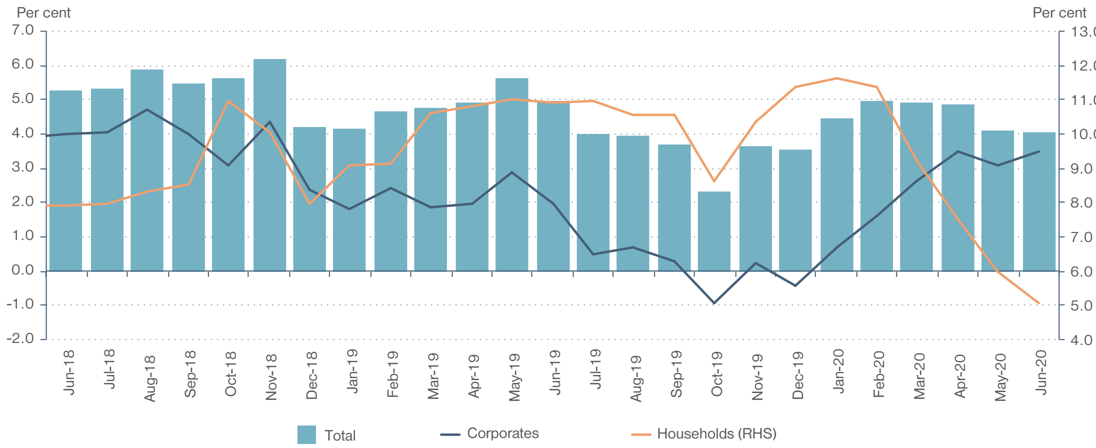
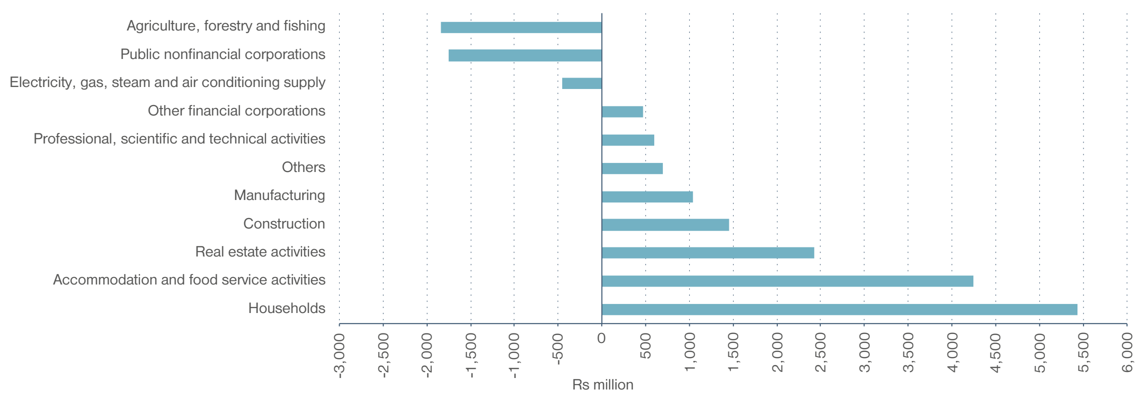


Chart 2.17: Contribution to the Increase in Bank Loans between June 2019 and June 2020



Bank lending to the *'accommodation and food service activities'* sector rose by 11.3 per cent or Rs4.2 billion, from Rs37.6 billion as at end-June 2019 to Rs41.8 billion as at end-June 2020, mainly due to additional loans availed by *'Resort hotels'*. Loans granted to this sector represented 13.2 per cent of total bank loans as at end-June 2020, up from 12.3 per cent as at end-June 2019. Bank loans to the *'real estate activities'* sector increased by 16.7 per cent or Rs2.4 billion, from Rs14.5 billion as at end-June 2019 to Rs17.0 billion as at end-June 2020. This sector accounted for 5.4 per cent of total bank loans as at end-June 2020, compared to 4.8 per cent as at end-June 2019.

The share of the *'construction'* sector in total bank loans edged up to 6.1 per cent as at end-June 2020, from 5.8 per cent as at end-June 2019. Loans extended to this sector expanded by 8.2 per cent or Rs1.5 billion and was largely explained by additional loans availed by operators in the *'construction of buildings'* sub-sector. Borrowings in the *'manufacturing'* sector rose by 4.9 per cent or Rs1.0 billion and stood at Rs22.4 billion as at end-June 2020, on account of increases in loans granted to the *'manufacture of beverages'* and *'manufacture of textiles'* sub-sectors. The share of loans of the *'manufacturing'* sector to total bank loans edged up slightly, from 7.0 per cent as at end-June 2019 to 7.1 per cent as at end-June 2020. Conversely, loans facilities to the *'agriculture, forestry and fishing'* sector fell by 13.4 per cent or Rs1.8 billion to Rs11.8 billion as at end-June 2020, primarily due to the decline in credit extended to the *'crop and animal production, hunting and related service activities'* sub-sector. Consequently, the share of the *'agriculture, forestry and fishing'* sector to total bank loans shrank from 4.5 per cent in June 2019 to 3.7 per cent in June 2020.

New Loans Disbursed by Banks to the Private Sector

Banks disbursed a total of Rs175.9 billion as new loans to the private sector (excluding GBCs) in FY2019-20, compared to an amount of Rs204.2 billion disbursed in FY2018-19. The *'Other Nonfinancial Corporations'* (ONFCs) sector accounted for the bulk of the new loans disbursed during FY2019-20 with a share of 61.6 per cent, followed by the *'Other Financial Corporations'*, *'Households'* and *'Public Nonfinancial Corporations'* sectors. Similar to the previous financial year, new borrowings were mostly in rupee rather than in foreign currency terms in FY2019-20. New rupee borrowings averaged Rs10.7 billion in FY2019-20, compared to Rs12.2 billion in FY2018-19 while new loans in foreign currency averaged Rs3.9 billion compared to Rs4.9 billion (Charts 2.18 and 2.19).

Chart 2.18: New Loans Disbursed to the Private Sector

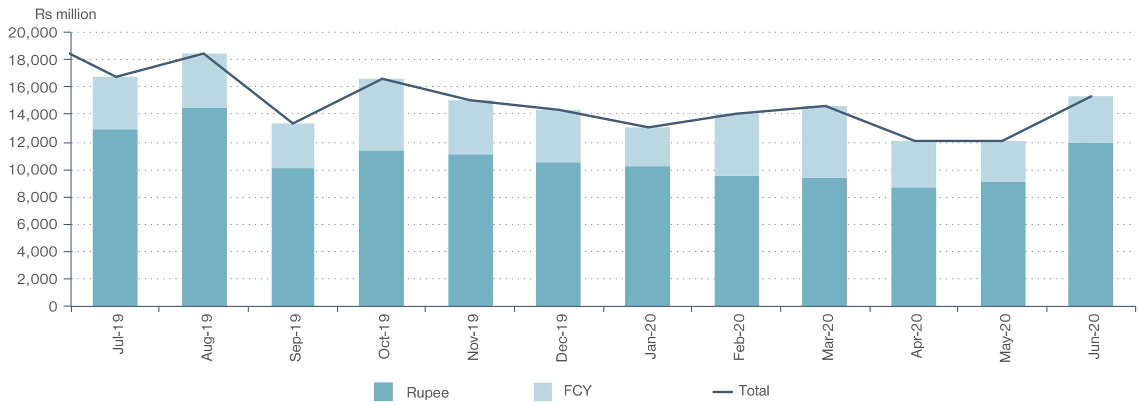
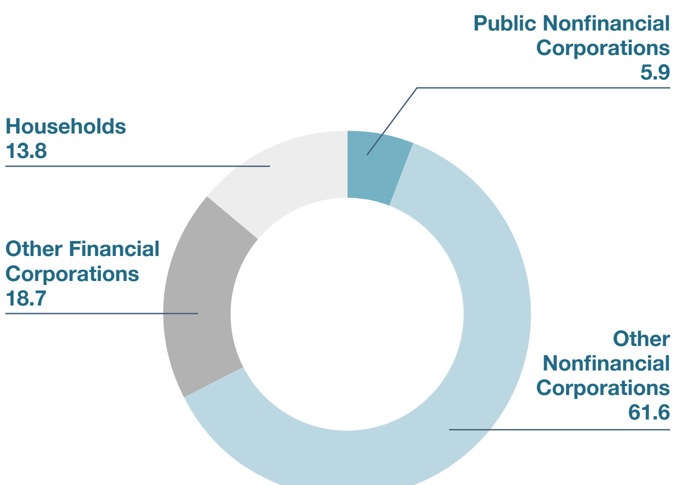


Chart 2.19: Share of Major Sectors in New Loans Disbursed during FY2019-20, Per cent



Maintenance of Cash Reserve Ratio

The statutory fortnightly minimum cash reserve ratio that banks had to maintain on their rupee deposits was reduced from 9.0 per cent to 8.0 per cent, with effect from the maintenance period starting 13 March 2020 as a policy measure taken by the Bank under the COVID-19 Support Programme. However, the required fortnightly minimum cash reserve ratio on foreign currency deposits held by banks was left unchanged at 6.0 per cent. During FY2019-20, banks' average rupee excess reserves ranged between Rs7.0 billion and Rs49.3 billion, compared to a range of Rs7.6 billion and Rs16.9 billion recorded in FY2018-19 (Chart 2.20). The annual average rupee excess reserves stood at Rs18.4 billion, up from Rs12.2 billion in the previous financial year. The average foreign currency excess reserves held by banks ranged between Rs12.4 billion and Rs21.6 billion in FY2019-20 and the annual average worked out to Rs15.6 billion compared to Rs14.5 billion in FY2018-19 (Chart 2.21). In sum, the overall average cash ratio combining both the rupee and foreign currency cash ratios, remained almost unchanged at around 14 per cent in FY2019-20.

As monetary measures were implemented by the Bank towards containing the negative impact of the COVID-19 pandemic, excess cash holdings reached an all-time high in the course of 2020Q2. Rupee excess reserves attained a peak of Rs49.3 billion on 04 June 2020 but subsequently subsided towards the end of FY2019-20. The upsurge in rupee excess reserves was mainly attributed to the reduction in the cash ratio requirement, a net increase in government expenditure on account of accommodative fiscal measures as well as net maturing securities since the emergence of COVID-19.

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

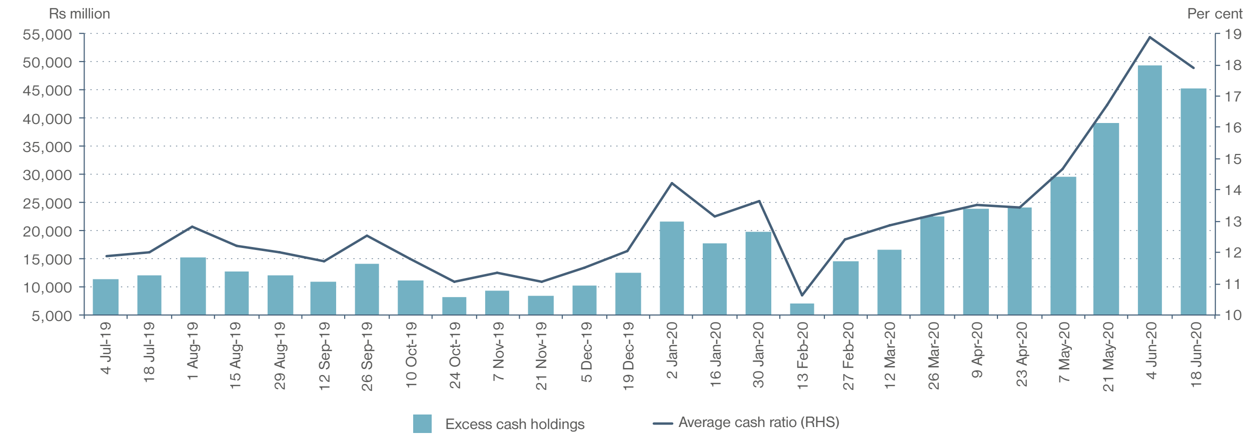
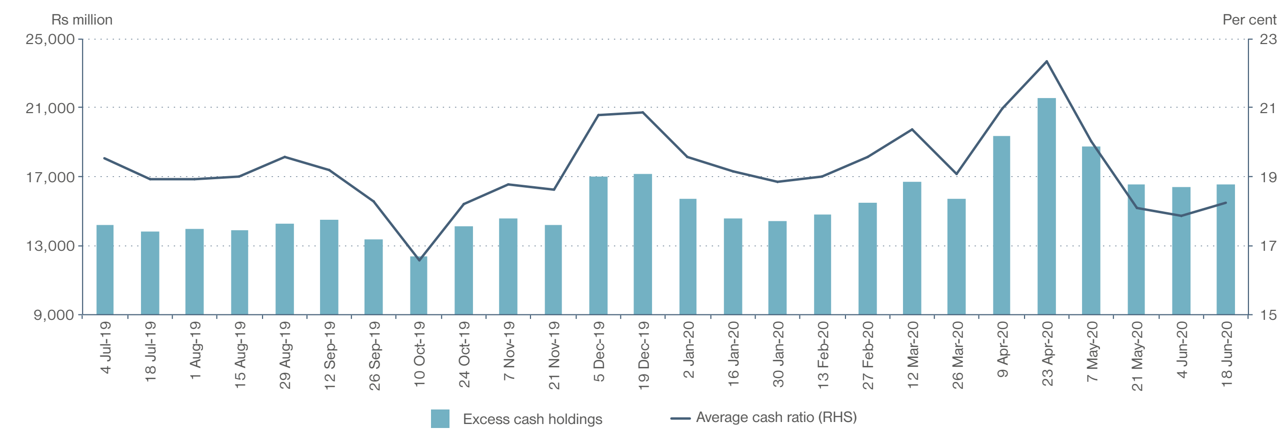


Chart 2.21: Rupee Equivalent of Foreign Currency Excess Cash Holdings and Average Foreign Currency Cash Ratio



Interest Rate

The monetary policy stance of the Bank remained broadly accommodative during FY2019-20. The MPC was convened on four occasions in FY2019-20. As a pre-emptive move against risks associated with weakening global growth and low inflationary pressures that emerged during 2019H2, the MPC reduced the KRR by 15 basis points, from 3.50 per cent to 3.35 per cent at its meeting held on 09 August 2019 and the KRR was kept unchanged at the MPC meeting held on 27 November 2019. Nonetheless, in view of mitigating the disruptive effects of the COVID-19 pandemic, the MPC reduced the KRR by a cumulative 150 basis points, from 3.35 per cent to 1.85 per cent at its meetings held on 10 March 2020 and 16 April 2020 (Chart 2.22).

Chart 2.22: Changes in Key Repo Rate during FY2019-20, Per cent

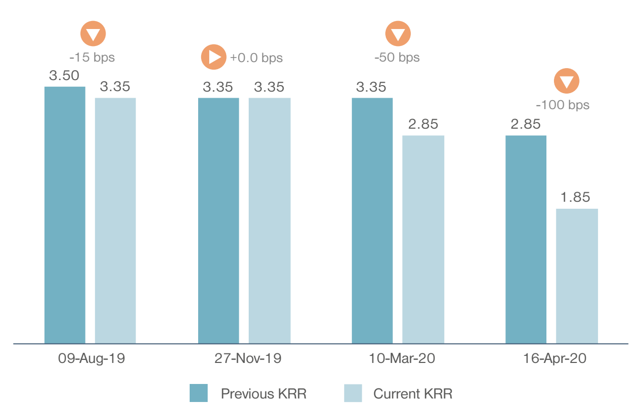
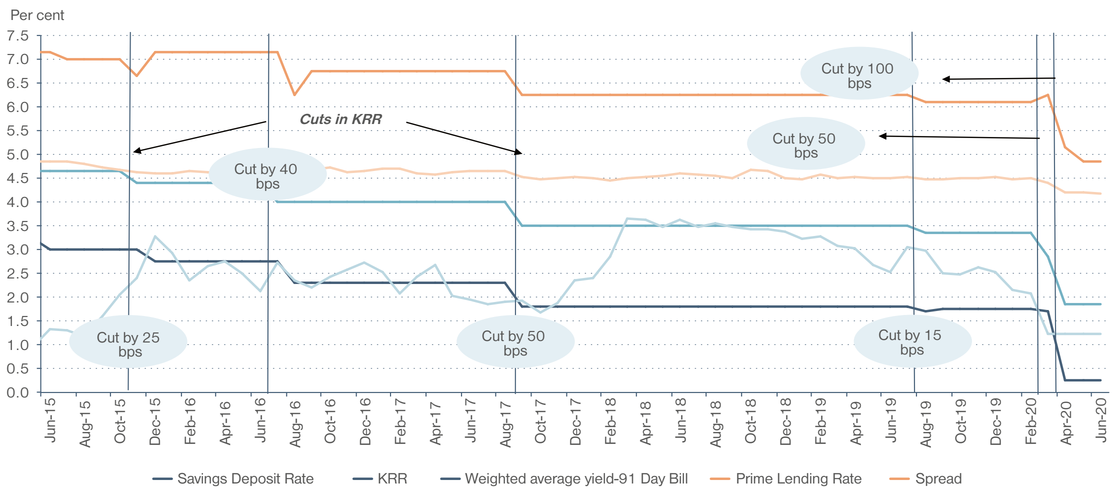


Chart 2.23: Evolution of Interest Rates



Banks in Mauritius generally stand guided by the changes in the KRR, and they adjust both their Savings Deposit Rate (SDR) and their Prime Lending Rate (PLR) accordingly. Consequently, the SDR, which fluctuated between 1.35-2.10 per cent in July 2019, dropped to 0.85-1.85 per cent in March 2020 and further to 0.15-0.60 per cent in May and June 2020. Concomitantly, interest rates on new term rupee deposits declined from a range of 0.10-5.00 per cent in July 2019 to 0.00-3.25 per cent in June 2020. The PLR also went down from a range of 5.65-8.50 per cent in July 2019 to a range of 4.00-6.85 per cent in June 2020 (Chart 2.23).

The overall weighted average rupee deposit and lending rates of banks remained broadly on a downtrend in 2019H2, reaching historically low levels in 2020H1 amid the COVID-19 pandemic. The weighted average rupee deposit rate of banks reached a 12-month low of 0.50 per cent in June 2020, down from 1.72 per cent in July 2019. Banks' weighted average lending rate eased from 6.24 per cent in July 2019 to 5.70 per cent in March 2020, and dropped further to 4.67 per cent in June 2020. Subsequently, the spread between the weighted average rupee lending rate and weighted average rupee deposit rate, a key determinant of profitability for the banking sector, narrowed by 0.35 percentage point, from 4.52 per cent in July 2019 to 4.17 per cent in June 2020.

Maturity Pattern of Foreign Currency Deposits

Banks' total foreign currency deposits (the rupee equivalent thereof) rose by Rs150 billion or 24.6 per cent, from Rs607 billion as at end-June 2019 to Rs757 billion as at end-June 2020. US dollar deposits remained by far the dominant currency held by banks and rose further from Rs477 billion as at end-June 2019 to Rs577 billion as at end-June 2020 (Chart 2.24).

The maturity structure of banks' foreign currency deposits remained broadly unchanged in FY2019-20. Out of the total foreign currency deposits mobilised by banks, the share of transferable deposits increased from 64.8 per cent as at end-June 2019 to 69.7 per cent as at end-June 2020, while the share of time deposits dropped from 35.2 per cent to 30.3 per cent. Nearly 90 per cent of the time deposits were held in tenors of 'Up to 12 months' (Chart 2.25).

Chart 2.24: Foreign Currency Deposits (Rs equivalent) Mobilised by Banks

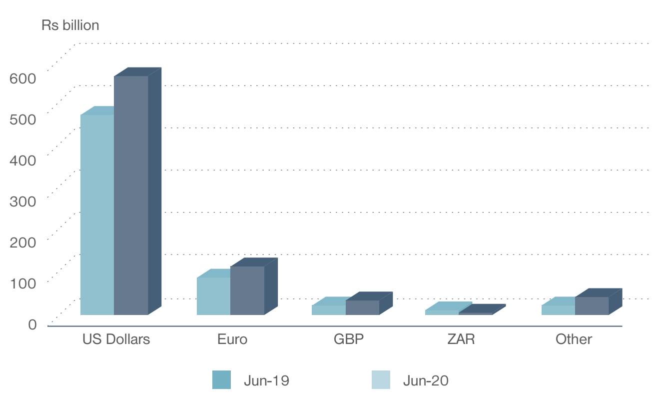
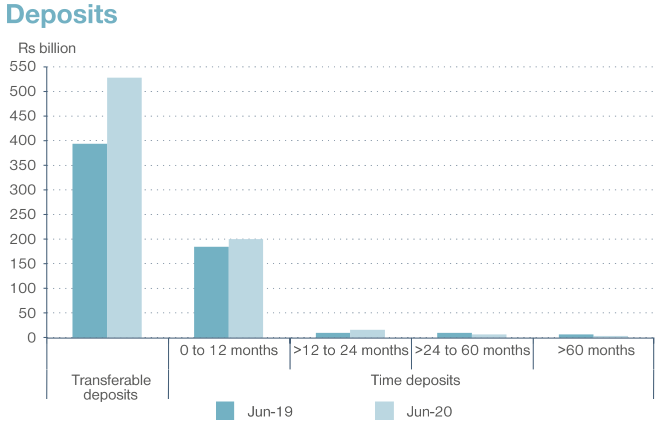


Chart 2.25: Maturity Structure of Foreign Currency Deposits



Financial Access and Inclusion

Financial inclusion means that individuals and businesses are able to access financial services at affordable costs.

The Bank plays a crucial role in promoting and facilitating access to financial services, while shaping the necessary financial infrastructure to ensure efficiency in the delivery of these services.

During the national confinement, the Bank came forward with a series of measures to ensure continuity in the provision of banking services by commercial banks.

Transactions per Mauritian (aged 15 years and above)

Mobile Money

6X increase in value from Rs29.96 in 2018 to Rs179.41 in 2019

The rise was mainly attributed to the licensing of an additional mobile money operator in August 2019

Internet Banking

Around 550,000 transactions were recorded in 2019

Transactions were equivalent to Rs450,000 per person in 2019 compared to Rs340,000 per person in 2018

Cards
(Credit cards, debit cards, ATMs and POS)

Rose by more than 20% to Rs23,500 in 2019

Women's Financial Access

Share of female depositors in the total number of deposit account holders increased to 48.4% as at end-December 2019, from 47.5% as at end-December 2016

Number of loan accounts held by the female population as a percentage of the total number of loan accounts rose to 35.0% as at end-December 2019, from 32.8% as at end-December 2016

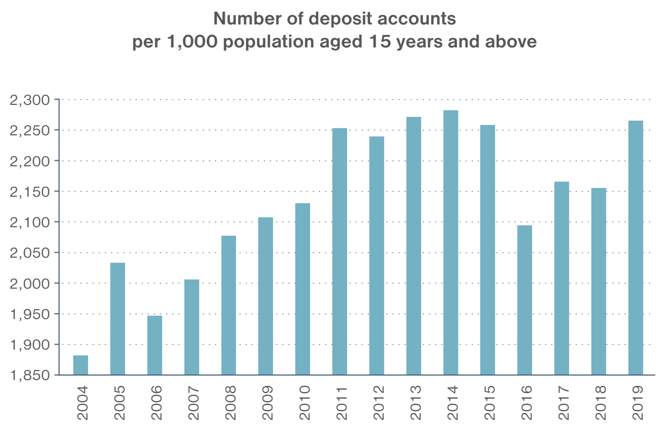
Small and Medium Enterprises

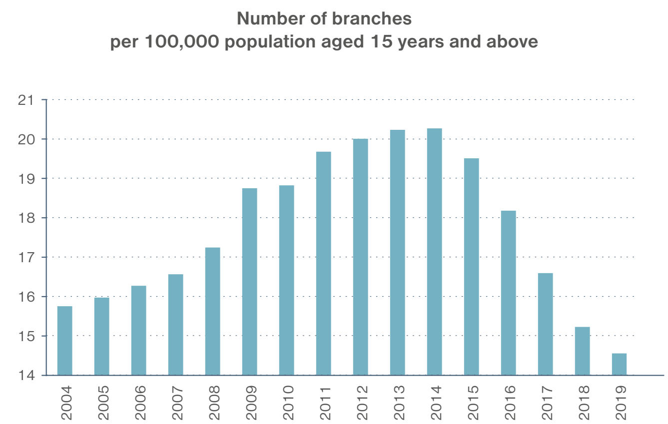
Total number of SME deposit accounts rose by 4.0% to about 54,000 in 2019, compared to 2018

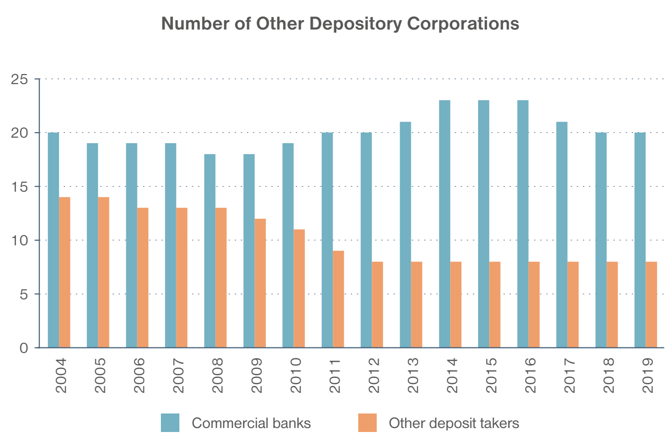
Total cumulative credit facilities approved under the SME Financing Scheme* increased by 15.0% to Rs11.2 billion in 2019, compared to 2018

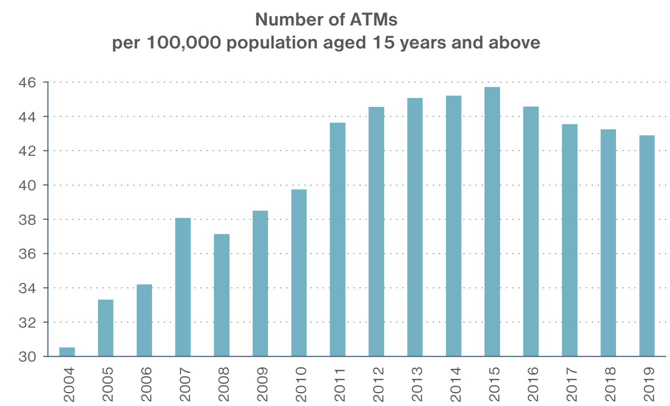
(inclusive of Small and Micro Enterprises with a turnover under Rs10 million)

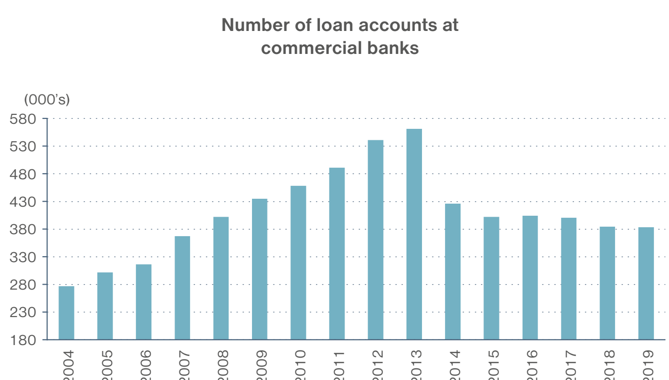
Indicators of Financial Access

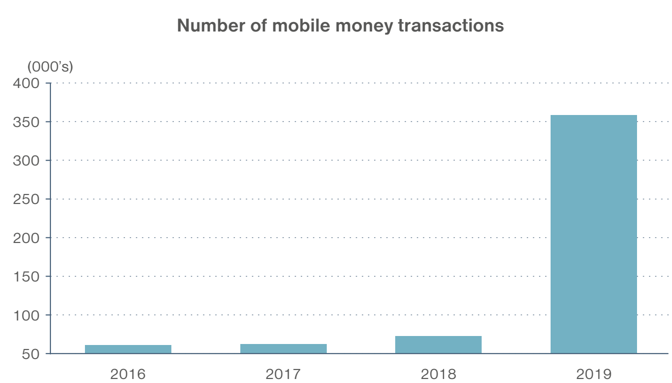












EXTERNAL TRADE AND BALANCE OF PAYMENTS

The current account deficit is estimated to have worsened in FY2019-20, stemming from lower surpluses in the services and primary income accounts amid the fallout from the COVID-19 pandemic on the economy (Table 2.1). The country's overall balance of payments turned to a deficit in FY2019-20.

Table 2.1: Balance of Payments Summary

Rs million

	2013-14	2014-15	2015-16	2016-17	2017-18 [1]	2018-19 [1]	2019-20 [2]
Current Account	**-15,935**	**-20,362**	**-15,942**	**-20,669**	**-17,758**	**-21,477**	**-39,628**
Goods	**-68,097**	**-70,267**	**-66,525**	**-82,083**	**-94,844**	**-107,699**	**-101,566**
Exports (f.o.b.)	90,997	97,088	88,296	82,370	78,784	81,944	70,475
Imports (f.o.b.)	159,094	167,355	154,821	164,453	173,628	189,643	172,041
Services	**15,092**	**26,546**	**25,352**	**28,238**	**35,461**	**31,198**	**20,292**
Primary Income	**43,241**	**34,188**	**37,440**	**42,909**	**53,648**	**69,381**	**53,262**
o/w global business	36,964	32,466	34,097	36,125	45,778	52,773	39,265
Secondary Income	**-6,170**	**-10,829**	**-12,209**	**-9,733**	**-12,022**	**-14,357**	**-11,616**
o/w global business	-10,169	-14,065	-14,274	-12,440	-11,976	-13,690	-13,619
Capital Account	**0**	**0**	**0**	**0**	**-83**	**-138**	**-75**
Financial Account*	**-20,097**	**-17,849**	**-17,348**	**-23,476**	**-13,577**	**-28,190**	**-31,052**
Direct Investment	-346,499	-384,249	-153,672	-655,926	-429,157	-51,628	-92,616
o/w global business	-338,741	-378,849	-143,808	-639,639	-418,490	-39,346	-81,668
Portfolio Investment	212,959	55,780	-108,927	161,391	271,231	273,553	219,542
o/w global business	210,700	30,544	-99,472	142,687	205,936	217,283	202,058
Financial Derivatives	-162,584	7,455	158,234	692,539	628,151	-103,406	-91,957
o/w global business	-162,235	6,295	158,605	695,076	626,985	-102,564	-93,303
Other Investment	260,088	288,060	60,096	-240,124	-531,352	-164,230	-62,488
o/w global business	303,297	227,680	68,445	-280,971	-458,292	-77,154	-82,100
Reserve Assets	**15,939**	**15,105**	**26,921**	**18,644**	**47,549**	**17,521**	**-3,534**
Net Errors and Omissions	**-4,162**	**2,512**	**-1,406**	**-2,807**	**4,264**	**-6,575**	**8,651**

[1] Revised estimates. [2] Preliminary estimates.

** As per the Balance of Payments and International Investment Position Manual - Sixth Edition (BPM6), Net inflows/ Net borrowing are shown as negative and Net outflows/ Net lending with a positive sign.*

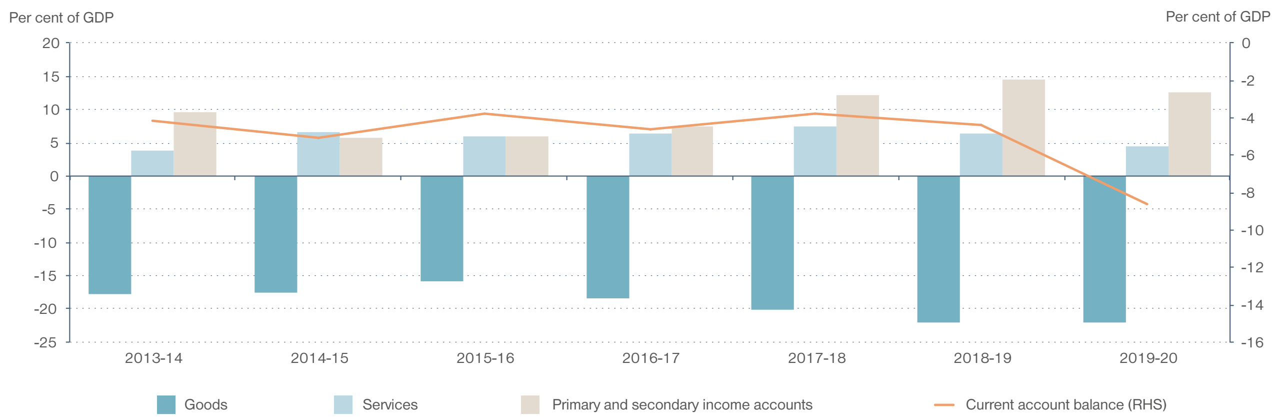
The current account deficit is estimated to have widened from Rs21.5 billion in FY2018-19 to Rs39.6 billion in FY2019-20. As a ratio to GDP, the current account deficit rose from 4.4 per cent to 8.7 per cent. The goods account deficit improved by Rs6.1 billion, from Rs107.7 billion (or 22.0 per cent of GDP) in FY2018-19 to Rs101.6 billion (or 22.2 per cent of GDP) in FY2019-20.

Total imports (c.i.f.) contracted by Rs17.2 billion, from Rs200.2 billion in FY2018-19 to Rs182.9 billion in FY2019-20. This decline reflected mainly lower imports of 13.5 per cent and 15.2 per cent of *'mineral fuels, lubricants and related products'* and *'manufactured goods classified chiefly by material'*, respectively. Total exports (f.o.b.) dropped by Rs11.4 billion or 14.0 per cent, from Rs81.9 billion (or 16.7 per cent of GDP) in FY2018-19 to Rs70.5 billion (or 15.4 per cent of GDP) in FY2019-20, mainly due to contractions in *'domestic exports'* and *'re-exports'*. Excluding *'ship's stores and bunkers'*, exports of goods went down by Rs11.2 billion or 16.2 per cent in FY2019-20, dragged down mostly by decreases in exports of *'articles of apparel and clothing accessories'* (-24.4 per cent) and *'fish and fish preparations'* (-18.8 per cent).

The surplus on the services account is estimated to have declined from Rs31.2 billion (or 6.4 per cent of GDP) in

FY2018-19 to Rs20.3 billion (or 4.4 per cent of GDP) in FY2019-20, directly impacted by the transport and travel restrictions imposed due to the COVID-19 pandemic. Gross tourism earnings declined from Rs61.6 billion in FY2018-19 to Rs48.1 billion in FY2019-20. The surplus on the primary income account dropped from Rs69.4 billion in FY2018-19 to Rs53.3 billion in FY2019-20, affected by a slowdown in economic activity and record low international interest rates. The deficit on the secondary income account declined from Rs14.4 billion to Rs11.6 billion over the same period. Chart 2.26 shows the main components of the current account for FY2013-14 through FY2019-20.

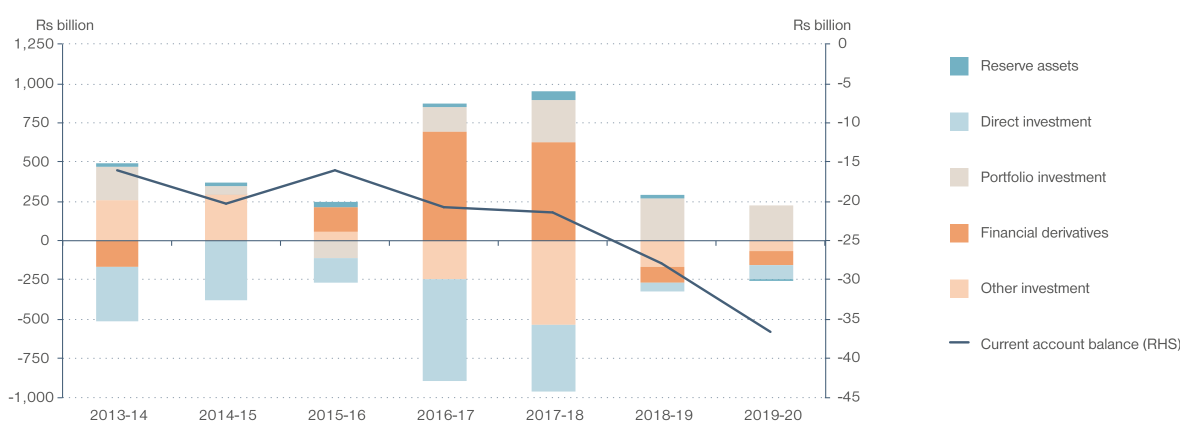
Chart 2.26: Components of the Current Account



Capital and Financial Account

Net inflows on the financial account have been estimated at Rs31.1 billion in FY2019-20, higher than the Rs28.2 billion recorded in FY2018-19. Inclusive of Global Business Licence Holders (GBLHs) transactions, the direct investment account is estimated to have registered higher net inflows of Rs92.6 billion compared to Rs51.6 billion over the same period. Non-GBLHs' investment by non-residents in Mauritius, net of repatriation, amounted to Rs12.9 billion in FY2019-20. The *'real estate activities'* sector remained the major recipient of these flows in the country. Excluding GBLHs' transactions, direct investment abroad, net of repatriation, is estimated at Rs2.0 billion in FY2019-20. The portfolio investment account, inclusive of GBLHs' transactions, is estimated to have recorded net outflows of Rs219.5 billion in FY2019-20. Non-residents' net disinvestments from the domestic capital market amounted to Rs2.2 billion in FY2019-20 compared to higher net disinvestments of Rs2.7 billion in FY2018-19. Chart 2.27 shows the financing of the current account from FY2013-14 through FY2019-20.

Chart 2.27: Financing of the Current Account



The 'other investment' account, inclusive of GBLHs' transactions, is estimated to have recorded net inflows of Rs62.5 billion in FY2019-20, lower compared to Rs164.2 billion in FY2018-19, driven mainly by higher acquisition of financial assets abroad. The general government sector registered lower net repayment of loans of Rs1.1 billion in FY2019-20 compared to Rs4.0 billion in FY2018-19.

Gross Official International Reserves

The Gross Official International Reserves (GOIR) of the country, comprising principally the gross foreign assets of the Bank and reserve position in the IMF, increased by Rs36.1 billion, from Rs253.4 billion as at end-June 2019 to Rs289.5 billion as at end-June 2020 (Chart 2.28). In US dollar terms, the GOIR rose from USD7,161.4 million to USD7,194.2 million over the same period. Based on the value of imports of goods (f.o.b.) and non-factor services for the calendar year 2019, the GOIR of the country represented 13.2 months of imports as at end-June 2020 compared to 11.5 months as at end-June 2019. The higher level of the GOIR represented a reasonable buffer against potential external shocks.

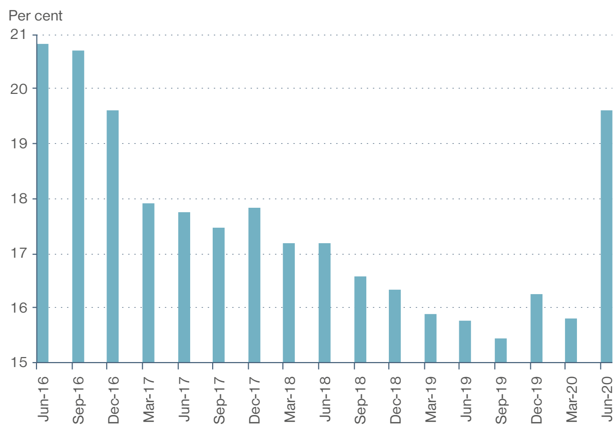
Chart 2.28: Gross Official International Reserves and Import Cover

EXTERNAL VULNERABILITIES INDICATORS

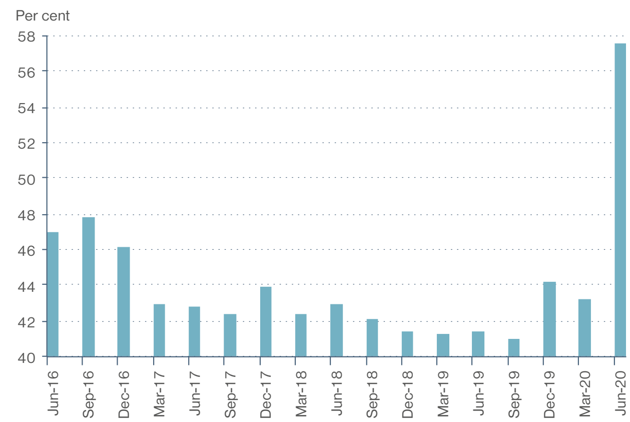
Higher gross external debt coupled with lower exports of goods and services contributed to the worsening of some key solvency metrics during the year ended June 2020. The reserves adequacy indicators improved to some extent, supported by higher gross international reserves. As a ratio to GDP, the gross external debt rose from 15.8 per cent as at end-June 2019 to 19.6 per cent as at end-June 2020, mainly on account of higher external debt contracted to mitigate the effects of the COVID-19 pandemic on the economy as well as the contraction noted in GDP. The ratio of gross external debt to exports of goods and services rose from 41.4 per cent to 57.5 per cent, compounded to a great extent by the significant decline in exports of goods and services. The ratio of GOIR to imports of goods and services improved from 96.1 per cent to 121.6 per cent, benefiting from lower imports of goods and services. The level of GOIR was more than threefold the stock of gross external debt.

External Vulnerabilities Indicators

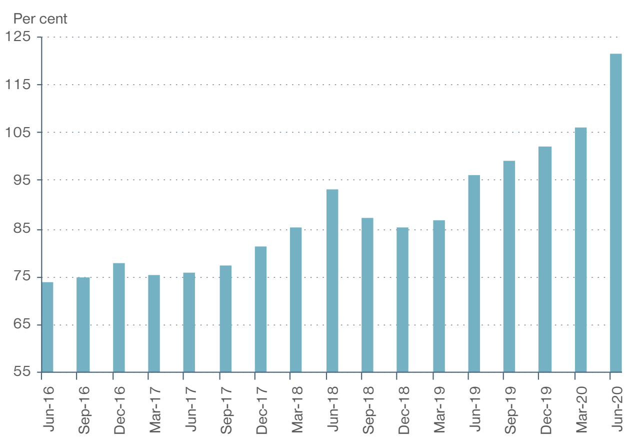
Gross External Debt as a Share of GDP



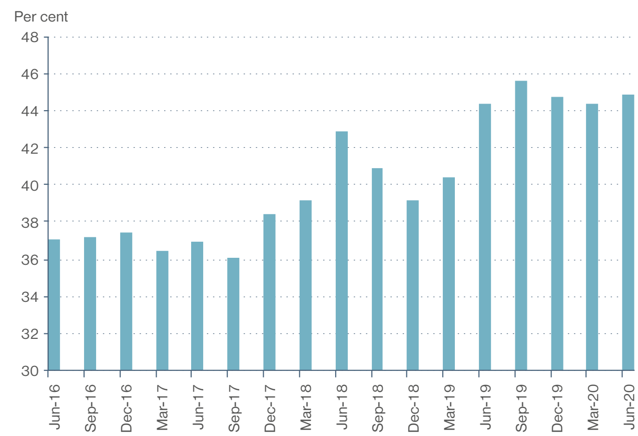
Gross External Debt as a Share of Exports of Goods and Services



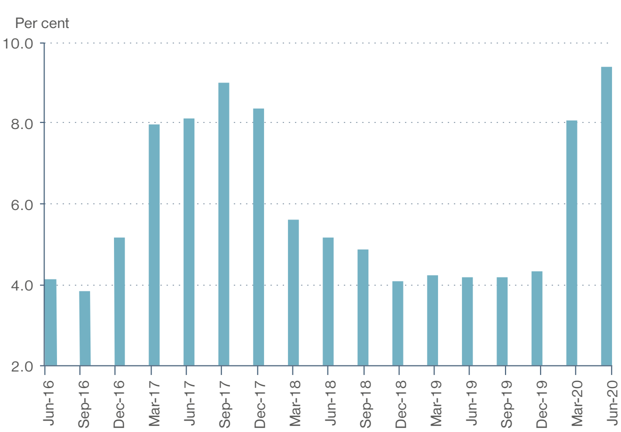
Reserves as a Share of Imports of Goods and Services



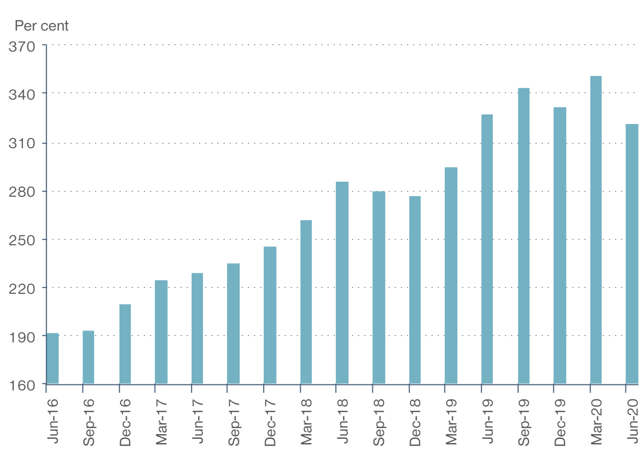
Reserves as a Share of Broad Money Liabilities



External Debt Service as a Share of Exports of Goods and Services



Reserves as a Share of Gross External Debt



International Investment Position

The net creditor position of Mauritius vis-à-vis non-residents declined as at end-December 2019, reflecting lower GBLH residents' net claims on non-residents. The International Investment Position (IIP) statistics indicated that the country's net foreign asset position stood at Rs962 billion as at end-December 2019, down from Rs1,833 billion as at end-December 2018 (Table 2.2). Claims on non-residents increased from Rs17,069 billion as at end-December 2018 to Rs17,304 billion as at end-December 2019. Liabilities due to non-residents rose from Rs15,236 billion to Rs16,342 billion over the same period.

Table 2.2: International Investment Position: As at end-2018 and end-2019

Rs billion

	2018	2019		2018	2019
Net Foreign Asset Position	**1,833**	**962**			
o/w: Non-GBLH	342	427			
GBLH	1,491	536			
Claims on Non-residents	**17,069**	**17,304**	**Liabilities to Non-residents**	**15,236**	**16,342**
o/w: Non-GBLH	950	1,111	*o/w: Non-GBLH*	608	684
GBLH	16,118	16,194	*GBLH*	14,628	15,658
Direct Investment	8,983	9,984	Direct Investment	10,971	11,829
o/w: Non-GBLH	23	25	*o/w: Non-GBLH*	188	216
GBLH	8,960	9,958	*GBLH*	10,783	11,613
Portfolio Investment	5,541	4,718	Portfolio Investment	1,110	1,154
o/w: Non-GBLH	221	262	*o/w: Non-GBLH*	57	42
GBLH	5,320	4,455	*GBLH*	1,052	1,112
Other Investment	2,242	2,216	Other Investment	3,057	3,329
o/w: Non-GBLH	487	551	*o/w: Non-GBLH*	360	423
GBLH	1,755	1,665	*GBLH*	2,696	2,906
Financial Derivatives	86	117	Financial Derivatives	98	31
o/w: Non-GBLH	2	2	*o/w: Non-GBLH*	2	3
GBLH	84	115	*GBLH*	96	28
Reserve Assets	218	269			

Workers' Remittances

Inward workers' remittances in FY2019-20 have been estimated at Rs2,726 million, compared to Rs2,789 million in FY2018-19. The top ten source countries for inward workers' remittances accounted for 71.5 per cent in FY2019-20 (Table 2.3). As a percentage of GDP, inward remittances stood at 0.6 per cent in FY2019-20, unchanged compared to FY2018-19.

Table 2.3: Inward Workers' Remittances, Top 10 Source Countries

	2018-19		2019-20	
	Amount (Rs million)	Share (%)	Amount (Rs million)	Share (%)
Inward remittances	**2,789**		**2,726**	
France	719	25.8	623	22.9
United Kingdom	410	14.7	353	13.0
USA	262	9.4	284	10.4
Ireland	149	5.3	223	8.2
Switzerland	96	3.4	99	3.6
Italy	111	4.0	85	3.1
Canada	100	3.6	85	3.1
United Arab Emirates	87	3.1	82	3.0
Australia	70	2.5	72	2.6
Belgium	56	2.0	44	1.6

Outward workers' remittances have been estimated at Rs7,022 million in FY2019-20, higher than Rs6,626 million in FY2018-19 (Table 2.4). Workers' remittances to India and Bangladesh, the top two destination countries, amounted to Rs2,884 million (or 41.1 per cent of the total) and Rs2,395 million (or 34.1 per cent of the total), respectively. Foreign workers employed in the manufacturing sector effected the largest transfers in FY2019-20, followed by foreign employees in the construction sector (Table 2.5).

Table 2.4: Outward Workers' Remittances, Top 5 Destination Countries

	2018-19		2019-20	
	Amount (Rs million)	Share (%)	Amount (Rs million)	Share (%)
Outward remittances	**6,626**		**7,022**	
India	2,114	31.9	2,884	41.1
Bangladesh	2,398	36.2	2,395	34.1
France	431	6.5	307	4.4
Madagascar	262	3.9	259	3.7
South Africa	152	2.3	123	1.8

Table 2.5: Outward Workers' Remittances, Top 5 Sectors of Activity of Domestic Remitters

Sector (ISIC) [1]	Description	2018-19		2019-20	
		Amount (Rs million)	Share (%)	Amount (Rs million)	Share (%)
C	Manufacturing	3,947	59.6	3,724	53.0
F	Construction	528	8.0	1,209	17.2
I	Accommodation and food service activities	487	7.3	555	7.9
M	Professional, scientific and technical activities	400	6.0	299	4.3
S	Other service activities	339	5.1	275	3.9
	Total	**6,626**		**7,022**	

[1] *In line with the structure of the fourth revision of the UN's International Standard of Industrial Classification (Rev. 4).*

The overall average charge for inward and outward remittances, as a share of total, remained unchanged in FY2019-20, averaging 0.07 per cent and 0.80 per cent, respectively. 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

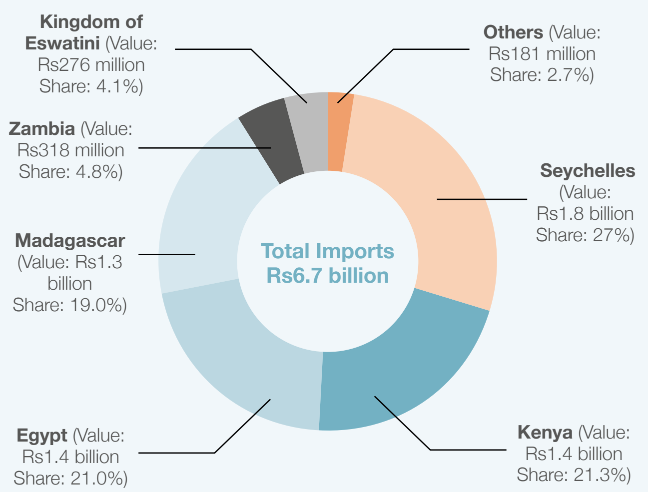
Regional integration has always been an important instrument to increase market size, diversify export-base and as a stepping-stone to international competition, while contributing to economic development. As a small open economy, Mauritius is active in the region, through its membership in the SADC and COMESA economic blocs. It benefits from preferential access to the Sub-Saharan African market as well as two regional payments systems, the SADC-RTGS and REPSS.

Trade with COMESA and SADC States during FY2019-20

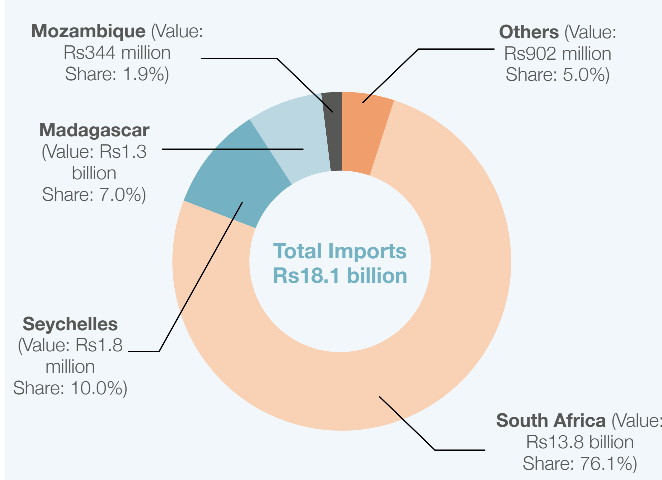
Among the COMESA member states, Mauritius traded the most with Seychelles, Kenya and Madagascar over the past five years. Mauritius has major trade transactions with South Africa, Madagascar and Seychelles among the SADC member states.

The country's regional trade remains more skewed towards South Africa and Madagascar. In FY2019-20, Mauritius imported goods worth Rs16.1 billion from South Africa and Rs1.5 billion from Madagascar. Exports of goods to South Africa and Madagascar amounted to Rs6.9 billion and Rs4.7 billion, respectively. South Africa remained the main trading partner of Mauritius in SADC in FY2019-20, followed by Madagascar. South Africa alone accounted for nearly 52 per cent of total exports from Mauritius to the SADC region. Madagascar and Kenya accounted for 56 per cent and 23 per cent, respectively, of total exports from Mauritius to the COMESA region.

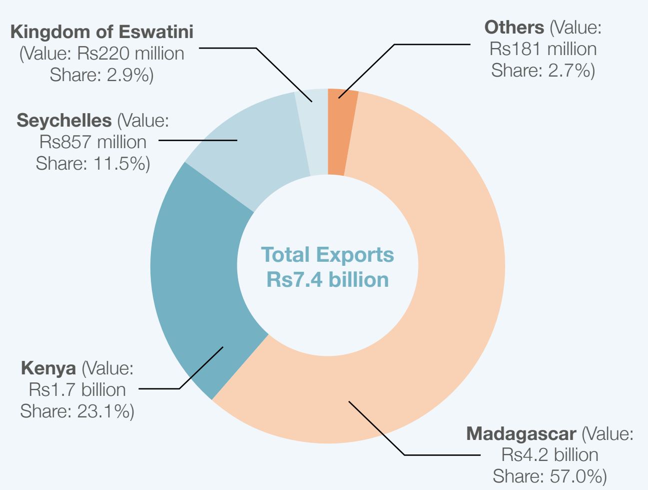
Imports from COMESA States



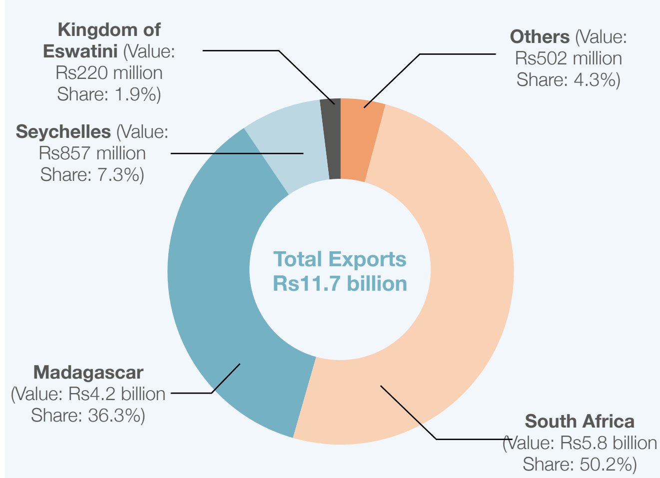
Imports from SADC States



Exports to COMESA States



Exports to SADC States



African Continental Free Trade Area (AfCFTA)

The AfCFTA came into force on 30 May 2019 and the operational phase was launched on 07 July 2019 at the 12th Extra-Ordinary Session of the Assembly of the African Union (AU) Summit which was held in Niger. The following instruments were launched:

1. ***Online Mechanism on Reporting, Monitoring and Elimination of Non-Tariff Barriers (NTBs):*** To improve efficiency in identification and removal of NTBs across regions and countries, thus reducing time and cost of cross-border trade.

2. ***Agreed Rules of Origin:*** 90 per cent of rules of origin were adopted at the AU Summit in July 2019.

3. ***Password Protected Online Portal for Tariff Offers:*** To provide Member States and the Customs Unions with a platform to interact and enable tariff negotiations.

4. ***African Trade Observatory Dashboard:*** To provide trade-related information such as tariff, imports and exports data, and technical barriers to trade in order to boost intra African trade.

5. ***Pan-African Payments and Settlements System:*** A digital system to facilitate payments for goods and services traded among Member States in African currencies.

6. ***AfCFTA Web-based and Mobile Application for Business:*** To disseminate information on the AfCFTA to the business community and serve as a one-stop shop for access to trade data.

GOVERNMENT FINANCE

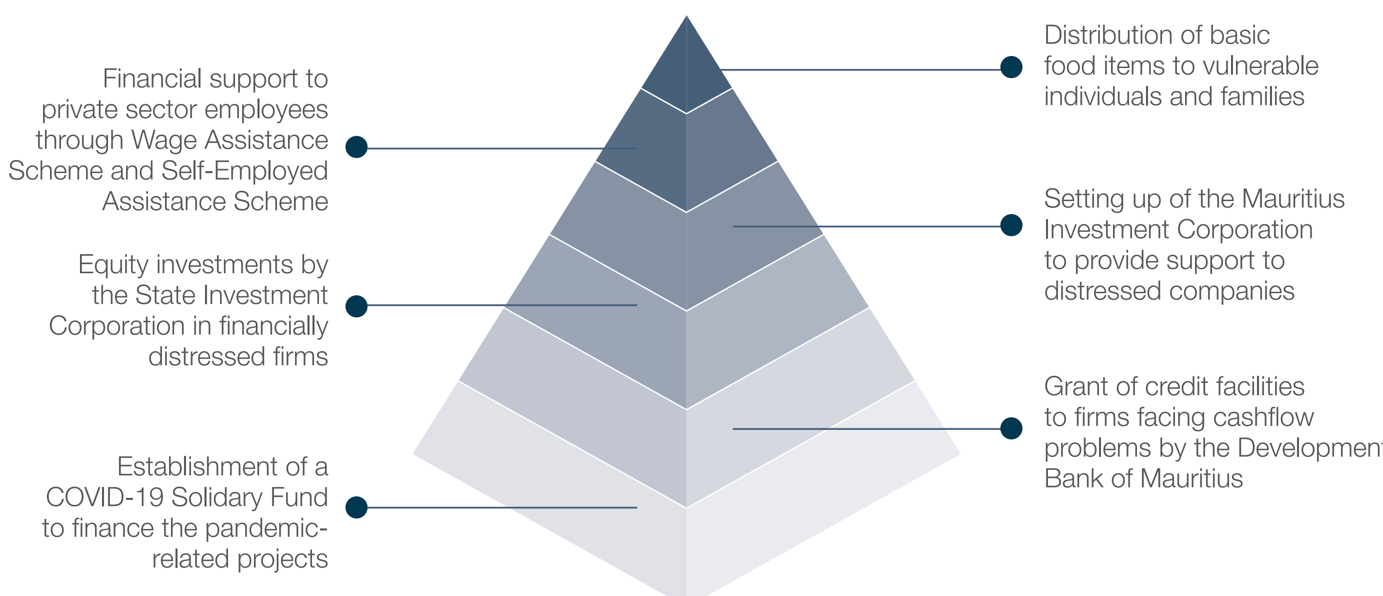
Fiscal Dynamics in FY2019-20

The COVID-19 pandemic has brought about an unprecedented challenge for fiscal finances. Measures were taken by Government to protect the most affected people from income losses. The economic impact of the COVID-19 pandemic on government finances was reflected in the widening of the budget deficit from 3.2 per cent of GDP in FY2018-19 to 13.6 per cent of GDP in FY2019-20. As economic activity came to a near halt during the national lockdown period, government recurrent revenue dropped, while recurrent expenditure escalated as a result of fiscal measures taken to support the economy.

Fiscal Measures taken during the Outbreak of the COVID-19 Pandemic

The outbreak of COVID-19 induced an urgent response from Government in view of saving human lives and containing the spread of the disease. Amid restrictions on mobility and implementation of the national confinement, Government undertook to protect people and firms against the negative impact on income and revenue. The Covid-19 (Miscellaneous Provisions) Bill and the Quarantine Bill were approved by the National Assembly and legislation was amended for the prevention and spread of communicable diseases.

Fiscal Measures taken during the Outbreak of the COVID-19 Pandemic



The lockdown period affected consumption pattern and businesses, which impacted negatively on tax revenue collection. As a result, tax revenue declined from Rs98.3 billion in FY2018-19 to Rs89.0 billion in FY2019-20. Taxes on goods and services and taxes on income and profits, the major components of total tax revenue, declined by Rs7.0 billion and Rs1.0 billion, respectively, in FY2019-20. Government revenue fell from Rs110.7 billion in FY2018-19 to Rs101.7 billion in FY2019-20.

Total expenditure increased by Rs38.7 billion, from Rs126.6 billion in FY2018-19 to Rs165.3 billion in FY2019-20. Subsidies provided by Government rose from Rs1.6 billion to Rs15.6 billion in FY2019-20. Transfer from Special Funds amounted to Rs12.1 billion in FY2019-20 compared to Rs0.2 billion in FY2018-19. Social benefits rose from Rs32.0 billion in FY2018-19 to Rs43.0 billion in FY2019-20, reflecting social aid provided to the population during confinement and the increase in old age pension as from December 2019. The budget deficit thus amounted to Rs63.6 billion in FY2019-20 compared to Rs15.9 billion in FY2018-19. Accordingly, government borrowing requirements stood at Rs69.8 billion in FY2019-20, leading to an increase in central government domestic debt.

Fiscal Developments during FY2019-20

Revenue: Rs101.7 billion
(Tax collection: Rs89.0 billion)

Expenditure:
Rs165.3 billion

Budget Deficit:
Rs63.6 billion
(13.6 per cent of GDP)

Public Sector Net Debt:
Rs322.9 billion
(69 per cent of GDP)

Outlook for FY2020-21

For FY2020-21, a balanced budget has been estimated, with both total revenue and expenditure estimated at Rs162.9 billion. Total revenue is estimated to increase by Rs59.0 billion in FY2020-21. Taxes on goods and services have been estimated at Rs55.6 billion in FY2020-21, same as in the previous year. However, taxes on income and profits are estimated to decline by Rs2.4 billion. Tax buoyancy for FY2020-21 is estimated at -0.6 per cent, reflecting the decline in gross income. Tax revenue from other sources is expected to increase to Rs4.3 billion in FY2020-21 due to the COVID-19 Levy and Levy on corporates, which would sum to Rs3.5 billion.

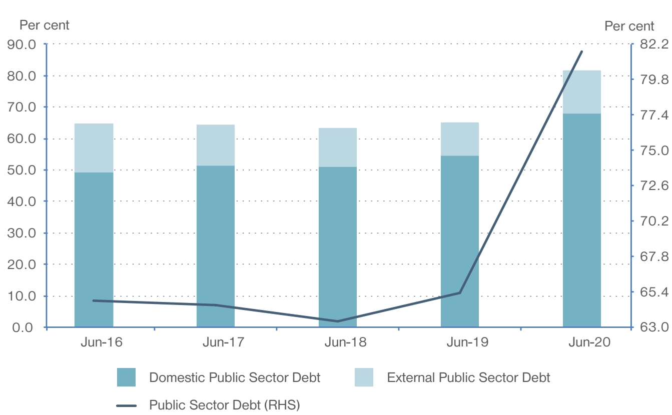
Government has estimated that total expenditure would fall by Rs2.4 billion to Rs162.9 billion in FY2020-21. Recurrent expenditure is forecast to decline by almost Rs9.0 billion, due to planned cuts in operating costs, fully offsetting the rise in capital expenditure. Recurrent expenditure is expected to decline, except for social benefits which are estimated to rise to Rs44.3 billion. Government has planned to spend more on capital projects to accelerate growth. Net acquisition of non-financial assets (capital projects) is estimated to increase from Rs8.1 billion to Rs9.5 billion in FY2020-21. Government borrowing requirements would be about -0.2 per cent of GDP due to a balanced budget in FY2020-21. External financing is estimated to increase from Rs8.2 billion in FY2019-20 to Rs10.3 billion in FY2020-21.

Public Sector Debt

Public sector debt increased by 19.1 per cent from Rs320.7 billion as at end-June 2019 to Rs381.8 billion as at end-June 2020, mainly reflecting the build-up in Budgetary Central Government domestic debt. The issuance of Government securities of short-term tenure rose by Rs14.8 billion, from Rs31.6 billion at the end of June 2019 to Rs46.3 billion at the end of June 2020. Concurrently, the long-term securities increased by 21.5 per cent, from Rs160.9 billion to Rs195.2 billion. Budgetary Central Government external debt rose from Rs40.2 billion to Rs43.7 billion.

Public sector debt as a share of GDP increased from 65.3 per cent as at end-June 2019 to 81.7 per cent as at end-June 2020 (Chart 2.29). Public sector domestic debt rose by Rs49.4 billion, from Rs267.7 billion as at end-June 2019 to Rs317.0 billion as at end-June 2020 and accounted for 67.8 per cent of GDP. Public sector external debt increased by Rs11.7 billion, from Rs53.0 billion as at end-June 2019 to Rs64.8 billion as at end-June 2020 and represented 13.9 per cent of GDP (Table 2.6).

Chart 2.29: Public Sector Debt as a Ratio to GDP



Debt obligations of public enterprises rose by 8.3 per cent to Rs38.5 billion as at end-June 2020, driven mainly by externally-guaranteed debt. Public enterprises domestic debt dropped by almost 24.0 per cent, from Rs22.9 billion to Rs17.5 billion. On the other hand, public enterprises external debt rose by 65.9 per cent, from Rs12.7 billion to Rs21.0 billion.

Table 2.6: Public Sector Debt

Rs million

	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Short-term Domestic Obligations [1]	22,982	25,792	25,856	31,590	46,363
Medium and Long-term Domestic Obligations [1]	162,010	178,974	199,033	216,794	258,374
Consolidation adjustment	-979	-2,073	-2,064	-4,544	-5,382
Domestic Central Government Debt	**196,819**	**217,129**	**223,719**	**244,733**	**299,355**
	(46.6)	(48.6)	(47.6)	(49.8)	(64.0)
External Government Debt	**53,464**	**46,231**	**44,538**	**40,258**	**43,688**
	(12.7)	(10.4)	(9.5)	(8.2)	(9.3)
(a) Foreign Loans	48,532	41,552	39,823	35,485	38,279
(b) Foreign Investment in Government Securities	128	39	14	10	34
(c) IMF SDR Allocations	4,804	4,640	4,701	4,762	5,375
Extra Budgetary Unit Domestic Debt	**24**	**24**	**24**	**24**	**191**
Extra Budgetary Unit External Debt	**115**	**90**	**68**	**46**	**39**
Local Government Domestic Debt	**0**	**0**	**0**	**0**	**0**
Public Enterprise Domestic Debt	**10,679**	**11,935**	**17,015**	**22,916**	**17,498**
Public Enterprise External Debt	**12,317**	**12,621**	**12,736**	**12,678**	**21,038**
Domestic Public Sector Debt	**207,522**	**229,088**	**240,758**	**267,673**	**317,044**
	(49.2)	(51.3)	(51.2)	(54.5)	(67.8)
External Public Sector Debt	**65,896**	**58,942**	**57,342**	**52,982**	**64,765**
	(15.6)	(13.2)	(12.2)	(10.8)	(13.9)
Public Sector Debt	**273,418**	**288,030**	**298,100**	**320,655**	**381,809**
	(64.8)	(64.5)	(63.4)	(65.3)	(81.7)
Net Public Sector Debt [2]					**322,935**
					(69.1)

[1] By original maturity.
Notes: (i) Short-term: Up to 12 months; Medium-term: Over 1 year but less than 5 years;
Long-term: 5 years and above.
(ii) Figures in brackets are percentages to GDP.
(iii) Figures may not add up to totals due to rounding.
[2] Public sector net debt is effective as from 23 March 2020 after Section 6(1A) of the Public Debt Management Act was amended in the Covid-19 (Miscellaneous Provisions) Act in May 2020.
Source: Ministry of Finance, Economic Planning and Development.

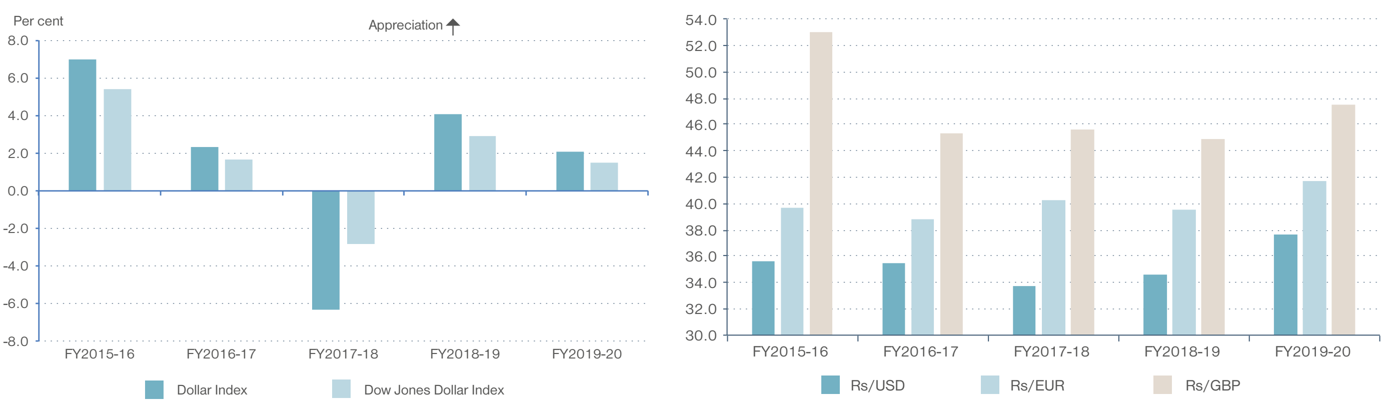
EXCHANGE RATE DEVELOPMENTS

During FY2019-20, the exchange rate of the rupee broadly reflected developments on the global foreign exchange market as well as domestic demand and supply conditions, including interventions by the Bank on the domestic foreign exchange market. The global foreign exchange market has been subject to much volatility in the wake of the outbreak of the COVID-19 pandemic, with severe ramifications for the domestic currency, which was also adversely impacted by domestic factors. The imposition of national confinement measures in March 2020 resulted in closure of businesses as well as borders. Likewise, the tourism as well as the export-oriented sectors, in particular, the manufacturing sector, have been severely impacted, with limited inflow of foreign exchange earnings and ensuing influence on the domestic currency. The rupee, thus, depreciated against the US dollar in 2020, breaching the Rs40-mark in early April 2020.

On a point-to-point basis, between end-June 2019 and end-June 2020, and on a weighted average dealt selling rate basis, the rupee depreciated by 12.1 per cent and 11.1 per cent vis-à-vis the US dollar and the euro from Rs35.578 and Rs40.465 to Rs40.464 and Rs45.514, respectively. The rupee depreciated by 9.6 per cent against the Pound sterling from Rs45.276 to Rs50.085.

On an annual average basis, the rupee weakened by 8.1 per cent against the US dollar from Rs34.591 in FY2018-19 to Rs37.648 in FY2019-20 compared to a depreciation of 2.5 per cent in FY2018-19 (Chart 2.30). The rupee depreciated by 5.2 per cent vis-à-vis the euro from Rs39.525 to Rs41.675 over the same period as against appreciation of 2.1 per cent in FY2018-19. With respect to the Pound sterling, the rupee shed 5.5 per cent from Rs44.959 to Rs47.579 in contrast to appreciation of 1.4 per cent in the previous financial year.

Chart 2.30: Dollar Index and Nominal Exchange Rate of the Rupee against Main Currencies



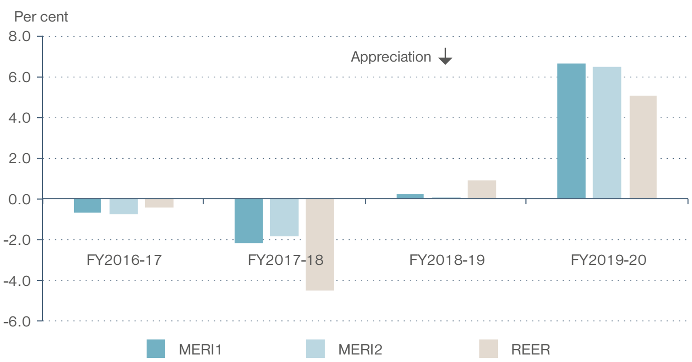
The broad-based strength of the US dollar on the global foreign exchange market, with respective appreciation of 2.1 per cent and 1.5 per cent of the DXY and Dow Jones Dollar Index during FY2019-20, was detrimental to the rupee. The US dollar benefitted from an increase in safe-haven demand caused by the outbreak and proliferation of COVID-19, significant financial market volatility, worries over tightening liquidity, expectations of a looming global recession, slumping oil prices, growing fears over a second wave of COVID-19 infections, and renewed diplomatic tensions between the US and China, among others. However, easing of the funding squeeze, shifting of the epicenter of the pandemic to the US, decline in investor risk aversion amid gradual easing of global confinement restrictions, implementation of stimulus packages worldwide, optimistic results from the trial of a vaccine against the COVID-19, expectations of additional monetary easing by the US Fed and weak US economic data releases, kept a lid on gains.

On a nominal effective exchange rate basis, as gauged by both MERI1 and MERI2, the rupee depreciated by 10.2 per cent in June 2020 compared to June 2019. MERI1 weakened from 104.4 in June 2019 to 116.3 in June 2020, while MERI2 rose from 104.0 to 115.8. During FY2019-20, MERI1, on average, depreciated by 6.2 per cent from 102.1 to 108.8 compared to depreciation of 0.2 per cent in FY2018-19 (Chart 2.31). MERI2, on its part, weakened by 6.1 per cent from 101.8 to 108.3, after remaining flat in the preceding financial year.

The real effective exchange rate (REER), based on trade weights and adjusting for inflation differential between key trading partner countries and the domestic economy, also came under pressure during the period under review. On a point-to-point basis between June 2019 and June 2020, the rupee depreciated by 7.8 per cent. On an annual average basis, the rupee weakened by 4.8 per cent in FY2019-20 compared to a marginal depreciation of 0.9 per cent in FY2018-19, largely as a result of lower domestic inflation compared to main trading partners' inflation as well as higher nominal depreciation of the rupee vis-à-vis the major currencies.

The degree of volatility in the rupee vis-à-vis the US dollar, as measured by the standard deviation of the Rs/USD daily exchange rate, increased by almost four times from 0.42 in FY2018-19 to 1.57 in FY2019-20, reflecting to a large extent the adverse impact of the COVID-19 pandemic on the Mauritian economy.

Chart 2.31: Annual Change in MERI1, MERI2 and REER

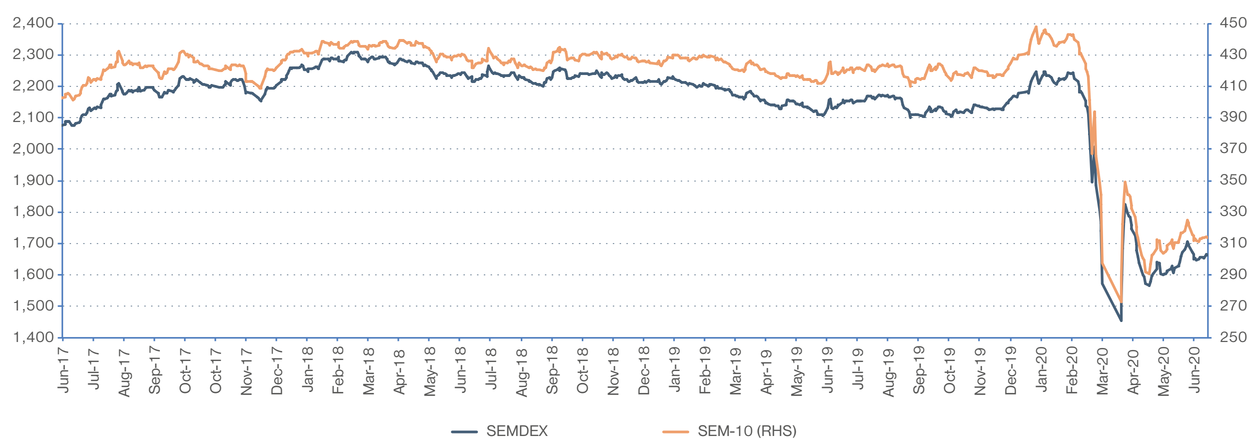


STOCK MARKET DEVELOPMENTS

The performance of the domestic stock market was mixed during FY2019-20. In 2019H2, SEMDEX and SEM-10 remained broadly stable. However, in the second half of FY2019-20, earlier gains were rapidly wiped out in the wake of COVID-19, which in turn resulted in a sharp drop in share prices. On 19 March 2020, SEMDEX and SEM-10 fell markedly by 9.6 per cent and 10.8 per cent, respectively, the biggest one-day drop since records began in July 1989. The Stock Exchange of Mauritius (SEM) was closed as from 20 March 2020, following the imposition of national lockdown and resumed operations on 06 April 2020. On a point-to-point basis, SEMDEX and SEM-10 dropped by around 21.9 per cent and 24.9 per cent, respectively, in June 2020 compared to a year earlier (Chart 2.32).

The shares of banks and hotels suffered the most amid panic selling. The performance of hotels was particularly affected as from mid-February 2020 due to suspended flights and cancellation of reservations. Share prices of listed hotels on both the Official Market and the DEM declined in the range of 10-58 per cent in June 2020 in comparison with June 2019. The sugar-linked sector was the second most affected during FY2019-20 on account of a marked drop in the price of sugar on the international market, coupled with disruptions in global demand and supply following the COVID-19 pandemic.

Chart 2.32: SEMDEX and SEM-10



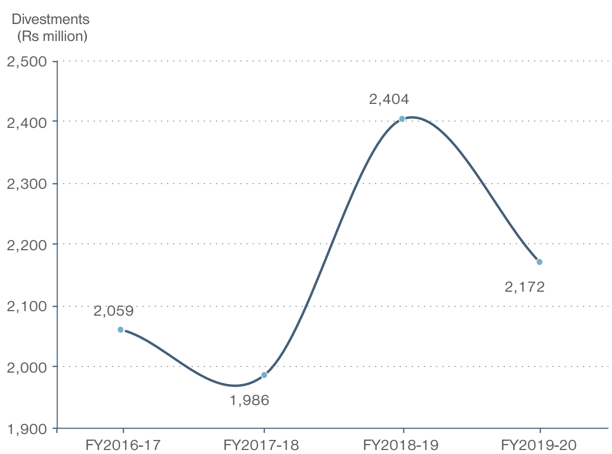
Total market capitalisation on the Official Market stood at Rs201.7 billion as at end-June 2020 compared to Rs252.4 billion as at end-June 2019, representing a significant decline of 20 per cent, after shedding 6 per cent in FY2018-19. Total turnover of transactions on the Official Market rose by 13.1 per cent to Rs62.6 million in FY2019-20. In volume terms, the number of shares traded on the Official Market surged by 40.4 per cent, rising from 2.1 million shares in FY2018-19 to 3.0 million shares in FY2019-20.

Foreign divestment on the Official Market amounted to Rs2.2 billion during FY2019-20, slightly lower in comparison with Rs2.4 billion during FY2018-19. Total purchases by non-residents dropped by 32.3 per cent, from Rs4.3

billion in FY2018-19 to Rs2.9 billion in FY2019-20 while total sales fell by 24.2 per cent from Rs6.7 billion to Rs5.1 billion, resulting in net sales to the tune of Rs2.2 billion.

The domestic stock market did not experience precipitated sell-off by foreigners in spite of heightened uncertainty as the COVID-19 pandemic unfolded. Foreign investors' holdings dropped by 6.6 per cent to Rs56.0 billion, y-o-y, as at end-June 2020. Measured as a percentage of total market capitalisation, foreign investors' holdings increased to 22.9 per cent as at end-June 2020, from 19.3 per cent as at end-June 2019. On a cumulative basis, divestments totalled Rs8.6 billion from FY2016-17 to FY2019-20 (Chart 2.33).

Chart 2.33: Divestments by Non-Residents on SEM



DEBT INDICATORS OF HOUSEHOLDS AND CORPORATES

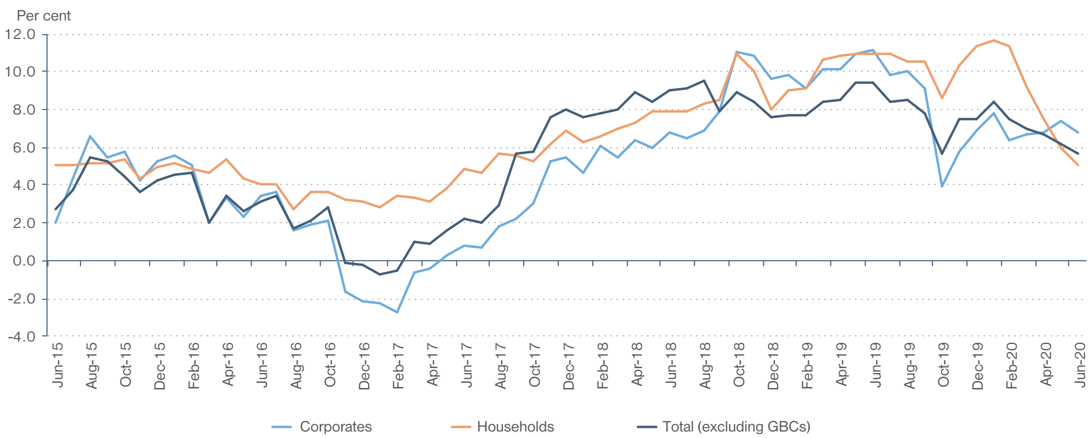
Bank credit to the private sector is an important financial stability metric and represents a yardstick for any potential risk emerging from both the household and corporate sectors. The soundness and stability of the banking sector rely on the ability of households and corporates to service their debt in a timely manner. Uncertainties associated with the COVID-19 pandemic and the ensuing economic disruptions have adversely impacted the demand for credit in 2020H1. Banks' exposure to households and corporates[4], excluding facilities extended to the GBC sector, accounted for 21.7 per cent of total banks' assets in FY2019-20, 3 percentage points lower compared to FY2018-19. Total private sector credit[5] expanded by 5.6 per cent in FY2019-20, compared to 9.5 per cent in FY2018-19 (Chart 2.34). However, bank credit to the private sector increased from 70.6 per cent of GDP as at end-June 2019 to 79.9 per cent of GDP as at end-June 2020.

Bank Credit to the Private Sector

Private Sector Credit	FY2018-19	FY2019-20
Share of total bank assets	24.5 per cent	21.7 per cent
Share of GDP	70.6 per cent	79.9 per cent
Growth in credit	9.5 per cent	5.6 per cent

[4] *Credit extended to corporates includes Public Corporations.*
[5] *Exclusive of facilities extended to the GBC sector.*

Chart 2.34: Year-on-year Growth of Credit to the Private Sector



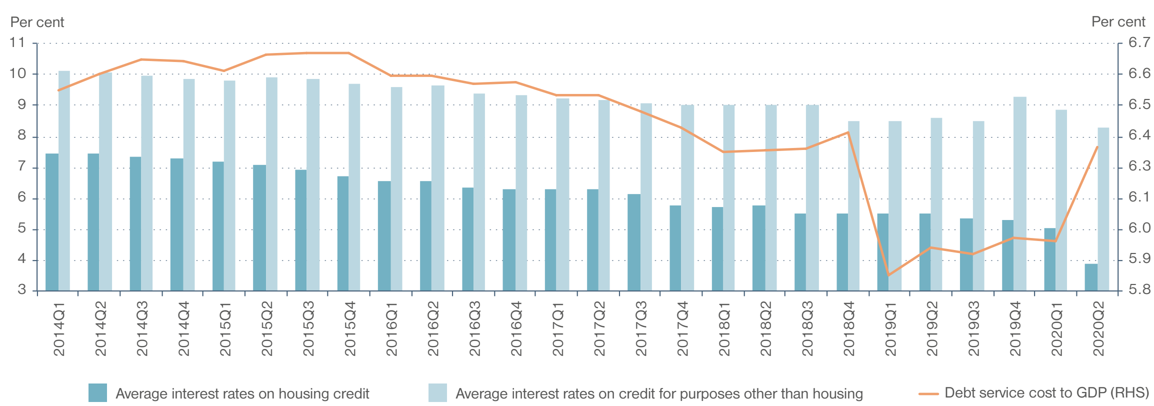
Snapshot of the Household Sector

		FY2018-19	FY2019-20
Household credit	Share of private sector credit	31.1 per cent	30.9 per cent
	Share of GDP	21.9 per cent	24.7 per cent
	Growth in credit	10.9 per cent	5.0 per cent
	Credit-to-GDP gap	0.1 per cent	2.1 per cent
Housing credit	Share of household credit	64.2 per cent	65.4 per cent
	Growth	5.8 per cent	7.0 per cent
Credit for other purposes	Share of household credit	35.8 per cent	36.6 per cent
	Growth	21.5 per cent	1.5 per cent
Household debt	Debt-to-GDP ratio	33.7 per cent	36.3 per cent
	Debt service ratio	6.0 per cent	6.3 per cent

Household credit-to-GDP ratio rose from 21.9 per cent as at end-June 2019 to 24.7 per cent as at end-June 2020. Aggregating household credit from banks, NBDTIs, insurance and leasing companies, the measure of household indebtedness rose from 33.7 per cent as at end-June 2019 to 36.6 per cent as at end-June 2020. The household credit-to-GDP gap[6] widened sharply from 0.1 per cent in 2019Q2 to 2.1 per cent in 2020Q2, reflecting the dip in nominal GDP (Chart 2.35). Household debt service ratio, expressed as the proportion of household debt service cost to GDP, increased from 6.0 per cent in 2019Q2 to 6.3 per cent in 2020Q2, mostly attributed to the contraction in output (Chart 2.36).

Chart 2.35: Household Credit-to-GDP Gap

Chart 2.36: Household Debt Service Cost and Interest Rates



Banks' credit exposure to the corporate sector stood at 69.1 per cent of total private sector credit and 15.0 per cent of their total assets as at end-June 2020. Corporate credit growth slowed from 8.8 per cent in FY2018-19 to 5.9 per cent in FY2019-20. Excluding public corporations, corporate credit grew by 6.7 per cent, compared to 11.2 per cent over the same period. Corporate credit-to-GDP ratio rose from 48.6 per cent as at end-June 2019 to 55.2 per cent as at end-June 2020. In the same vein, the corporate credit-to-GDP gap expanded significantly from 0.1 per cent in 2019Q2 to 5.7 per cent in 2020Q2 (Chart 2.37).

Domestic debt of corporates as a ratio of total corporate debt remained broadly unchanged at 91.7 per cent as at end-June 2020. However, as a ratio of GDP, domestic debt stood at 55.9 per cent, higher by 6.5 percentage points compared to end-June 2019. Domestic debt of corporates remained well supported by higher demand for credit by operators in the *'accommodation and food service activities'*, *'information and communication'*, and *'real estate activities'* sectors. However, this was partly offset by the decline in credit granted to operators of the *'agriculture'*, *'manufacturing'*, and *'construction'* sectors. The *'accommodation and food service activities'* sector

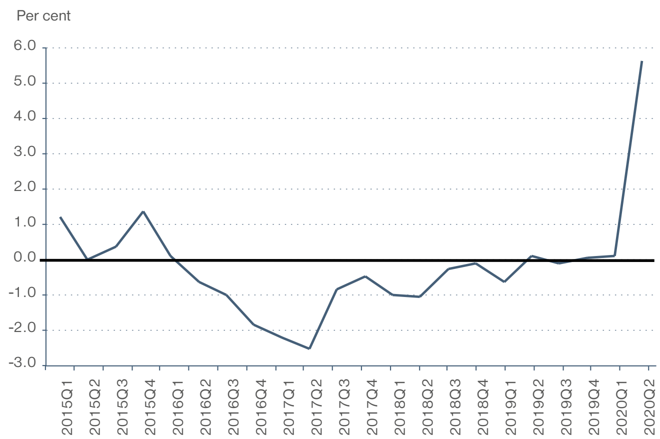
[6] The credit-to-GDP gap is estimated as the percentage deviation between the credit-to-GDP ratio and an estimate of its trend using the Hodrick-Prescott filter.

maintained its position as having the highest share in total private sector credit, estimated at 13.4 per cent as at end-June 2020. *'Distributive trade', 'manufacturing', 'construction'* and *'real estate activities'* sectors accounted for 7.8 per cent, 7.1 per cent, 6.0 per cent and 5.2 per cent of total private sector credit, respectively.

Snapshot of the Corporate Sector

		FY2018-19	FY2019-20
Corporate credit	Share of private sector credit	68.9 per cent	69.1 per cent
	Share of GDP	48.6 per cent	55.2 per cent
	Growth in credit	8.8 per cent	5.9 per cent
	Credit-to-GDP gap	0.3 per cent	6.1 per cent
Corporate debt	Debt-to-GDP ratio	54.0 per cent	61.0 per cent
	Growth	9.9 per cent	5.4 per cent
Domestic debt	Share of corporate debt	91.6 per cent	91.7 per cent
	Debt-to-GDP ratio	49.5 per cent	55.9 per cent
	Growth	10.7 per cent	5.5 per cent
External debt	Share of corporate debt	8.4 per cent	8.3 per cent
	Debt-to-GDP ratio	4.5 per cent	5.0 per cent
	Growth	1.8 per cent	3.8 per cent
	Ratio to GOIR	8.8 per cent	8.0 per cent
	Ratio to Exports	11.4 per cent	14.9 per cent

Chart 2.37: Corporate Credit-to-GDP Gap

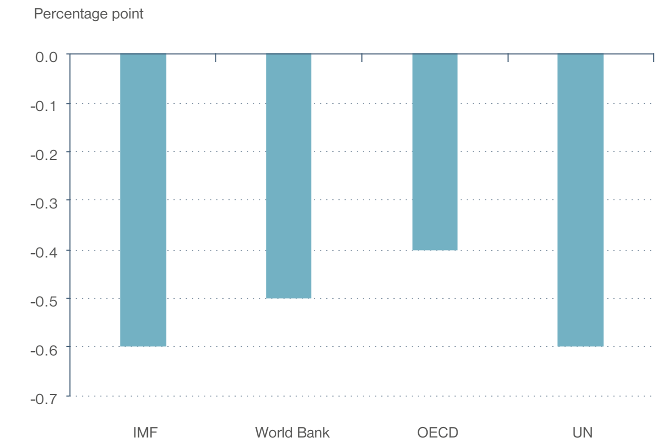


Note: Data on the sectorwise distribution of credit as from October 2018 are based on a new reporting template as per the United Nations International Standard Industrial Classification of all economic activities and thus may not be strictly comparable.

GLOBAL ECONOMIC DEVELOPMENTS

Global economic growth for 2020 was continuously downgraded by multilateral organisations in 2019, by around 0.5 percentage point on average, with the global economy expected to grow at its slowest pace since the Global Financial Crisis (GFC) (Chart 2.38). Growth prospects for 2020 improved by the end of 2019 when the US and China agreed on bilateral negotiations and Brexit uncertainty lessened following the general elections in the UK, thus reinforcing expectations that the UK would exit the European Union, thereby dampening economic uncertainty.

Chart 2.38: Revision to 2020 Global GDP Growth Forecast in 2019



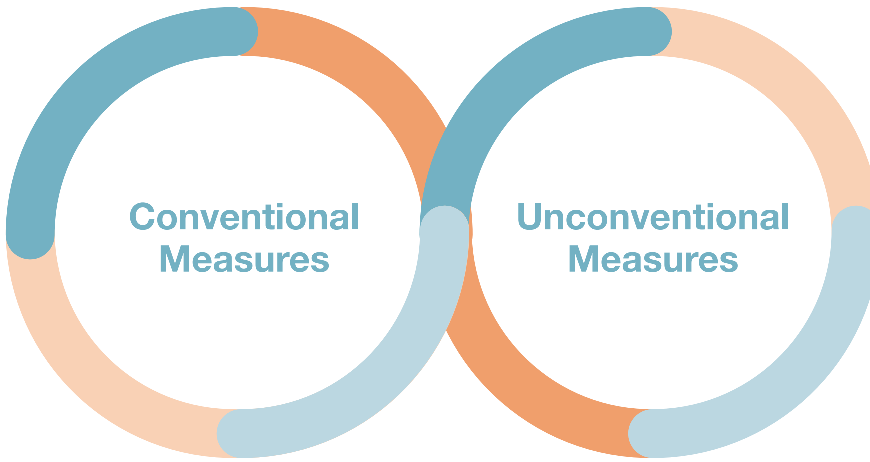
However, the outbreak of the COVID-19 pandemic generated a severe shock to virtually most countries across the globe amid stringent lockdown measures and disruptions to economic activity. While governments put in place substantial fiscal measures, central banks have intervened with remarkable conventional and unconventional monetary measures to support the financial system and shore up the economy (Table 2.7).

Table 2.7: Summary of Measures Taken by Central Banks and Regulatory Authorities

Measures	Advanced economies	Emerging market and developing economies
Interest rate cut	✓	✓
General liquidity provision[1]	✓	✓
Specialised lending	✓	✓
Asset purchases/sales	✓	✓
FX swap/intervention	✓	✓
Capital requirements	✓	✓
Liquidity requirements	✓	✓
Payout[2] restrictions	✓	✓
Market functioning[3]	✓	✓
Payment freeze on credit card	✓	
Expansion of the list of eligible securities for repo operations	✓	

[1] Include repo and reverse repo operations, standing facilities, modified discount window and lower reserve requirements.
[2] For example, dividend.
[3] For example, short-selling bans and circuit breakers.
Sources: BIS and central banks websites.

Central Bank Measures



Conventional Measures

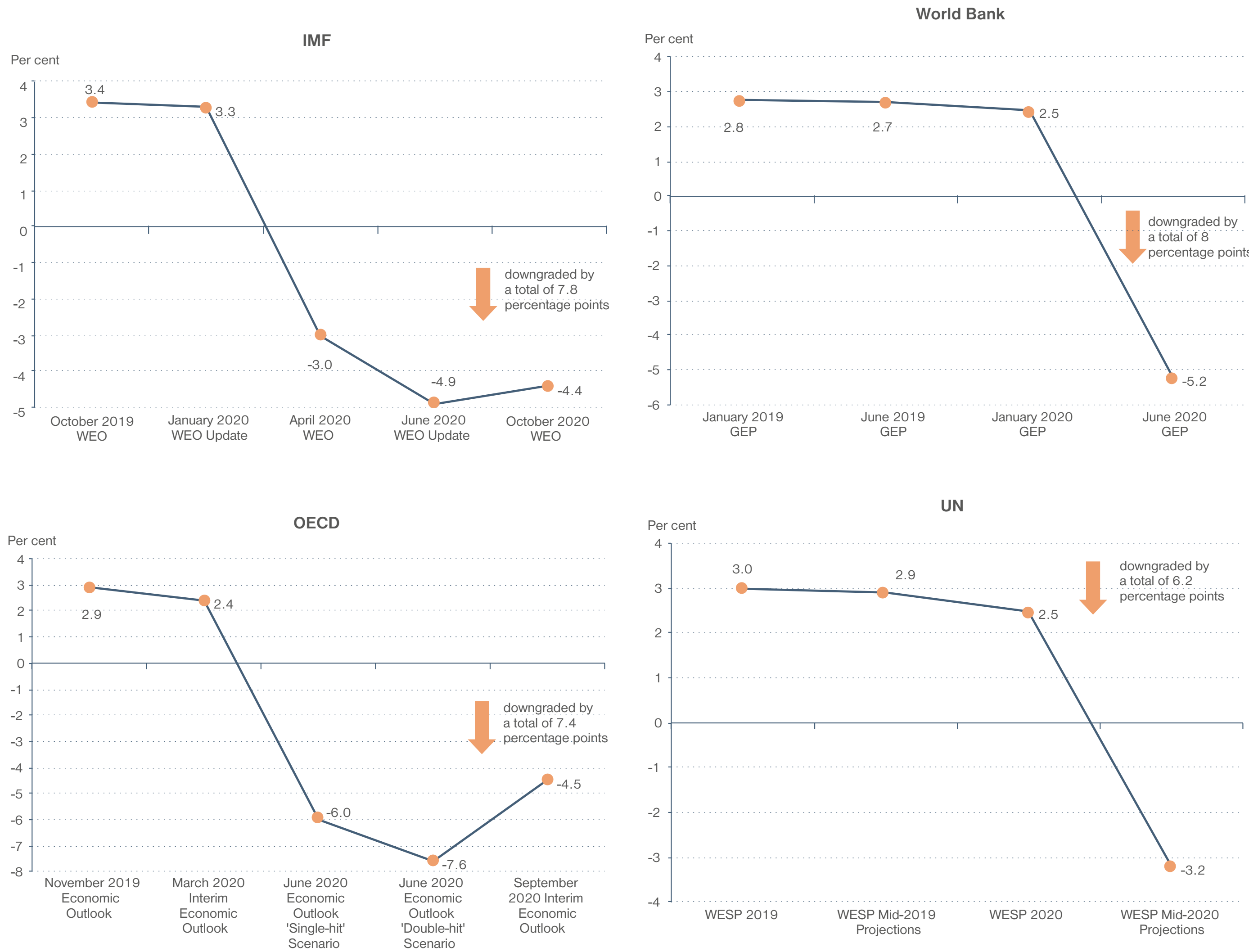
- Over 160 policy rate cuts in 2020H1, in both advanced economies and EMDEs

Unconventional Measures

- Lower capital buffers and reserve requirements
- Temporary lending facilities to banks and businesses
- Schemes to purchase assets as part of quantitative easing programmes

The COVID-19 pandemic has had a more adverse impact on global economic activity in 2020H1 than anticipated. Given uncertainty over the duration of the pandemic and the speed of recovery across countries, projections have been updated several times in 2020H1. According to the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the World Bank and the United Nations (UN), the pandemic would cause the worst recession that the world economy has ever faced since the Great Depression (Chart 2.39). In its World Economic Outlook (WEO) October 2020, the IMF forecast that 167 countries out of 195 countries would contract in 2020 compared to 91 countries during the GFC.

Chart 2.39: Revisions to 2020 Global GDP Growth Forecasts

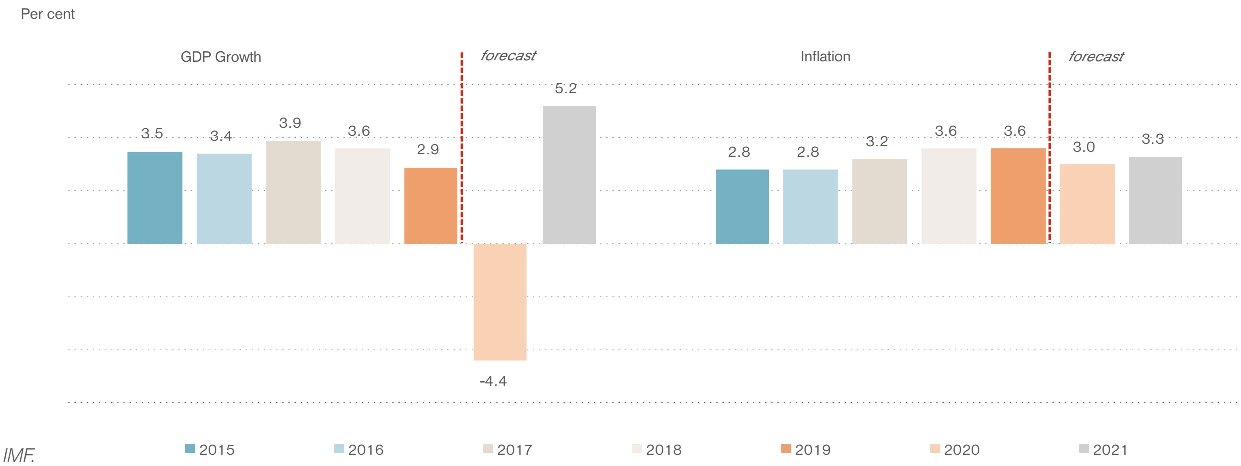


Note: WESP refers to World Economic Situation and Prospects.
Sources: IMF, World Bank, OECD and UN.

As the world economy continues to grapple with the COVID-19 crisis, the global economic outlook remains highly uncertain. Since the beginning of May 2020, several countries have gradually started to lift travel restrictions or re-open their borders. Pending the production of a vaccine and depending on how each country takes the necessary steps to contain the spread of the virus, recovery is expected to be uneven across countries. Recent projections from major multilateral organisations have raised the prospects of a longer-than-expected duration of COVID-19. The latest projections by the IMF, OECD, World Bank and the UN pointed to global economic contraction in the range of 3.2-5.2 per cent.

However, according to the October 2020 WEO, the IMF forecasts that the global economy would contract by 4.4 per cent in 2020, indicating an upward revision of 0.5 percentage point compared to the projection made in June 2020 (Chart 2.40). The upgrade to the global growth outlook emanates from better-than-expected economic performance in 2020Q2, mainly attributable to advanced economies. As confinement measures were lifted, economic activity in advanced economies normalised at a faster-than-anticipated pace. For 2021, the global economy is forecast to bounce back and expand by 5.2 per cent, down by 0.2 percentage point compared to the June 2020 WEO Update.

Chart 2.40: Global GDP Growth and Inflation



Source: IMF.

The growth outlook for advanced economies has been substantially upgraded compared to the June 2020 forecasts. These economies are now expected to contract by 5.8 per cent in 2020, constituting an upward revision of 2.3 percentage points, largely attributable to more favourable economic performance for the US and euro area in 2020Q2. Advanced economies are forecast to grow by 3.9 per cent in 2021, albeit lower by 0.9 percentage point compared to the June 2020 forecast.

Emerging market and developing economies (EMDEs) are expected to contract by 3.3 per cent in 2020, lower by 0.2 percentage point from June 2020. Nonetheless, growth for the EMDEs is projected to revert into positive territory in 2021 to stand at 6.0 per cent, and representing an upgrade of 0.2 percentage point. The outlook for China remains more optimistic compared to its counterparts, as economic recovery was boosted by a swift pick-up in activity upon the lifting of confinement measures.

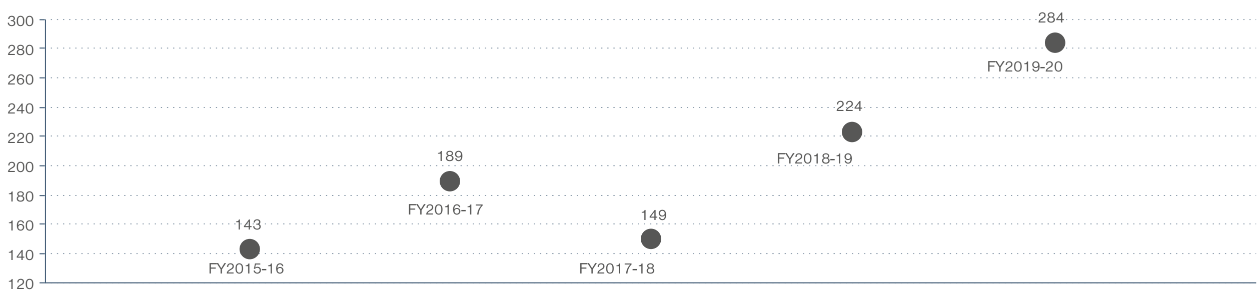
However, prospects for other EMDEs remain bleak, plagued by further proliferation of the infection in particular for India, where GDP contracted more severely than predicted in 2020Q2. The Indian economy is projected to contract by 10.3 per cent in 2020, before rebounding by 8.8 per cent in 2021. In the wake of diverging economic performance at regional levels, major Latin American economies are expected to suffer from large output declines while struggling to contain further spread of the COVID-19. Countries in the Middle East and Central Asian region as well as oil-exporting countries in Sub-Saharan Africa remain severely affected by idiosyncratic factors, including subdued oil demand, geopolitical tensions and economic crises.

The sharp slowdown in the trade-intensive manufacturing sector weighed on global trade in FY2019-20. Trade tensions between the US and China escalated throughout 2019H2, with new tariffs implemented on the majority of their bilateral trade. As production and consumption scaled back due to the COVID-19 pandemic, this led to unparalleled disruption in world trade. The Baltic Dry Index (BDI) tracks rates for ships carrying dry bulk commodities. The BDI, which was on a downtrend since mid-September 2019, showed further signs of weakness in 2020Q1 but subsequently picked up to mirror the impact of COVID-19 on supply chains.

Global Composite PMI, which provides a broad indicator of world economic activity, lost momentum during FY2019-20. The Global Manufacturing PMI dipped well below the 50 level threshold while the Services PMI reached 48.0 in June 2020. OECD's Total Composite Leading Indicator (CLI) steadily declined from an average of 99.9 in FY2018-19 to an average of 98.5 in FY2019-20, reflecting lower CLI for the largest OECD economies in 2020H1 due to COVID-19. Business and consumer confidence indices reflected the prevailing uncertain global economic environment amid lingering trade tensions and the COVID-19 pandemic.

Global inflationary pressures remained muted in FY2019-20 given a broad-based slowdown across economies and the economic fallout from COVID-19. Prior to the outbreak of the pandemic, inflation was contained as trade protectionism and poor economic outlook continued to exert a downward drag on general price pressures. The IMF projects global inflation to decline from 3.5 per cent in 2019 to 3.2 per cent in 2020. The Global Economic Policy Uncertainty Index rose during FY2019-20 on account of intensification of the US-China trade war tensions in 2019H2, in addition to the outbreak of COVID-19 in early-2020 (Chart 2.41).

Chart 2.41: Global Economic Policy Uncertainty Index



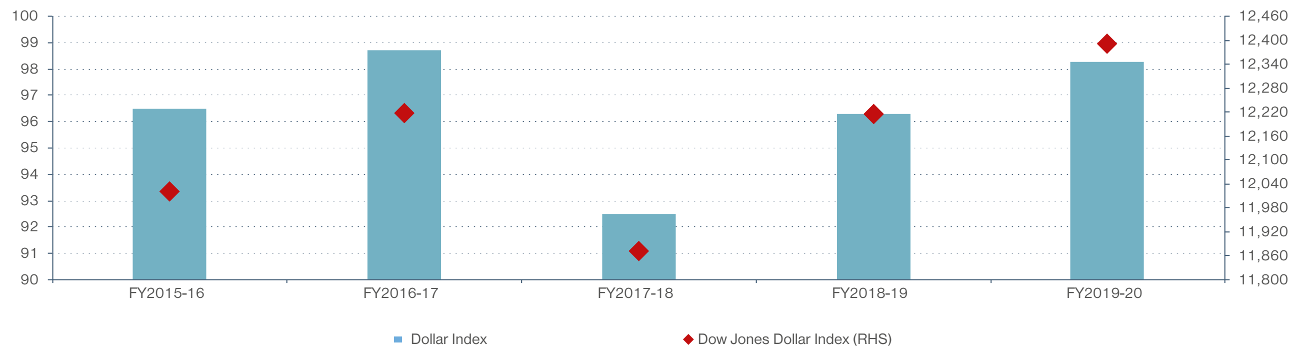
Global commodity prices were on a broad downtrend during FY2019-20. Crude oil prices were adversely affected as travel and lockdown restrictions across the globe resulted in a sharp drop in global demand and a simultaneous increase in the stockpile. The fall in prices was exacerbated by the breakdown of the production agreement between OPEC and its partners in early March 2020, thus driving prices to a 20-year trough. An agreement between the two largest oil producers in early-April 2020 brought some respite. Global oil prices sustained their recoveries in June 2020, as OPEC and other major oil producers agreed to extend their production cuts. The demand for oil has since been gaining momentum, supported by the easing of lockdown restrictions.

The Food and Agriculture Organisation (FAO) Food Price Index, which provides a broad indication of the movements of global food prices, increased in FY2019-20, supported by higher prices of almost all its sub-components, barring dairy and cereals. In June 2020, global food commodity prices rose for the first time since the start of 2020 due to a rebound in vegetable oils, sugar and dairy prices. The Sugar Price Index went up by 2.2 per cent in FY2019-20 compared to FY2018-19, reflecting decreases in sugar output in the European Union, India, Pakistan and Thailand, which offset expansions in Brazil, China and Russia.

The US-China trade turmoil remained the key driver of financial markets in 2019. As the two trading partners agreed to a tentative trade deal in late October 2019, the global equity markets increased to new highs, triggering expectations of a global economic recovery. The financial markets oscillated between February 2020 and June 2020 as investors moved from optimism to pessimism amid concerns over the impact of the pandemic. By the end of February 2020, major equity markets declined rapidly, losing around 10 per cent within weeks. By early March 2020, global equities tumbled further as OPEC producers and two of its largest oil producers, namely Saudi Arabia and Russia, failed to reach an agreement on production level. Consequently, US equities experienced their worst sell-off since the GFC. Global financial markets started to rebound by late March 2020, as markets reacted positively to central banks' prompt policy measures and announcement of fiscal support measures by governments to counter the impact of the pandemic.

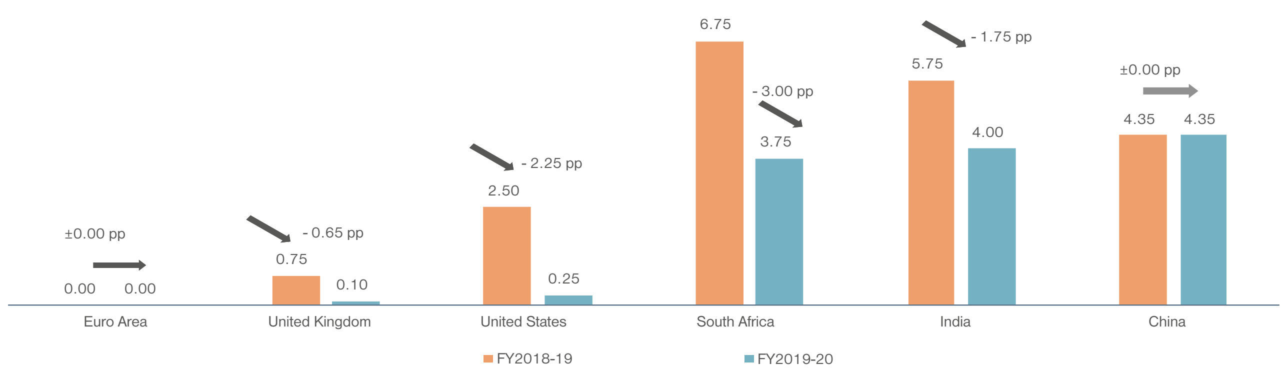
Ongoing uncertainty regarding US-China trade relations continued to support demand for the US dollar in 2019H2. Albeit political turmoil and the impeachment vote in the US, the US dollar remained strong (Chart 2.42). Weak economic outlook, political turmoil and the impact of geopolitical developments weighed on the euro in FY2019-20. The euro strengthened temporarily in late September 2019 as the European Central Bank (ECB) cut deposit rates on bank reserves, for the first time since 2017, to -0.5 per cent, and restarted its Quantitative Easing programme. In 2020H1, the euro continued to underperform due to a weak economic outlook and the impact of COVID-19. The euro traded at an average of US$1.106 in FY2019-20 compared to US$1.140 in FY2018-19. The outcome of the UK elections in December 2019 gave the Pound sterling a slight boost. However, in 2020H1, the value of the Pound sterling fell amid pressures building up with COVID-19 along with lingering Brexit uncertainty. The Pound sterling traded at an average of US$1.260 in FY2019-20 compared to US$1.293 in FY2018-19.

Chart 2.42: Dollar Index



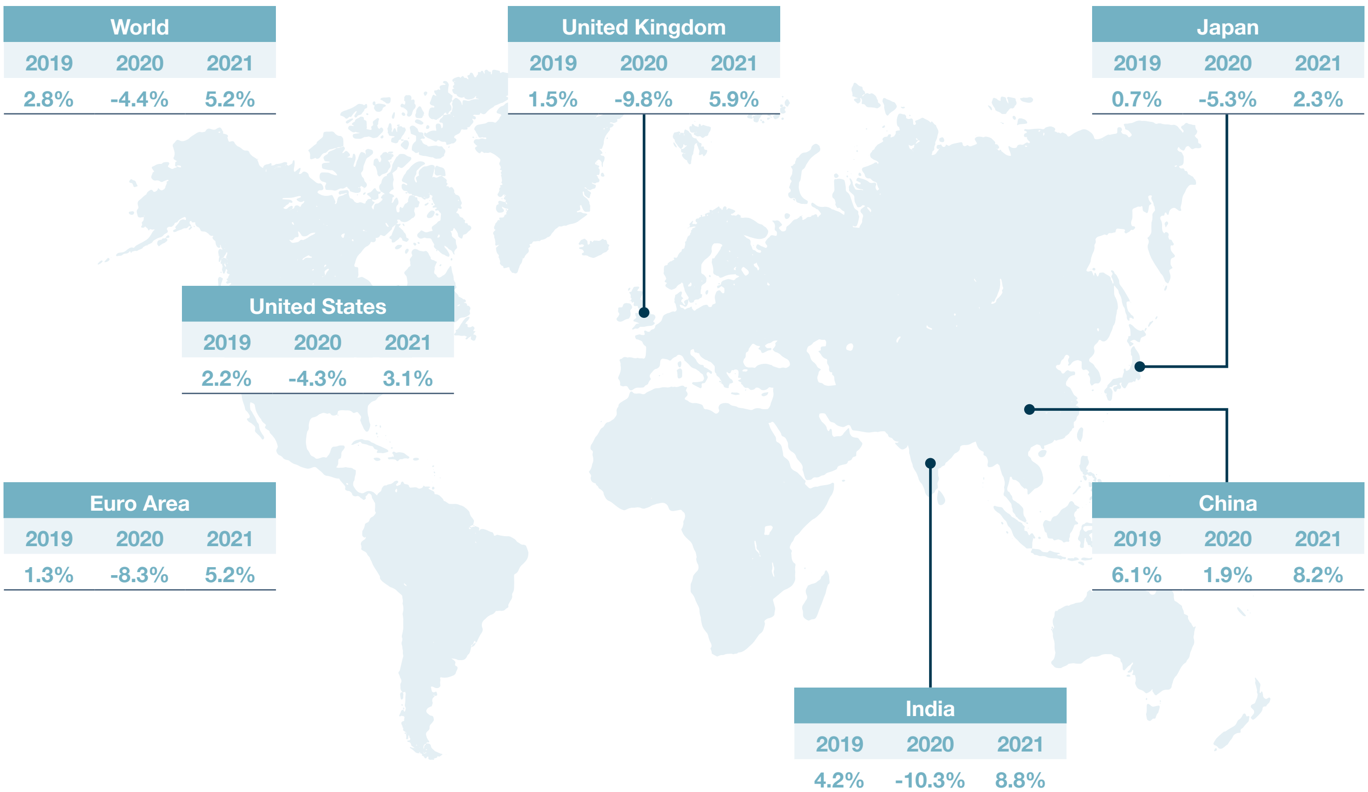
On 03 March 2020, G-7 finance ministers and central bankers released a statement stipulating that they would "use all appropriate policy tools" to sustain the economy. In March 2020, the US Fed reduced its policy rate twice, to 0.00-0.25 per cent. The ECB left its key policy rate unchanged at its March, April and June 2020 meetings. In April 2020, it launched a €1,350 billion pandemic emergency purchase programme designed to lower borrowing costs and increase lending in the euro area. In March 2020, the Bank of England (BoE) cut its policy rate twice to 0.10 per cent. In June 2020, the BoE also raised the target stock of purchased UK government bonds by an additional £100 billion to a total of £745 billion (Chart 2.43).

Chart 2.43: Selected Central Banks' Policy Rates, Per cent



Note: pp refers to percentage point.

Real GDP Growth Forecasts



World		
2019	2020	2021
2.8%	-4.4%	5.2%

United Kingdom		
2019	2020	2021
1.5%	-9.8%	5.9%

Japan		
2019	2020	2021
0.7%	-5.3%	2.3%

United States		
2019	2020	2021
2.2%	-4.3%	3.1%

Euro Area		
2019	2020	2021
1.3%	-8.3%	5.2%

China		
2019	2020	2021
6.1%	1.9%	8.2%

India		
2019	2020	2021
4.2%	-10.3%	8.8%

Source: IMF.

MONETARY POLICY DURING FY2019-20

The MPC of the Bank met on four occasions during FY2019-20 and favoured an accommodative monetary policy stance to mitigate the economic damage arising from the COVID-19 pandemic. The KRR was reduced from 3.50 per cent to 1.85 per cent annum during FY2019-20 to support domestic economic activity. FY2019-20 was marked by disruptive exogenous factors which significantly impacted monetary policy-making. While trade frictions adversely influenced macroeconomic developments around the world during 2019H2, disruptions associated with the COVID-19 pandemic unsettled economic activity during 2020H1. The channels of transmission of COVID-19 to key sectors of the domestic economy reveal the magnitude of the economic damage.

Channels of Transmission of COVID-19

A sharp contraction in GDP expected in 2020

Travel and Tourism

- National lockdown and closure of borders (Mid-March 2020)
- Sharp decline in tourist arrivals in 2020 to around 350,000
- Sector projected to contract by 70 per cent in 2020
- Sector shrunk by 98 per cent in 2020Q2

Financial and Insurance Activities

- Sector relatively less impacted by COVID-19
- Growth projected at 1 per cent in 2020
- 0.2 per cent growth in 2020Q2

Manufacturing

- Weak external demand from trading partners
- Contraction of 45 per cent projected for textile sub-sector in 2020
- Textile sub-sector shrunk by 65 per cent in 2020Q2

Construction

- Subdued private sector investment, despite ongoing public sector infrastructural upgrading
- Sector projected to contract by 20 per cent in 2020
- Negative growth of 90 per cent in 2020Q2

Wholesale and Retail Trade

- Impacted negatively by national lockdown and loss in households' purchasing power
- Negative growth of 12 per cent expected in 2020
- Sector contracted by 25 per cent in 2020Q2

The lockdown has meant airlines, factories, shops and restaurants have suffered the greatest economic shocks, triggering sharp and sudden contractions in output of key economic sectors such as tourism, trade, manufacturing and construction. The *'accommodation and food service activities'* sector is expected to contract substantially by 70 per cent in 2020, reflecting a projected decline of around 1 million tourists in 2020. Deficient external demand due to deep recessions in 2020 in main export markets would contribute to the expected contraction in the *'textile'* sub-sector of around 45 per cent in 2020. The *'wholesale and retail trade'* sector, which took a severe hit on account of strict lockdown measures from mid-March to June 2020, is projected to contract by 12 per cent in 2020. The *'construction'* sector, anticipated to be a driver of investment in 2020, also remained closed for the large part of 2020Q2 and is expected to record negative growth of 20 per cent in 2020. The financial sector, which was not unscathed by the economic fallout from the pandemic, is projected to grow weakly in 2020, by 1 per cent.

The KRR was reduced to an unprecedented level of 1.85 per cent per annum at the 55th MPC meeting which was held virtually on 16 April 2020 given the national lockdown. The MPC assessed the domestic economic prospects and the external economic developments and judged that an accommodative monetary policy stance was appropriate to alleviate the disruptive effects of the COVID-19 pandemic on the Mauritian economy.

At its 52nd meeting held on 09 August 2019, the MPC took note that the prospects for the world economy had weakened further on account of increasing risks stemming from the ongoing global trade tensions between the US and China, rising uncertainties associated with Brexit and geopolitical tensions. In addition, a softening in manufacturing and trade activities in advanced economies, subdued investment and lower external demand in emerging economies weighed on global economic activity, although the downward revision in global growth was mitigated by solid US growth. The IMF projected global growth at 3.2 per cent in 2019, recovering to 3.5 per cent in 2020. The MPC decided, by majority vote, to cut the KRR by 15 basis points to 3.35 per cent per annum.

The 53rd meeting of the MPC was held on 27 November 2019, during which the Committee noted that global growth and inflation projections had again been revised down as trade tensions caused higher business uncertainty worldwide and dented manufacturing activity and global trade. The IMF's projection of global growth for 2019 was downgraded to 3.0 per cent. The decline in economic activity was broad-based, affecting both advanced economies and emerging market and developing economies. Inflationary pressures in major economies remained broadly muted partly driven by lower energy price inflation. The MPC decided, by majority vote, to keep the KRR unchanged at 3.35 per cent per annum.

The 54th meeting of the MPC was held on 10 March 2020 and the Committee noted that the global economy was subject to heightened uncertainty and global financial markets were extremely volatile amid the COVID-19 outbreak. Downside risks to global growth had increased due to disruptions in global trade and travel activity. Global growth for 2020 had been revised downwards by the OECD by half a percentage point to 2.4 per cent. Global inflationary pressures were projected to remain subdued. The COVID-19 outbreak was expected to have a significant impact on the domestic economy, as the uncertainty would influence consumer and business confidence, which could dent domestic spending and investment. As such, the MPC voted unanimously to reduce the KRR by 50 basis points to 2.85 per cent per annum.

At its 55th meeting held on 16 April 2020 via virtual conference, the MPC reviewed the disruptive effects of COVID-19 on the Mauritian economy and its ensuing implications. The Committee voted unanimously to reduce the KRR by 100 basis points from 2.85 per cent to 1.85 per cent per annum (Table 2.8).

Table 2.8: Decisions of the MPC

Date of MPC Meeting	Decision on the Key Repo Rate	Key Repo Rate (per cent per annum)	Voting Pattern
09-Aug-19	Cut of 15 basis points	3.35	Majority vote
27-Nov-19	Unchanged	3.35	Majority vote
10-Mar-20	Cut of 50 basis points	2.85	Unanimous
16-Apr-20	Cut of 100 basis points	1.85	Unanimous

Real GDP Growth and Inflation Projections for 2020

August 2019
Growth: 4.0 per cent
Inflation: 1.5 per cent

November 2019
Growth: 4.0 per cent
Inflation: 1.5 per cent

March 2020
Growth: 2.6-2.8 per cent
Inflation: 1.5 per cent

Note: Growth and inflation projections for 2020 were not released at the April 2020 MPC meeting.

03

Regulation and Supervision

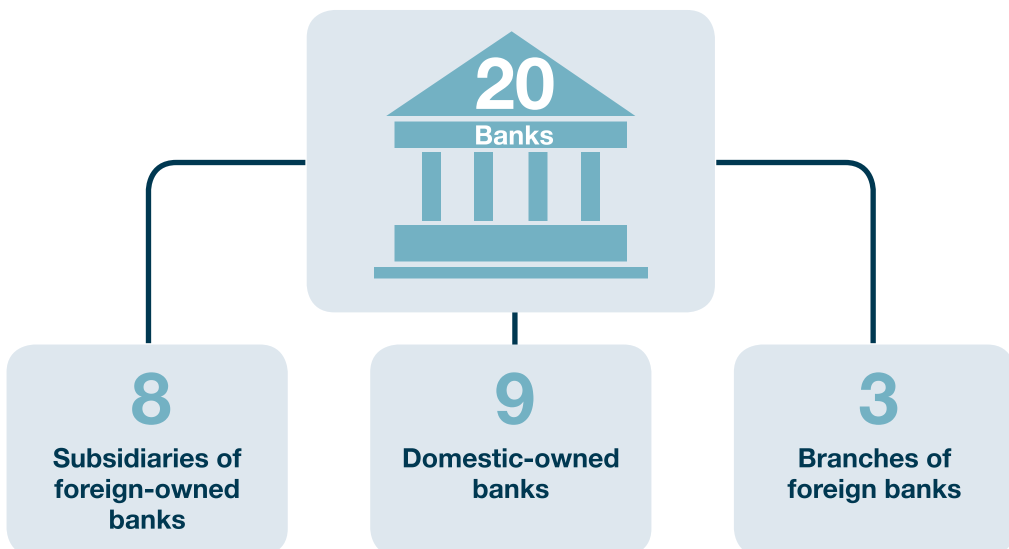
Mauritius Bank banknote

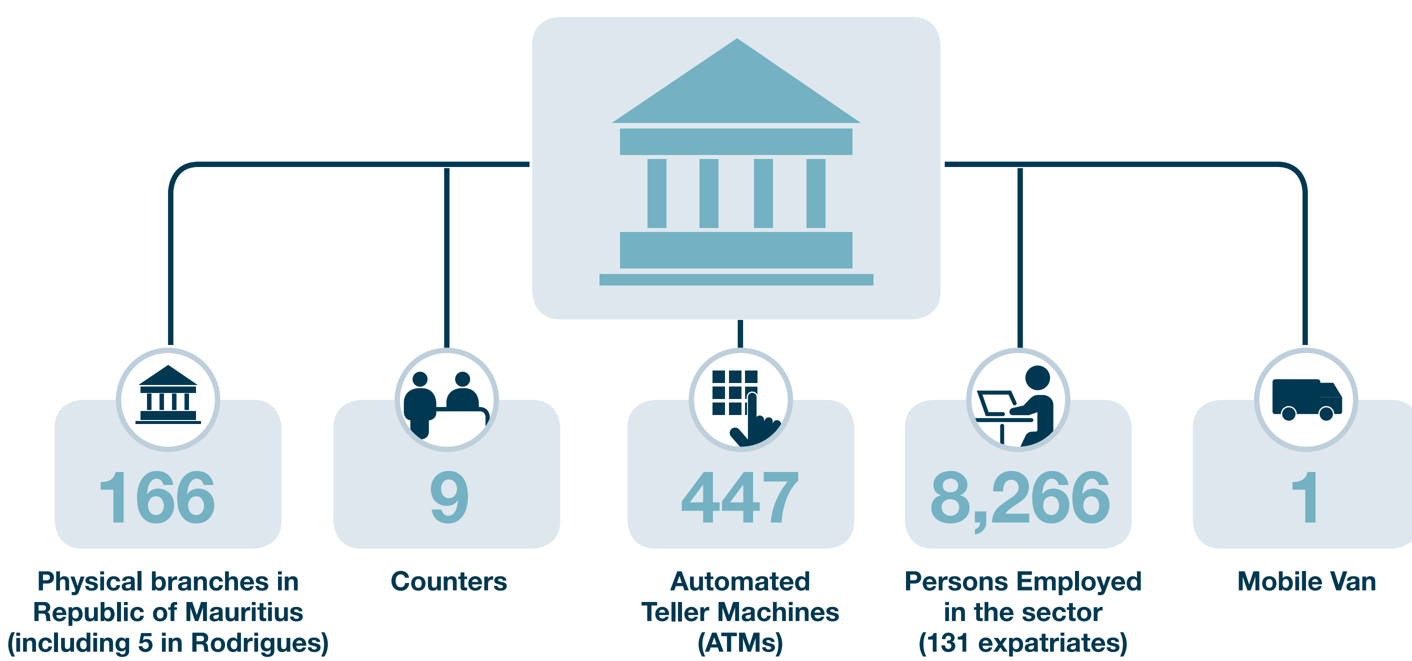
The Mauritius Bank was granted a Charter by Letters of King William IV on 1 July 1831. The banknotes were issued in Dollar and are known to have been printed during the period 1832 and 1834, except for the $200 issue for which the date is unknown. The bank issued notes in 5 denominations: $10, $15, $20, $100 and $200.

REGULATION AND SUPERVISION

THE MAURITIAN BANKING SECTOR

Banks are by far the most dominant constituents of the financial system in Mauritius. The Bank of Mauritius supervises and regulates banks, non-bank deposit taking institutions (NBDTIs) and cash dealers whereas other financial corporations fall under the regulatory aegis of the Financial Services Commission (FSC). The banking sector's total assets accounted for about 279 per cent of GDP as at end-June 2020. In addition to traditional banking facilities, 14 banks offer card-based payment services such as credit cards and debit cards and 16 banks offer internet banking facilities. Seven banks provide mobile banking services, including payment facilities to their customers.





REGULATION AND SUPERVISION

The Bank of Mauritius is mandated to ensure the stability and soundness of the financial system of Mauritius and this is enshrined in Section 4(2)(b) of the Bank of Mauritius Act 2004. The Bank is also the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) supervisor of the institutions falling under its regulatory purview. The Bank carries out its AML/CFT supervisory activities within a supervisory framework, which, since September 2018, segregates prudential supervision from AML/CFT supervision and revolves mainly around off-site monitoring and on-site examinations. Accordingly, a dedicated AML/CFT Unit in the Supervision Department 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 is empowered to regulate and supervise ultimate and intermediate financial holding companies having at least one subsidiary as a bank or NBDTI within the group.

DEVELOPMENTS IN THE BANKING AND NBDTI SECTORS DURING FY2019-20

The Bank constantly reviews its guidelines and other instructions to ensure their continued effectiveness in the face of ever-changing developments in the banking field. The COVID-19 pandemic represented a watershed moment for the world, with far reaching consequences on the real sector of the economy. The confinement as a result of the COVID-19 outbreak necessitated a re-prioritisation of tasks at the level of the Bank with the twin-fold objectives of reducing the operational burden on banks during these testing times and providing some breathing space to financial institutions.

On account of the uncertain environment posed by the COVID-19 pandemic, the consultation exercise with the industry for the issuance of new guidelines was extended.

Main developments in the regulatory and supervisory sphere during FY2019-20

Climate Change	The Bank carried out a survey to collect information from banks with respect to risks associated with climate change. The results of the survey will enable the Bank to come up with a set of principles in the near future.
AML/CFT	In view of the extensive changes brought to the AML/CFT legislative and regulatory framework, the guidance notes were thoroughly revisited. To this effect, a Guideline on Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation was issued in January 2020. A Sanctions Framework was also implemented to formalise the methodology and procedures for the application of effective, proportionate and dissuasive enforcement actions and sanctions for breaches of regulatory requirements.
Risk-Based Supervision	The Risk-Based Supervision (RBS) framework was enhanced with the development of the modules on credit and liquidity risks which are currently under pilot runs. With regards to the operational risk module, including IT risk, the first set of data has already been submitted by banks.
Capital Adequacy Ratio	In the wake of COVID-19, the implementation of the last tranche of the capital conservation buffer of 0.625% has been deferred to 1 January 2021 against the originally scheduled date of 1 January 2020. Further, the risk weights and thresholds for certain categories of exposures have been reviewed.

REGULATION AND SUPERVISION

Guideline on Credit Impairment Measurement and Income Recognition	The requirement to ensure compliance with the Guideline on Credit Impairment Measurement and Income Recognition for provisioning as per supervisory norms has been temporarily waived. Banks are now required to make provisions solely in accordance with IFRS9. Under the stressed situation generated by COVID-19, the Bank relaxed its regulatory requirements. Banks have been requested to take on board the support measures provided by the Bank and Government when assessing whether there has been a significant increase in credit risk or there was a default. Further, loan accounts which are directly impacted by COVID-19 and which are granted moratorium period or other concessions should be assessed for impairment after the end of the moratorium period.
Surrender of Deposit Taking Business Licence	Mauritian Eagle Leasing Company Limited and Cim Finance Ltd surrendered their Deposit Taking Business Licence effective 17 January 2020 and 10 February 2020, respectively.
Change of Name	Finlease Company Limited changed its name to MCB Leasing Limited on 3 June 2019 and a new Deposit Taking Business Licence in the name of MCB Leasing Limited has been issued to the institution on 16 January 2020. Barclays Bank Mauritius Limited changed its name to Absa Bank (Mauritius) Limited on 7 February 2020 and a new Banking Licence in the name of Absa Bank (Mauritius) Limited has been issued to the institution on 10 February 2020.
Conservatorship	BanyanTree Bank Limited was placed under conservatorship on 1 April 2020.
Deposit Insurance Scheme	The Bank is pursuing its efforts towards the operationalisation of the Mauritius Deposit Insurance Corporation Ltd (MDIC). The Bank is in the process of finalising the required legal documents before moving for the promulgation of the Mauritius Deposit Insurance Scheme Act 2019 which will enable the Bank to incorporate the MDIC under the Companies Act and establish the deposit insurance scheme.
Central KYC Registry (CKYC Registry)	The CKYC Registry project progressed further with the launch of a Request for Proposal in May 2020 for the provision of services regarding the set-up of the CKYC Registry at the Bank.

MAIN LEGISLATIVE AMENDMENTS

A summary of the main legislative amendments introduced in Mauritius, of interest to the Banking Sector, is set out hereunder:

The Covid-19 (Miscellaneous Provisions) Act 2020

The Covid-19 (Miscellaneous Provisions) Act 2020, which has been gazetted on 16 May 2020 as Act No. 1 of 2020, amended a number of enactments to cater for the impact of the novel coronavirus (2019-nCoV), commonly known as Covid-19 virus, and for matters connected, consequential or related thereto.

The Act has brought amendments, set out hereunder, to the Bank of Mauritius Act 2004 ('BoM Act'). These amendments are deemed to have come into operation on 23 March 2020.

(i) Section 6 – Powers of the Bank

A new paragraph (oa) has been added to Section 6(1) of the BoM Act which provides that the Bank of Mauritius ('Bank'), on account of the Covid-19 virus having a negative impact on the economy of Mauritius, may grant such amount to Government as the Board of the Bank may approve, to assist it in its fiscal measures to stabilise the economy of Mauritius.

Furthermore, Section 6(1)(y) of the BoM Act has been amended to allow the Bank, with the approval of the Minister of Finance, Economic Planning and Development ('Minister') to, *inter alia,* provide capital to or invest in any corporation or company set up for the purpose of facilitating economic development.

(ii) Section 46 – Official Foreign Reserves

A new subsection (5) has been added to Section 46 of the BoM Act, which provides that the Bank may, for the purpose of Section 6(1)(y), invest with the approval and determination of the Board of the Bank, such amount of the official foreign reserves in any corporation or company set up for the purpose of facilitating economic development.

(iii) Section 47 – Special Reserve Fund

A new subsection (6) has been added to Section 47 of the BoM Act, which empowers the Board of the Bank, on account of the Covid-19 virus having a negative impact on the economy of Mauritius, to approve such grant from the Special Reserve Fund to assist Government in its fiscal measures to stabilise the economy of Mauritius.

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The Anti-Money Laundering and Combatting the Financing of Terrorism (Miscellaneous Provisions) Act 2020

The Anti-Money Laundering and Combatting the Financing of Terrorism (Miscellaneous Provisions) Act 2020 which has been gazetted on 09 July 2020 as Act No. 5 of 2020, brought further fundamental reforms in the financial services sector, thereby ensuring closer compliance with recommended international best practices and norms of the Financial Action Task Force (FATF). Accordingly, various enactments have been amended with a view to reinforcing the existing legal provisions to further combat money laundering and the financing of terrorism (ML/TF), and to provide for matters related thereto.

Amongst others, the amendments which are of interest to the Bank are set out hereunder. These amendments pertain to the Banking Act, the Civil Status Act, the Financial Intelligence and Anti-Money Laundering Act and the Jewellery Act and are deemed to have come into operation on 9 July 2020.

I. Banking Act 2004

(i) Section 64B – Customer due diligence information

Section 64B(2) of the Banking Act ('BA') has been amended to provide that the fine to be imposed on a financial institution which fails to comply with any guideline, directive or instruction issued by the Bank thereunder has been increased from one million rupees to 10 million rupees.

(ii) Section 64C – Examination of financial institutions or holders of licence

The new subsection (3) added to Section 64C of the BA provides that the frequency and intensity of an examination by the Bank will be determined based on ML/FT risks and policies, internal controls and procedures associated with the financial institution, the ML/TF risks present in Mauritius and the characteristics of the financial institution.

In addition, the Bank has been empowered, in terms of the new subsection (4) added to Section 64C of the Act, to review the assessment of ML/TF risk profile of a financial institution or holder of a licence or group, including the risk of non-compliance, periodically and when there are major events or developments in the management and operations of the financial institution, holder of a licence or its group.

II. Civil Status Act 1981

(i) Section 8C – Access to the Central Population Database

Section 8C of the Civil Status Act ('CSA') has been repealed and replaced by a new Section 8C which provides that the Registrar of Civil Status shall, amongst others, grant access to the Central Population Database to the Bank for the establishment of the CKYC Registry under Section 52A of the Bank of Mauritius Act, and to facilitate the verification of the identity of customer through any system maintained and operated by the Bank.

(ii) Section 17B – Sharing of information

Section 17B(1)(a) of the CSA has been amended to provide that for facilitation purposes, the Registrar of Civil Status can, through his electronic system, in addition to the existing set of information, also share with another public sector agency (including the Bank) the photograph of a person.

Furthermore, in terms of the amendment brought to Section 17B(2) of the CSA, the Bank may, for the purpose of meeting its obligations under section 52A of the BoM Act, namely for the establishment of the Central KYC Registry, disclose any information pursuant to the above, to a third party.

III. Financial Intelligence and Anti-Money Laundering Act 2002

(i) Section 2 – Interpretation

The definition of 'bank' in section 2 of the Financial Intelligence and Anti-Money Laundering Act ('FIAMLA') has been amended by deleting the term 'moneylender' therefrom. Additionally, the definition has been extended to include therein such category of licensees under the National Payment Systems Act 2018 as may be prescribed.

The definition of 'Suspicious Transaction' has also been enlarged to encompass funds linked or related to the financing of terrorism or related transactions.

(iii) Section 14 – Reporting of suspicious transaction by reporting person or auditor

Section 14(1) of the FIAMLA has been amended to provide that reporting persons or auditors shall, as soon as they become aware of a suspicious transaction, make a report to the Financial Intelligence Unit (FIU) of such transaction not later than 5 working days after the suspicion arose.

A new subsection (3) has been also added to Section 14 of the Act to provide that failure to make a report to the FIU of such transaction before the 5 working days after the suspicion arose shall tantamount to an offence and the offender shall, on conviction, be liable to a fine not exceeding one million rupees and to imprisonment for a term not exceeding 5 years.

IV. The Jewellery Act 2007

(i) Section 15 – Registration of dealers

Section 15 of the Jewellery Act has been amended to provide that the registration of dealers shall not apply to the Bank and to any bank which has been granted a banking licence to carry on exclusively private banking business by the Bank to hold, store or sell gold, silver, platinum, and other precious metals, as part of the management of its client's investment portfolio.

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The Finance (Miscellaneous Provisions) Act 2020

The Finance (Miscellaneous Provisions) Act 2020, which provides for the implementation of measures announced in the Budget Speech 2020-2021 and for matters connected, consequential or incidental thereto, has been gazetted on 07 August 2020 as Act No. 7 of 2020. The Act has brought the amendments, set out hereunder, to the BoM Act and BA.

All the amendments have come into operation on 07 August 2020 with the exception of the amendment brought to Section 46(5) of the BoM Act, which is deemed to have come into operation on 2 June 2020.

I. Bank of Mauritius Act 2004

(i) Section 2 – Interpretation

The definition of the term 'digital currency' used in the BoM Act has been added to Section 2 of the BoM Act and refers to the central bank digital currency issued by the Bank under Section 35(1) of the BoM Act.

(ii) Section 6 – Powers of the Bank

A new subsection (2A) has been added to Section 6 of the BoM Act to provide that the Bank may, by itself or through its subsidiary, or acting as agent of Government, raise loans by the issue of securities for investment in projects or companies promoting the sustainable economic development of Mauritius, including the blue economy and green economy.

The Bank may also issue directives, guidelines, instructions or rules to this effect.

(iii) Section 35 – Sole right to issue currency

Section 35(1) and (2) of the BoM Act has been amended to empower the Bank with the sole right to issue digital currency.

(iv) Section 36 – Printing of bank notes, minting of coins and issuing of digital currency

The heading of Section 36 of the BoM Act has been amended to include therein, the 'issuing of digital currency'.

In addition, Section 36(1) of the BoM Act has been amended to provide that digital currency issued under the BoM Act shall be in such denomination, design, form and manner as the Bank may, with the concurrence of the Minister, determine.

(v) Section 37 – Legal tender

Section 37(1) of the BoM Act has been amended to provide that digital currency issued by the Bank shall be legal tender in Mauritius for the payment of any amount.

(vi) Section 46 – Official foreign reserves

Section 46(5) of the BoM Act has been amended to provide that such amount of the official foreign reserves invested in corporation or company set up for the purpose of facilitating economic development shall not be included in the computation of the official foreign reserves of Mauritius.

(vii) Section 52(2A) – Establishment of a Credit Information Bureau

A new paragraph (aa) has been added to Section 52(2A) of the BoM Act to enable the Bank to impart information maintained in the Credit Information Bureau to the Credit Scoring Services Agency established under Section 52B of the BoM Act.

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

A new subsection (1C) has been added to Section 52A of the BoM Act which provides that the Bank may, on such terms and conditions as it may determine, disclose, or allow access to the information collected on the CKYC Registry to such person or institutions as it may approve, including a public sector agency or a law enforcement agency, to enable the person or institutions including any agency, to discharge or assist it in discharging, any of its functions.

(ix) Section 52B – Establishment of Credit Scoring Services Agency

A new Section 52B has been added in the BoM Act to provide for the establishment of a Credit Scoring Services Agency.

In terms of this new section, the Bank may by itself, through a subsidiary or any other legal entity, establish a Credit Scoring Services Agency for the purpose of providing credit scores on an applicant for credit on such terms and conditions as it may determine.

The Bank may also, on such terms and conditions as it may determine, impart information maintained in the Credit Scoring Services Agency to, *inter alia*, any public sector agency or law enforcement agency to enable them to discharge or assist them in discharging their functions. Any applicant for credit who is not satisfied with his credit score, may consult the Credit Scoring Services Agency to be informed of the manner in which his credit score was computed and assessed.

II. Banking Act 2004

(i) Section 2 – Interpretation

The definition of the term ‘bank’ and ‘banking licence’ in Section 2 of the BA have been amended to include ‘digital banking business’ and ‘digital banking licence’ respectively.

A new definition for the term ‘digital banking business’ has also been inserted in Section 2 of the BA and refers to banking business carried on exclusively through digital means or electronically.

Furthermore, the definition of the term ‘related party’ has been amended to reflect therein the control requirements provided in the definition of related parties under Core Principle 20 ‘Transactions with related parties’ of the Basel Committee on Banking Supervision.

The definition of the term ‘significant interest’ has been replaced by a new definition, which, inter alia, provide that significant interest will include those shareholders having the ability to appoint 20% or more of the members of the board of a financial institution.

In addition, the definition of ‘moneylender’ has been deleted from Section 2 of the BA as the licensing and supervision of moneylenders has been transferred from the Bank to the FSC. Section 14D relating to licensing of moneylender and the Fourth Schedule to the BA have also been repealed.

(ii) Section 5 – Application for banking licence

Section 5(1) of the BA has been amended to provide that no person shall engage in digital banking business without a banking licence issued by the Bank.

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

A new subsection (7E) has been added to Section 7 of the BA, which provides that a bank, which has been granted a banking licence to carry on exclusively digital banking business, may be exempted from such provisions of the BA, and be subject to such terms and conditions and guidelines, as the Bank may determine.

(iv) Section 14 – Granting of licences to cash dealers

A new subsection (6) has been added to Section 14 of the BA which, *inter alia*, sets out that the Bank shall, when granting a foreign exchange dealer licence or a money-changer licence comply with section 7(2), (4) and (4A) of the BA, which provides for the grounds for refusing an application for a banking licence, with such modifications, adaptations and exceptions as may be necessary.

(v) Section 20 – Minimum capital requirements of banks

Section 20 of the BA has, amongst others, been amended to require every bank to maintain capital of such percentage or ratio as may be determined by the Bank.

(vi) Section 34 – Financial statements

Section 34 of the BA has been amended to enable financial institutions to prepare and submit their audited financial statements more than 3 months after the end of their financial year, where so authorised by the Bank.

(vii) Section 39 – Appointment, powers and duties of auditors

A new subsection (5A) has been added to Section 39 of the BA to enable the Bank, upon request of a financial institution and on just and reasonable grounds shown, to extend the time period for rotation of audit firms for an additional period of 2 years.

(viii) Section 64 – Confidentiality

Section 64(3)(i) of the BA has been amended to provide that the duty of confidentiality imposed under the BA shall not apply where the information is required for transmission to the Credit Scoring Services Agency established under Section 52B of the BoM Act.

(ix) Section 66 – Powers and duties of conservator

A new subsection (1A) has been added to Section 66 of the BA, which provides that the conservator shall have all the powers of the shareholders, directors and officers of the financial institution and may operate the financial institution in its own name, unless otherwise specified by the Board of the Bank.

Furthermore, under the new subsection (1B) added to Section 66 of the BA, the conservator has been empowered, with the approval of the Board of the Bank, to amongst others offer the assets or shares of the financial institution for sale without the approval or consent of the financial institution.

Section 66(3) of the BA has also been amended to enable the conservator to execute any instrument in the name of the financial institution and to initiate, defend and conduct in its name any action or proceedings to which the financial institution may be a party.

(x) Section 67 – Term of office and remuneration of conservator

The new subsection (1A) added to Section 67 of the BA provides that a financial institution shall not be placed under conservatorship for more than 180 days unless the Board of the Bank determines otherwise.

(xi) Section 69 – Rehabilitation or reorganisation of financial institution

The new subsection (3A) added to Section 69 of the BA sets out the procedure in the event that the reorganisation plan proposed by the conservator is not approved by all the depositors and other creditors, who shall not receive full payment under the reorganisation plan; and in what circumstances, the conservator may recommend to the Bank, the compulsory liquidation of the financial institution.

(xii) Section 96A – Protection of customers of financial institutions

Paragraph (a) under Section 96A(4) of the BA has been repealed and replaced by a new paragraph (a) which provides that any complaint shall be dealt with by the financial institution in the manner and within such period as provided for in the Ombudsperson for Financial Services Act 2018 or any guideline, instruction or requirement issued thereunder.

(xiii) Section 97 – Offences and penalties

Section 97(1) of the BA has been amended to make it an offence for any person who transacts in digital banking business without a licence or, if applicable, the written authorisation from the Bank.

(xiv) Section 100 – Directives, guidelines or instructions

The BA has, amongst others, been amended to empower the Bank to issue directives in addition to guidelines and instructions.

To this effect, the heading of Section 100 of the BA has been amended to include "Directives", while amendments have also been made to subsections (1) to (4) of Section 100 of the BA.

In addition, along the same line, amendments have also been made to 9 other sections of the BA to empower the Bank to issue directives in addition to guidelines and instructions.

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Courts (Amendment) Act 2020

The Courts (Amendment) Act was passed in the National Assembly on 28 August 2020 and amends the Courts Act for, inter alia, the setting up, within the Supreme Court and the Intermediate Court, of a Financial Crimes Division. The Courts (Amendment) Act has come into operation on 05 September 2020.

The setting up of this specialized Division has been rendered necessary with a view to ensuring that financial crime cases are dealt with expeditiously, thereby ensuring further compliance with recommended international best practices and norms of the FATF.

The Financial Crimes Division of the Supreme Court will, in addition, have jurisdiction to hear and determine any other matter under any enactment, which is connected or ancillary to a financial crime offence.

Financial crime offence means an offence committed under an enactment specified in the Sixth Schedule of the Courts Act, and includes any other offence which is connected or ancillary to an offence committed under an enactment specified in the Sixth Schedule. Some of the enactments specified in the Sixth Schedule include the Financial Intelligence and Anti-Money Laundering Act as well as specific provisions of the Banking Act, Bank of Mauritius Act and the National Payment Systems Act.

REGULATION AND SUPERVISION

PERFORMANCE OF THE BANKING SECTOR

The domestic banking sector remained sound and stable during the period under review. Total assets of banks increased by 19.2 per cent, from Rs1,415.1 billion as at end-June 2019 to Rs1,686.3 billion as at end-June 2020 compared to a rise of 5.7 per cent recorded during FY2018-19. Acceptances, guarantees and documentary credits, which are part of off-balance sheet assets, contracted by 2.9 per cent to Rs102.3 billion as at end-June 2020, compared to a growth of 4.8 per cent in the preceding year.

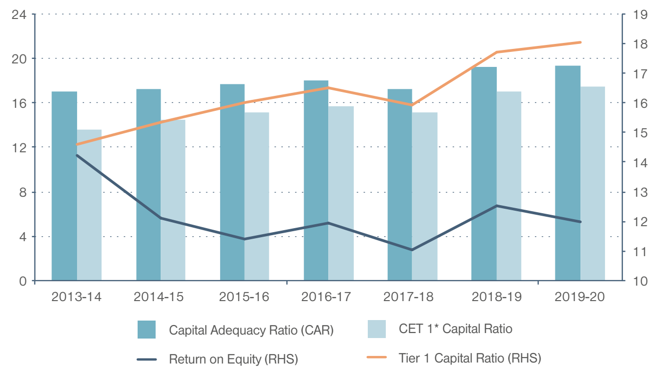
Total deposits increased by Rs208.5 billion or 20.2 per cent, from Rs1,030.1 billion as at end-June 2019 to Rs1,238.6 billion as at end-June 2020. Advances from banks rose by 6.3 per cent to Rs815.3 billion as at end-June 2020. Banks' total profits decreased from Rs20.1 billion for FY2018-19 to Rs19.2 billion for FY2019-20, reflecting a rise in operating expenses and higher provisions and adjustments to income on credit losses. NPLs as a ratio to total outstanding loans improved from 5.6 per cent as at end-June 2019 to 5.3 per cent as at end-June 2020.

Key Highlights

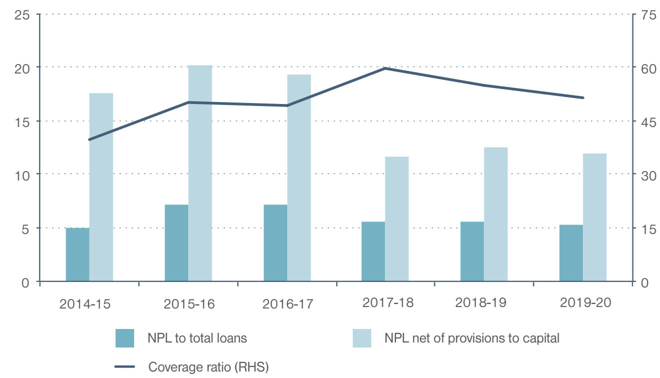
	FY2018-19	FY2019-20
Number of Banks	20	20
Total Assets	Rs 1,415 (Billion)	Rs 1,686 (Billion)
Capital Adequacy Ratio (Per cent)	19.2	19.4
NPL to Total Loans (Per cent)	5.6	5.3
Loans-to-deposit Ratio (Per cent)	74.4	65.8
Liquidity Coverage Ratio (Per cent)	246.0	236.0
Pre-tax Return on Assets (Per cent)	1.7	1.5
Post-tax Return on Equity (Per cent)	13.4	12.1

Banking Sector Indicators

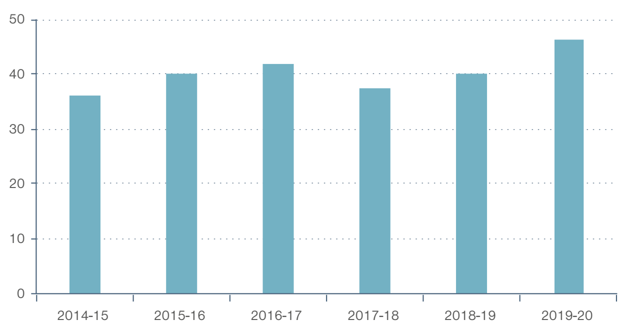
Capital Adequacy Ratios and Return on Equity (Per cent)



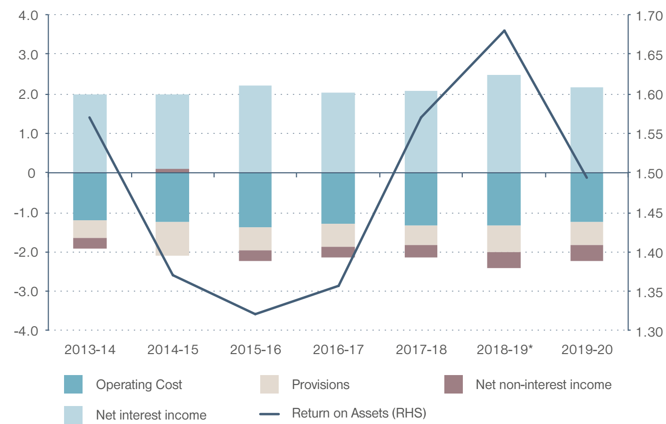
Non-performing Loans (Per cent)



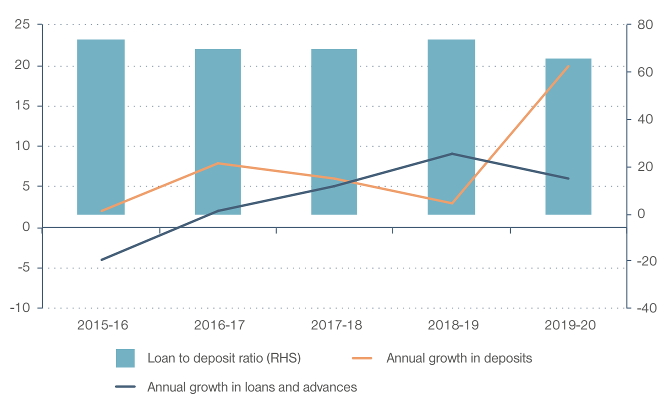
Liquid Assets to Total Assets (Per cent)



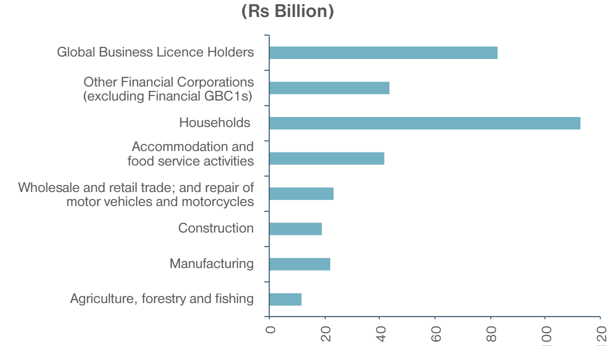
Decomposition of Income (Per cent of Assets)



Loan and Deposit Growth (Per cent)



Bank Loans to the Private Sector as at end-June 2020 (Rs Billion)



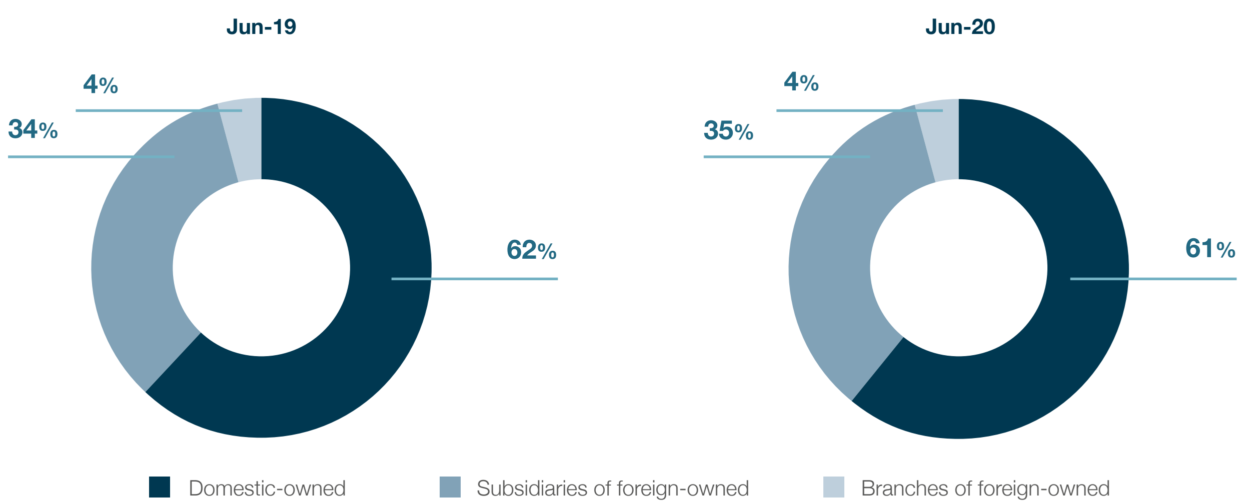
CET1: Common Equity Tier 1 Capital.

REGULATION AND SUPERVISION

Of the twenty banks operating in Mauritius, nine were domestic-owned banks, eight were foreign-owned subsidiaries and three were branches of foreign banks holding assets of Rs1,032.6 billion, Rs590.9 billion and Rs62.8 billion, respectively, as at end-June 2020. Their respective shares in total banking assets are shown in Chart 3.1.

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. Five banks maintained their status as D-SIBs, following the conclusion of the yearly assessment. As at end-June 2020, D-SIBs' total assets stood at Rs1,093.0 billion, representing nearly 65 per cent of total banks' assets, 67.0 per cent of total banks' deposits and 65.5 per cent of total banks' loans.

Chart 3.1: Assets of Banks, Share to Total



Capital Adequacy

Since July 2014, the Bank embarked on the gradual implementation of Basel III capital standards in Mauritius. The implementation of the revised capital conservation buffer of 2.5 per cent, which was initially proposed to become effective as from 1 January 2020, has been deferred to 1 January 2021 such that banks are required to maintain a capital conservation of 1.875 per cent until 31 December 2020. Accordingly, as from 1 January 2020, banks are required to maintain, at all times, a minimum risk-weighted capital adequacy ratio (including capital conservation buffer) of 11.875 per cent. Banks' aggregate capital base (net of adjustment and capital deductions) increased by 14.6 billion, from Rs151.1 billion as at end-June 2019 to Rs165.7 billion as at end-June 2020. Tier 1 capital rose by 10.5 per cent to Rs154.2 billion, which represented 93.1 per cent of gross capital. Tier 2 capital fell by 0.3 per cent to Rs11.5 billion as at end-June 2020 with its share representing 6.9 per cent of gross capital.

Table 3.1 shows the risk-weighted capital adequacy ratio maintained by banks from end-June 2019 through end-June 2020, together with components of the capital base and risk-weighted assets. The rise in the risk-weighted capital adequacy ratio from 19.2 per cent to 19.4 per cent over the period is primarily due to the capital base increasing at a higher rate of 9.7 per cent relative to a growth of 8.6 per cent in risk-weighted assets.

Table 3.1: Risk-Weighted Capital Adequacy Ratio

Rs million

As at end of period	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
CET1 capital	133,813	135,667	140,862	145,066	149,222
Tier 1 capital	139,569	140,347	145,540	150,030	154,242
Tier 2 capital	11,520	11,145	11,813	11,133	11,489
Capital Base (A)	**151,089**	**151,492**	**157,353**	**161,163**	**165,731**
Total Risk-Weighted Assets (B)	**787,116**	**803,363**	**842,589**	**879,501**	**855,119**
Total Risk-Weighted Assets for Credit Risk (C)	**719,462**	**739,645**	**776,694**	**805,049**	**785,704**
Total on-balance sheet risk-weighted credit exposures	658,430	685,618	706,708	731,436	724,899
Total non-market-related off-balance sheet risk-weighted credit exposures	58,019	51,184	67,056	69,897	57,147
Total market-related off-balance sheet risk-weighted credit exposures	3,014	2,843	2,930	3,716	3,658
Total Risk-Weighted Assets for Operational Risk (D)	**58,456**	**60,055**	**61,872**	**64,713**	**66,214**
Total Risk-Weighted Assets for Market Risk (E)	**9,199**	**3,663**	**4,023**	**9,740**	**3,200**
Total foreign currency exposures	4,286	3,028	3,395	2,785	2,886
Capital charge for trading book position exceeding 5% or more of its total assets	4,912	635	627	6,954	314
Capital Adequacy Ratio (A/B) (Per cent)	**19.2**	**18.9**	**18.7**	**18.3**	**19.4**
CET 1 RATIO (Per cent)	**17.0**	**16.9**	**16.7**	**16.5**	**17.5**

Risk Profile of On-Balance Sheet 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, 20 per cent, 30 per cent, 35 per cent, 50 per cent, 75 per cent, 100 per cent and 250 per cent risk-weight buckets while the proportion for the 125 per cent and 150 per cent risk-weight buckets have declined between end-June 2019 and end-June 2020. Table 3.2 compares the total on-balance sheet assets of banks with corresponding risk weights as at end-June 2019 and end-June 2020.

Table 3.2: Risk-weights of On-Balance Sheet Assets

Risk Weights (%)	On-balance sheet assets *(Rs million)*	Percentage to total on-balance sheet assets *(Per cent)*	On-balance sheet assets *(Rs million)*	Percentage to total on-balance sheet assets *(Per cent)*
	Jun-19		Jun-20	
0	401,407	30.0	543,320	34.2
20	194,387	14.5	224,863	14.1
30	5,641	0.4	16,137	1.0
35	65,343	4.9	70,334	4.4
50	112,089	8.4	131,960	8.3
75	33,821	2.5	41,178	2.6
100	477,311	35.7	518,583	32.6
125	20,617	1.5	19,548	1.2
150	24,184	1.8	18,753	1.2
250	3,710	0.3	4,660	0.3
	1,338,511	**100.0**	**1,589,335**	**100.0**

Total on-balance sheet assets of banks increased by 18.7 per cent, from Rs1,339 billion as at end-June 2019 to Rs1,589 billion as at end-June 2020. The corresponding total risk-weighted on-balance sheet assets expanded by 8.6 per cent to Rs855 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 2019 and end-June 2020. The average combined risk-weighted ratio decreased from 44.5 per cent as at end-June 2019 to 41.4 per cent as at end-June 2020 on account of a growth of 8.6 per cent in total risk weight assets relative to an expansion of 16.8 per cent in total on-and off-balance sheet assets.

Table 3.3: Combined Risk-Weights of Banks' Assets

		End-June 2019*	End-June 2020
A	Total On-Balance Sheet Assets (Rs million)	1,338,511	1,589,335
B	Total Off-Balance Sheet Assets (Rs million)	430,003	476,922
C	Total On and Off-Balance Sheet Assets (A + B) (Rs million)	1,768,514	2,066,257
D	Total Risk-Weighted Assets (Rs million)	787,116	855,119
E	Average Combined Risk Weighting (D/C) (Per cent)	44.5	41.4

**Restated figures.*

Advances

Total advances, including debentures and fixed-dated securities, increased by 6.3 per cent to Rs815.3 billion in FY2019-20, compared to a rise of 9.2 per cent in the previous year. As at end-June 2020, total advances represented nearly 65.8 per cent and 48.3 per cent of total deposits and total assets, respectively, compared to 74.4 per cent and 54.2 per cent as at end-June 2019.

Loans and overdrafts in Mauritian rupees amounted to Rs259.4 billion, or 31.8 per cent of total advances, while loans and other financing in foreign currencies to residents amounted to Rs151.7 billion, or 18.6 per cent of total advances at end-June 2020. Loans and other financing in foreign currencies to non-residents stood at Rs265.2 billion, representing 32.5 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 were the principal source of funding of banks during FY2019-20. The share of deposits in total liabilities increased from 72.8 per cent as at end-June 2019 to 73.4 per cent as at end-June 2020. Total deposits increased by 20.2 per cent to Rs1,238.6 billion as at end-June 2020. The share of foreign currency deposits to total deposits increased from 59.5 per cent as at end-June 2019 to 61.7 per cent as at end-June 2020. Demand, savings and time deposits, respectively, accounted for 45.6 per cent, 28.4 per cent and 24.4 per cent of total deposits as at end-June 2020, compared to 41.7 per cent, 29.3 per cent and 27.3 per cent as at end-June 2019.

The advances-to-deposits ratio, which indicates the extent to which funds mobilised by way of deposits have been utilised to finance lending activities, decreased from 74.4 per cent to 65.8 per cent over the same period.

Concentration of Risks

Credit concentration risk, 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 Rs464.9 billion, representing 51 per cent of total fund and non-fund based facilities extended as at end-June 2020. The aggregated large exposures to borrowers represented 302.1 per cent of the Tier 1 capital of banks as at end-June 2020 compared to 294.9 per cent of the Tier 1 capital as at end-June 2019.

Bank Loans to Other Non-financial Corporations, Households and Other Sectors[1]

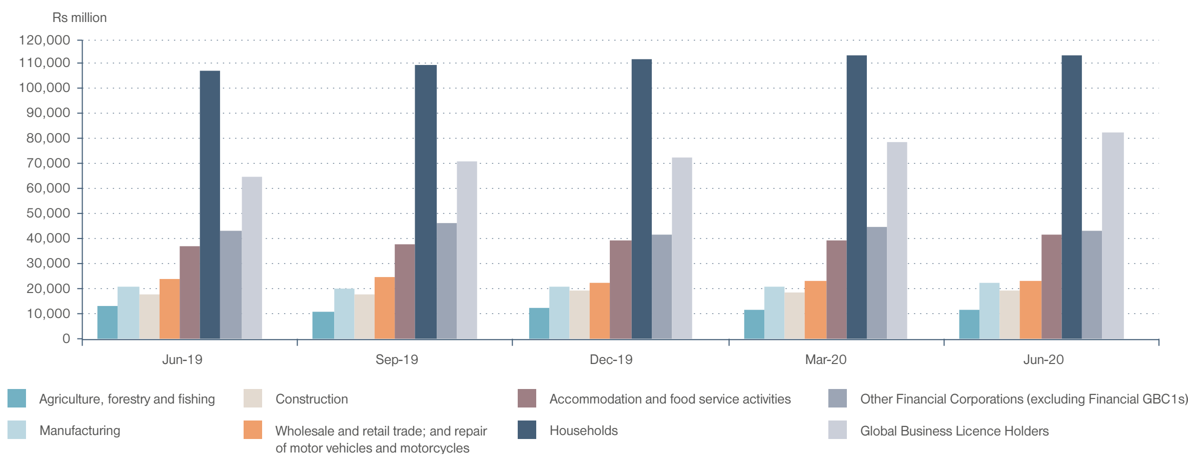
Between end-June 2019 and end-June 2020, bank loans to other Non-financial Corporations, Households and Other Sectors (including to Global Business Companies) increased by 8.1 per cent. The share of loans to 'Households' and 'Other Financial Corporations (excluding

[1] *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.*

Financial GBC1s)' declined from 29.1 per cent and 11.6 per cent as at end-June 2019 to 28.3 per cent and 10.9 per cent as at end-June 2020, respectively. On the other hand, the share of loans to the 'GBC sector' rose from 17.6 per cent as at end-June 2019 to 20.7 per cent as at end-June 2020.

The share of loans to *'Agriculture, forestry and fishing'*, *'Manufacturing'* and *'Wholesale and retail trade and repair of motor vehicles and motorcycles'*, declined from 3.7 per cent, 5.8 per cent and 6.5 per cent as at end-June 2019 to 3.0 per cent, 5.6 per cent and 5.8 per cent as at end-June 2020, respectively. The share of loans to *'Accommodation and food service activities'* rose from 10.2 per cent as at end-June 2019 to 10.5 per cent as at end-June 2020 while the share of loans to *'Construction'* has remained constant over the period under review. Chart 3.2 shows outstanding sectorwise bank loans from June 2019 through June 2020.

Chart 3.2: Bank Loans to Other Nonfinancial Corporations, Households and Other Sectors



Asset Quality

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

The ratio of gross non-performing advances to total advances improved from 5.6 per cent as at end-June 2019 to 5.3 per cent as at end-June 2020. Gross non-performing advances of banks decreased by 1.7 per cent, from Rs41.5 billion as at end-June 2019 to Rs40.8 billion as at end-June 2020. Gross non-performing advances extended outside Mauritius improved by 15.1 per cent from Rs26.5 billion as at end-June 2019 to Rs22.5 billion as at end-June 2020. However, the gross non-performing advances on facilities extended in Mauritius deteriorated by 21.9 per cent from Rs15.0 billion to Rs18.3 billion.

Banks' specific provisions on non-performing advances decreased by 7.5 per cent, from Rs22.7 billion as at end-June 2019 to Rs21.0 billion as at end-June 2020. Specific provisions held on non-performing advances outside Mauritius decreased by Rs2.7 billion or 17.9 per cent while specific provisions on non-performing advances in Mauritius rose by Rs1.0 billion or 13.7 per cent. The ratio of specific provisions to non-performing advances, also known as the coverage ratio, dropped from 54.7 per cent at end-June 2019 to 51.5 per cent as at end-June 2020.

Profitability

All banks operating in Mauritius realised profit after tax in FY2019-20, with the exception of five banks which incurred losses mainly due to high provisions and/or operating costs. Aggregate pre-tax profit of banks declined from Rs23.8 billion in FY2018-19 to Rs22.2 billion in FY2019-20, mainly on account of a rise of 5.3 per cent in non-interest expense and a rise of 31.8 per cent in provisions. Table 3.4 shows the consolidated income statement of the banking sector for the past three years based on the audited financial statements of banks for financial years ended March, June and December.

Components of Income

Total income of banks increased by Rs2.9 billion, or by 4.6 per cent, from Rs63.1 billion in FY2018-19 to Rs66.1 billion in FY2019-20, mainly on account of an increase in the interest income component. Chart 3.3 shows the movements in components of total income of banks from FY2017-18 through FY2019-20.

Interest Income

Interest income increased by 5.3 per cent to Rs52.3 billion in FY2019-20. Interest earned from advances, representing 51.3 per cent of total interest income, dropped by 3.8 per cent to reach Rs33.9 billion. On the other hand, interest earned on securities increased by 34.2 per cent to Rs8.3 billion, and interest received from placements and loans to banks and other interest income increased to Rs10.1 billion in FY2019-20.

Non-Interest Income

Non-interest income rose by 2.1 per cent to Rs13.8 billion in FY2019-20. During the year under review, fee related income improved by 4.4 per cent, while profit generated from dealings in foreign currencies dropped by 22.0 per cent. Together, they accounted for 80.6 per cent of total non-interest income in FY2019-20 compared to 87.7 per cent in the preceding year.

Table 3.4: Consolidated Income Statements of Banks

Rs million

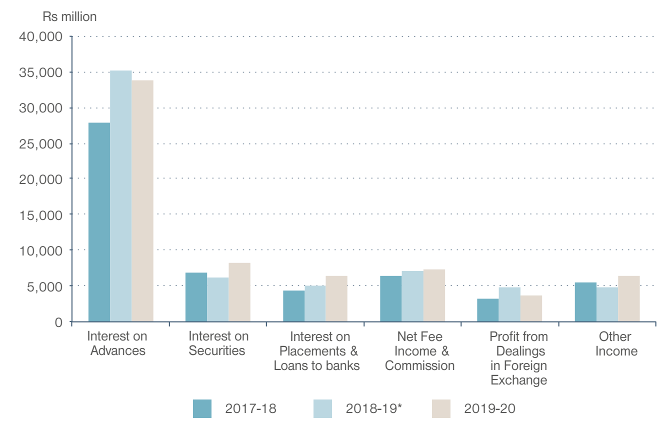
	FY2017-18*	FY2018-19*	FY2019-20
Interest Income	**42,870**	**49,616**	**52,262**
Interest on Advances	*28,376*	*35,207*	*33,871*
Interest on Securities	*8,635*	*6,213*	*8,336*
Interest on Placements and Loans to banks	*4,700*	*5,012*	*6,340*
Other Interest Income	*1,159*	*3,183*	*3,715*
Interest Expense	**13,121**	**14,801**	**16,052**
Interest on Deposits	*9,494*	*10,534*	*11,181*
Interest on Borrowings from banks	*1,556*	*1,819*	*2,153*
Other Interest Expenses	*2,072*	*2,448*	*2,718*
Net Interest Income	**29,749**	**34,815**	**36,210**
Non-Interest Income	**13,444**	**13,523**	**13,802**
Net Fee Income and Commission	*6,583*	*7,121*	*7,432*
Profit from Dealings in Foreign Currencies	*4,006*	*4,739*	*3,695*
Other Non-Interest Income	*2,855*	*1,664*	*2,675*
Operating Income	**43,193**	**48,338**	**50,012**
Non-Interest Expense	**18,489**	**19,126**	**20,697**
Staff Costs	*9,325*	*9,909*	*10,442*
Operating Expenses	*9,164*	*9,217*	*10,255*
Operating Profit before Provisions	**24,704**	**29,211**	**29,315**
Provision and Adjustments to Income from Credit Losses	*4,560*	*5,363*	*7,070*
Profit before Tax	**20,144**	**23,849**	**22,246**
Provision for Income Taxes	*2,982*	*3,799*	*3,072*
Profit after Tax	**17,162**	**20,050**	**19,174**

Note: 12-month period for which the accounts were audited but which vary from bank to bank.
**Restated figures*

Components of Expense

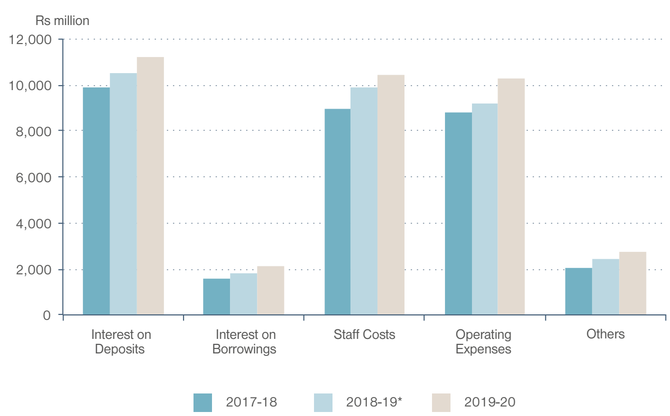
Total expenses of banks increased by 8.3 per cent to Rs36.7 billion in FY2019-20, mainly driven by a rise in operating expenses. Chart 3.4 shows the evolution of the components of expense of banks from FY2017-18 through FY2019-20.

Chart 3.3: Components of Income of Banks



Restated figures

Chart 3.4: Components of Expense of Banks



Restated figures

Interest Expense

Total interest expense increased from Rs14.8 billion in FY2018-19 to Rs16.1 billion in FY2019-20, mainly on account of the increase in interest paid on deposits and interest paid on borrowings from banks.

Non-interest Expense

Non-interest expense increased by 8.2 per cent to Rs20.7 billion in FY2019-20 following an increase of 11.3 per cent in operating expenses and a 5.4 per cent rise in staff costs. Overall, the cost-to-income ratio for the banking sector deteriorated to 41.5 per cent in FY2019-20, from 39.6 per cent in FY2018-19.

Operating Profit

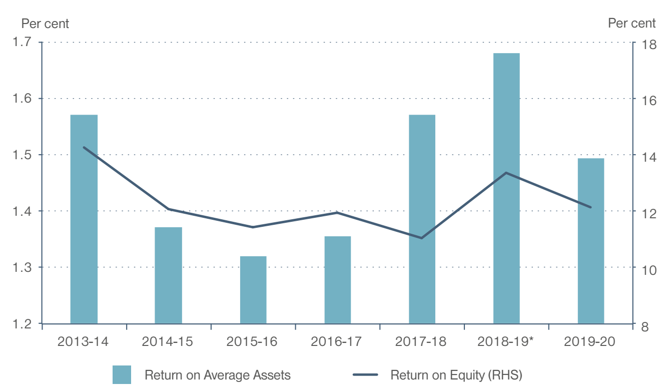
Banks' operating profit before provision for credit losses increased from Rs29.2 billion in FY2018-19 to Rs29.3 billion in FY2019-20. However, post-tax profits decreased from Rs20.1 billion to Rs19.2 billion over the same period.

Return on Average Assets and Return on Equity

The pre-tax return on average assets for the banking sector decreased from 1.7 per cent in FY2018-19 to 1.5 per cent in FY2019-20. It ranged between negative 10.2 per cent and positive 2.3 per cent for individual banks. Seven banks achieved a return on average assets of at least 1.5 per cent.

On the other hand, post-tax return on equity for the banking sector dropped from 13.4 per cent to 12.1 per cent in FY2019-20, on account of the decrease in post-tax profit combined with a 5.3 per cent increase in equity. It ranged from negative 26.7 per cent to positive 20.5 per cent for individual banks. Chart 3.5 depicts the return on average assets and return on equity of banks from FY2013-14 through FY2019-20.

Chart 3.5: Return on Average Assets and Return on Equity of Banks

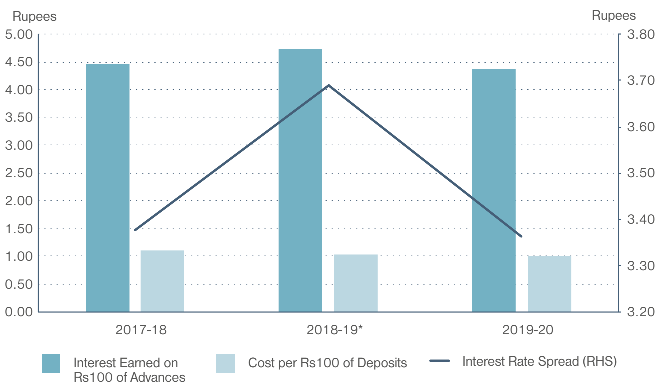


Restated figures

Interest Rate Spread

Interest earned by banks on Rs100 of advances decreased by 36 cents to Rs4.37 in FY2019-20. In contrast, the cost per Rs100 of deposits went down slightly by 3 cents to Rs1.01. Consequently, the spread decreased to Rs3.36, from Rs3.69 in the previous year. Chart 3.6 shows the interest rate spread for FY2017-18 through FY2019-20.

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 major 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-day liquidity stress period. The aim of the LCR is to raise a bank's short-term resilience to potential liquidity disruptions.

Overall, the banking sector in Mauritius has remained liquid in FY2019-20. The LCR for the banking sector as at end-June 2020 stood at 236.0 per cent, compared to 246.0 per cent as at end-June 2019. In general, the LCR of banks for both Mauritian rupees and other major currencies remained above the regulatory requirements. Further, the stock of HQLA held by banks on a consolidated basis amounted to Rs404 billion as at end-June 2020, compared to Rs303 billion as at end-June 2019.

Non-Bank Deposit Taking Institutions:

Key Highlights

	FY2018-19	FY2019-20
Number of NBDTIs	8	6
Capital Adequacy Ratio (Per cent)	32.6	46.8
Advances-to-deposit Ratio (Per cent)	143.8	115.9
Pre-tax Return on Assets (Per cent)	3.2	3.1

	FY2018-19	FY2019-20
Total Assets	Rs 81 (Billion)	Rs 66 (Billion)
NPL to Total Loans (Per cent)	6.2	7.1
Liquid assets to-deposits Ratio (Per cent)	26.0	27.5
Post-tax Return on Equity (Per cent)	12.0	11.2

PERFORMANCE OF NON-BANK DEPOSIT TAKING INSTITUTIONS

Six NBDTIs operated in Mauritius as at end-June 2020 compared to eight as at end-June 2019. The Mauritian Eagle Leasing Company Limited and Cim Finance Ltd surrendered their deposit-taking business licences with effect from 17 January 2020 and 10 February 2020, respectively. Of the six NBDTIs, three were exclusively involved in leasing activities, two carried out lending business only and one was involved in both leasing and lending operations. Three of the NBDTIs were subsidiaries/related companies of banking institutions or insurance companies. As at end-June 2020, all NBDTIs were holding the minimum required capital of Rs200 million.

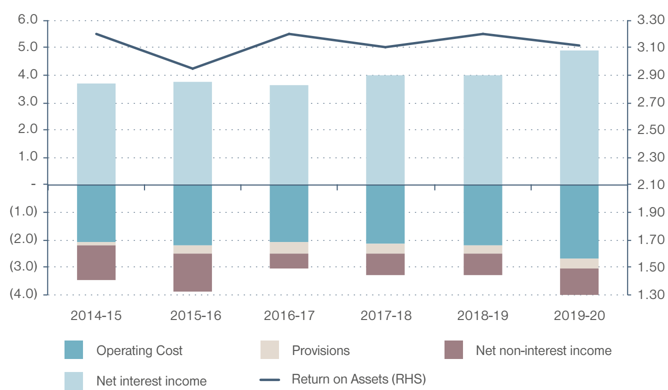
NBDTIs are required to maintain a minimum capital adequacy ratio of 10 per cent under the Guideline on Capital Adequacy Ratio for NBDTIs and to comply with the applicable guidelines issued by the Bank. The capital adequacy ratio of NBDTIs increased from 32.6 per cent as at end-June 2019 to 46.8 per cent as at end-June 2020 as total risk-weighted assets of the sector decreased more than the aggregate capital base. On an individual basis, the

CAR maintained by NBDTIs ranged from 12.1 per cent to 63.3 per cent as at end-June 2020.

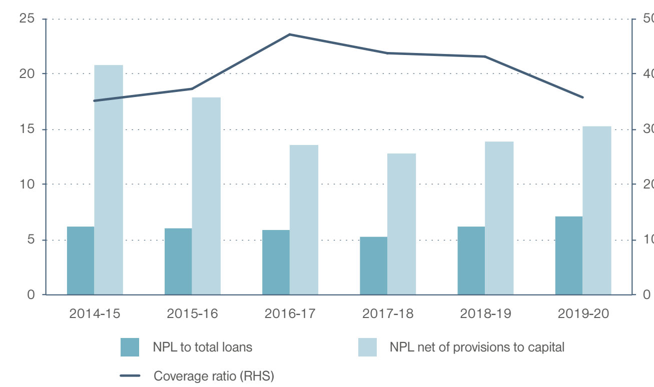
Between end-June 2019 and end-June 2020, total outstanding credit facilities extended by NBDTIs dropped significantly by 21.2 per cent or Rs13.6 billion, while their total amount of gross non-performing advances declined by a lower proportion of 10.7 per cent or Rs0.4 billion. As a result, gross non-performing advances ratio increased from 6.2 per cent as at end-June 2019 to 7.1 per cent as at end-June 2020. Outstanding credit facilities extended by NBDTIs to households comprised 90.2 per cent of total outstanding credit, while non-performing advances pertaining to the household sector represented 93.3 per cent of the total non-performing advances.

Performance of Non-Bank Deposit Taking Institutions

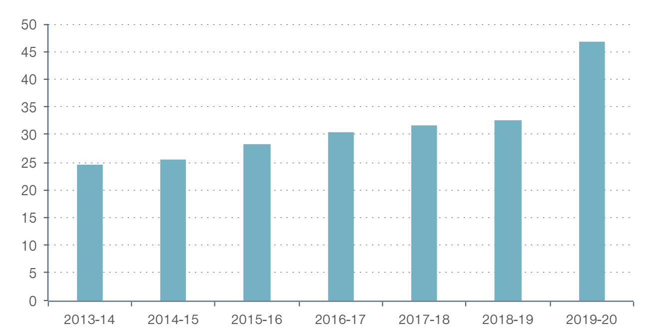
Decomposition of Income (Per cent of Assets)



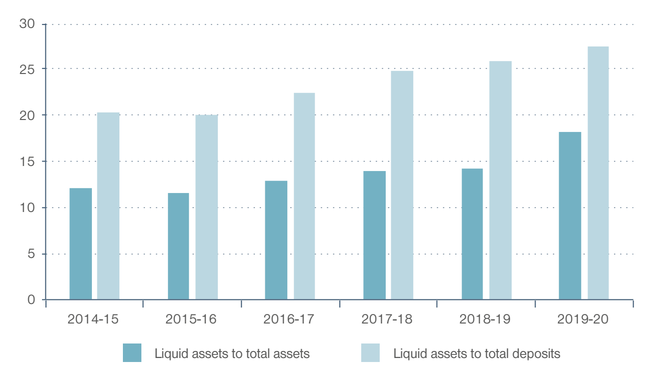
Non-performing Loans (Per cent)



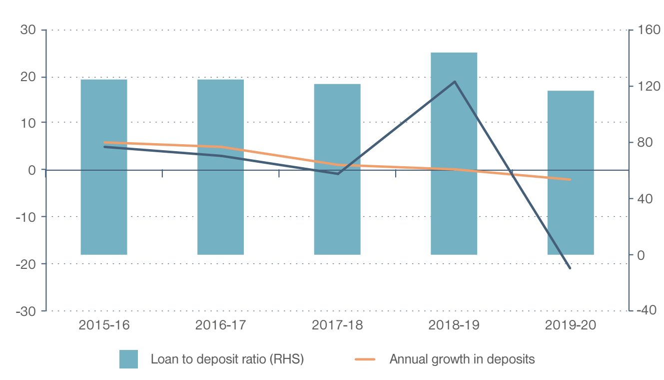
Capital Adequacy Ratio (Per cent)



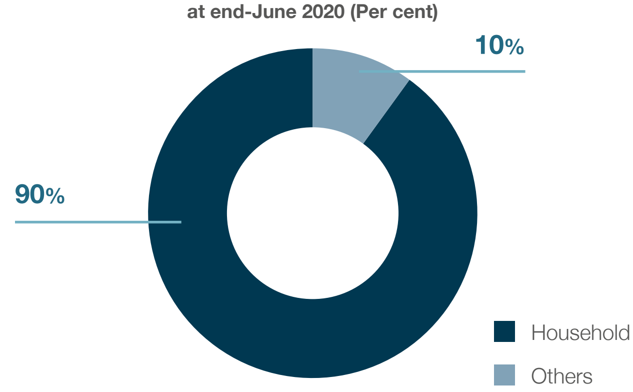
Liquid Assets to Total Assets (Per cent)



Loan and Deposit Growth (Per cent)



NBDTIs Loans to the Private Sector as at end-June 2020 (Per cent)

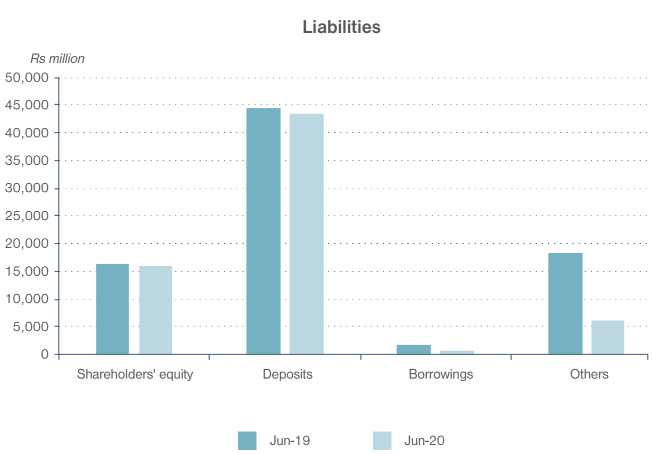


Balance Sheet Structure

Total assets of NBDTIs dropped by 18.1 per cent to Rs66.2 billion as at end-June 2020, mainly on account of two NBDTIs having surrendered their deposit-taking business licences. The share of loans to total assets decreased from 65.2 per cent as at end-June 2019 to 63.9 per cent as at end-June 2020, and investment in finance leases to total assets declined from 14.0 per cent to 12.2 per cent over the same period.

Deposits went down by 2.3 per cent to Rs43.5 billion as at end-June 2020, but nonetheless remained the main source of funding for NBDTIs. As a ratio of total liabilities, deposits increased from 55.1 per cent as at end-June 2019 to 65.7 per cent as at end-June 2020. Chart 3.7 illustrates the composition of assets and liabilities of NBDTIs as at end-June 2019 and as at end-June 2020.

Chart 3.7: Balance Sheet Structure of NBDTIs



The advances-to-deposits ratio decreased from 143.8 per cent at end-June 2019 to 115.9 per cent at end-June 2020. Similarly, the leases-to-deposits ratio (based on deposits held by leasing companies only) decreased from 112.6 per cent to 78.4 per cent for the same period.

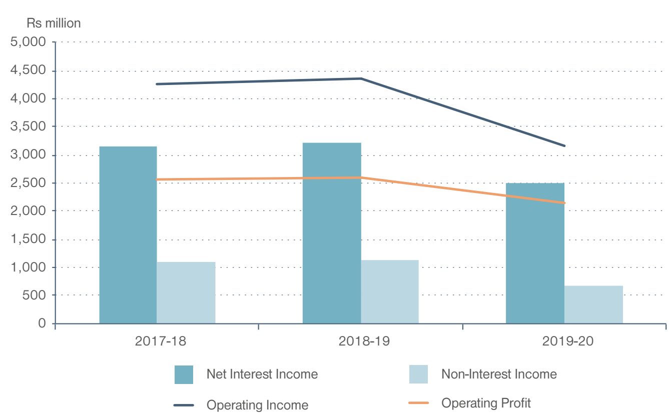
Profitability

The consolidated profitability figures for NBDTIs are based on the audited results for financial years ended June and December. NBDTIs' aggregate profit after tax dropped by 15.4 per cent from Rs2.1 billion in FY2018-19 to Rs1.8 billion in FY2019-20, mainly on account of the two NBDTIs which surrendered their deposit-taking business licences. 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 FY2017-18 to FY2019-20.

Return on Average Assets and Return on Equity

The pre-tax return on average assets decreased from 3.2 per cent in FY2018-19 to 3.1 per cent in FY2019-20. On an individual basis, NBDTI's pre-tax return on average assets was quite diverse, ranging from 1.2 per cent to 4.0 per cent. Similarly, the post-tax return on equity declined from 12.0 per cent to 11.2 per cent. Chart 3.9 shows the return on average assets and return on equity over the last three financial years.

Chart 3.8: Profitability 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 2020, liquid assets held by NBDTIs amounted to Rs12.0 billion or 27.5 per cent of their deposits, compared to 26.0 per cent of deposits as at end-June 2019.

Chart 3.9: Return on Average Assets and Return on Equity of NBDTIs

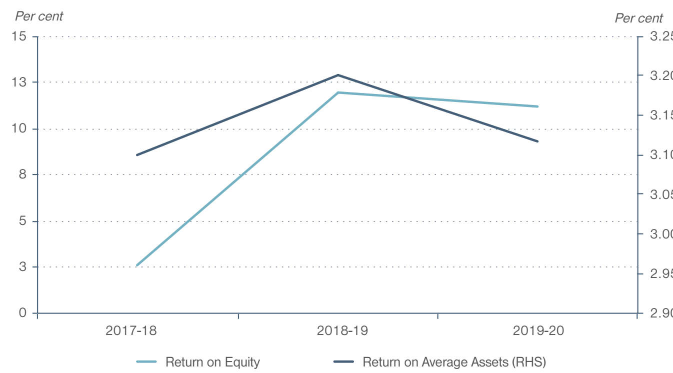


Table 3.5: Consolidated Profit and Loss Account of NBDTIs

Rs million

	FY2017-18	FY2018-19	FY2019-20
Interest Income	5,764	5,614	4,495
Interest Expense	2,537	2,376	2,011
Net Interest Income	3,227	3,238	2,483
Non-Interest Income	1,116	1,183	676
Operating Income	4,343	4,421	3,159
Non-Interest Expense	1,752	1,773	1,014
Operating Profit	2,590	2,649	2,145
Other Non-Operating Profit	-	-	-
Profit before Provision & Adjustment for credit losses	**2,590**	**2,649**	**2,145**
Provision & Adjustment for credit losses	270	206	88
Profit before tax	**2,320**	**2,442**	**2,057**
Income Tax Expense	1,929	339	277
Profit after tax	**391**	**2,103**	**1,780**

Note: 12-month period for which the accounts were audited and which vary for the different NBDTIs.

CASH DEALERS

Six money changers and six foreign exchange dealers, collectively known as cash dealers, were in operation as at 30 June 2020. 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 Rs598 million as at end-June 2020, with assets of foreign exchange dealers totaling Rs539 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 20 per cent, 35 per cent and 28 per cent, respectively, of total assets.

FINANCIAL SOUNDNESS INDICATORS OF DEPOSIT-TAKERS[2]

Capital Adequacy Indicators

The capital position of Deposit-Taking Institutions (DTIs) recorded a healthy growth in FY2019-20, as evidenced by an improvement in the CAR from 19.8 per cent as at end-June 2019 to 20.5 per cent as at end-June 2020. The CET1 as a ratio of Risk Weighted Assets (RWAs) followed a similar trend. Likewise, the banking sector, which accounts for a dominant share of the DTIs, maintained its capital levels well above the minimum statutory requirement, despite the impact of the COVID-19 pandemic on the economy. This improvement reflected mostly an increase in CET1 capital by 9.6 per cent, which outclassed the growth of 6.0 per cent noted during the same period in RWAs.

The NPLs portfolio of DTIs increased by 2.1 per cent during the period under review and stood at Rs44.9 billion as at end-June 2020. The impact of the COVID-19 on NPLs of banks appears somewhat contained partly due to measures put in place by the Bank under the COVID-19 Support Programme. Specific provisions declined by 6.0 per cent while the coverage ratio – measured as a ratio of specific provisions to NPLs dropped to 47.9 per cent as at end-June 2020 comapred to 52.1 per cent as at end-June 2019. During the lockdown period, several containment measures were taken that might explain this decline, including the temporary suspension of regulatory impairment provision. Nonetheless, the ratio of NPLs (net of provisions) to Regulatory Capital remained quasi stable at 12.9 per cent as at end-June 2020 as compared to 12.8 per cent as at end-June 2019.

Asset Quality Indicators

The NPL ratio remained relatively steady at around 6.0 per cent during FY2019-20, notwithstanding, the increase of 4.3 per cent in credit provided by DTIs. In terms of sectoral distribution of credit, the resident sector continued to receive the major proportion of credit at around 64 per cent over the period under review, of which two sectors, namely 'Non-financial corporations' and 'Other domestic sector', continued to be the largest recipients.

Financial Soundness Indicators of Deposit-Takers as at end-June 2020

Capital-based	Regulatory capital to risk-weighted assets: **20.5%**	▲
	Regulatory Tier 1 capital to risk-weighted assets : **19.1%**	▲
	Non-performing loans net of provisions to capital: **12.9%**	▲
Asset Quality	Non-performing loans to total gross loans: **5.9%**	▼
Earnings and Profitability	Return on assets: **1.2%**	▼
	Return on equity: **10.1%**	▼
	Interest margin to gross income: **67.02%**	▼
	Non-interest expenses to gross income: **40.9%**	▲
Liquidity	Liquid assets to total assets: **26.4%**	▲
	Liquid assets to short-term liabilities: **29.7%**	▲
Sensitivity to Market Risk	Net open position in foreign exchange to capital: **1.7%**	▼

[2] *Deposit-takers consist of 20 banks and 6 non-bank deposit taking institutions as at end-June 2020.*

Earnings and Profitability Indicators

Whilst the average total assets and capital of DTIs strengthened over the period under review, the annualised average profit before tax of these institutions worsened by 36.8 per cent over the same period. As a result, the pre-tax Return on Assets (ROA) declined from 2.1 per cent as at end-June 2019 to 1.2 per cent as at end-June 2020. Similarly, the pre-tax Return on Equity (ROE) stood at 10.1 per cent as at end-June 2020, compared to 17.4 per cent as at end-June 2019. These dynamics reflected partly a contraction in annualised average net interest income following a higher decline in the annualised average interest-bearing income that outweighed the contraction in the annualised average interest-bearing expense of DTIs. Accordingly, this major decline would be rationalised on grounds of subdued economic performance of key sectors such as tourism which impacted on banks' ability to generate revenues. This further explained the 6.6 percentage points contraction registered in the ratio of interest margin to gross income. The annualised average impairment provision[3] on the financial assets of DTIs registered a significant increase of 175.1 per cent, which further caused the profitability of DTIs to worsen.

Liquidity Core Indicators

The ratio of liquid assets to total assets[4] increased by 5.4 percentage points to 26.4 per cent as at end-June 2020. Similarly, the ratio of liquid assets to short term liabilities increased to 29.7 per cent as at end-June 2020 from 23.9 per cent as at end-June 2019. These increases[5] were reflective of the 47.1 per cent expansion in holdings of highly liquid assets, namely currency and deposits of DTIs, compared to a rise of 17.0 per cent in their total assets (18.1 per cent in Short-term Liabilities), over the year ended June 2020.

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 currency mismatch of foreign currency asset and liability positions of DTIs to assess their vulnerability to exchange rate movements. The ratio dropped from 2.8 per cent as at end-June 2019 to 1.7 per cent as at end-June 2020, due to a 32.7 per cent fall in the Net Open Position in Foreign Exchange of DTIs, over the year ended June 2020. However, it remained well within the regulatory guideline of 15 per cent of Tier 1 capital.

[3] Impairment provision refers to provision made on all financial assets of the DTIs, which follows IFRS9 recommendation. Thus, the impairment provision referred to in this segment is not strictly comparable to Specific provisions on NPLs.

[4] Based on the Financial Soundness Indicators (FSI) compilation guide definition of liquid assets released by the IMF, 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.

[5] The trend of 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 Liquidity Coverage Ratio (LCR) requirements, the FSI core definition of liquidity may underestimate the true liquidity situation of DTIs in Mauritius.

Table 3.6: Financial Soundness Indicators[1] of Deposit-Takers[2]

Per cent

Financial Soundness Indicators (Core)	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Capital-based					
Regulatory capital to risk-weighted assets	18.2	18.6	18.0	19.8	20.5
Regulatory Tier 1 capital to risk-weighted assets	16.5	17.2	16.7	18.3	19.1
Non-performing loans net of provisions to capital	18.5	18.0	14.3	12.8	12.9
Asset Quality					
Non-performing loans to total gross loans[3]	8.0	7.8	6.9	6.0	5.9
Sectoral distribution[4] of loans to total loans[3]					
Interbank loans	0.2	0.3	2.4	4.3	4.6
Other financial corporations	1.6	3.2	4.0	11.4	11.4
Non-financial corporations	37.0	35.6	33.3	25.7	27.1
Other domestic sectors	21.8	22.5	21.8	22.6	20.9
Non-residents	39.5	38.5	38.6	36.0	35.9
Earnings and Profitability					
Return on assets	1.4	1.5	1.5	2.1	1.2
Return on equity	13.6	14.9	14.6	17.4	10.1
Interest margin to gross income	67.2	68.8	71.5	73.7	67.0
Non-interest expenses to gross income	41.8	40.2	40.5	40.4	40.9
Liquidity					
Liquid assets to total assets	27.9	26.8	25.4	21.0	26.4
Liquid assets to short-term liabilities	34.1	33.3	28.8	23.9	29.7
Sensitivity to Market Risk					
Net open position in foreign exchange to capital	2.9	4.7	3.1	2.8	1.7

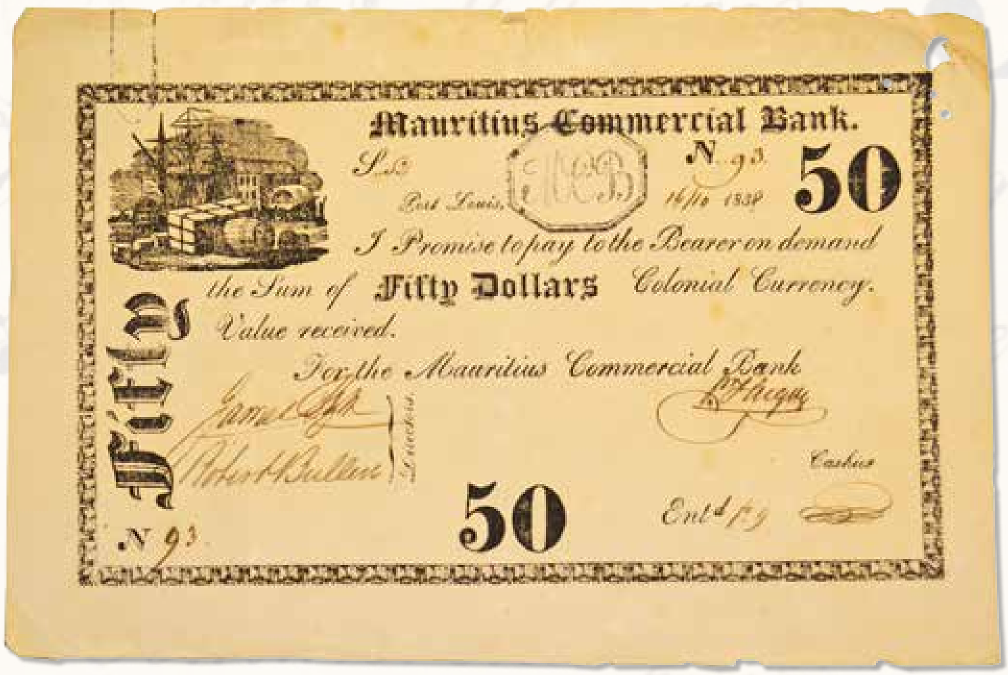
Financial Soundness Indicators (Encouraged)	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20
Capital to assets	10.5	10.2	11.6	12.0	11.1
Value of large exposures[5] to capital	188.4	150.0	235.3	250.6	257.5
Customer deposits to total (non-interbank) loans	148.2	151.5	155.2	151.4	172.7
Residential real estate loans to total loans[3]	9.5	9.2	10.3	11.0	10.5
Commercial real estate loans to total loans[3]	5.5	4.3	4.4	4.2	4.6
Trading income to total income	7.9	10.3	8.2	7.7	15.8
Personnel expenses to non-interest expenses	52.0	49.4	49.4	47.2	48.3

[1] *FSIs are calculated on a domestic consolidation basis using the Financial Soundness Indicators Compilation Guide (2006) of the International Monetary Fund.*
[2] *Other Depository Corporations refer to Banks and Non-Bank Deposit-Taking Institutions that are licensed by the Bank.*
[3] *Total gross loans include commercial loans, instalment loans, hire-purchase credit, loans to finance trade credit and advances, finance leases, repurchase agreements not classified as deposits, and overdrafts.*
[4] *With the emergence of new types of economic activities, the return on sector-wise 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, Rev. 4, built on a set of internationally agreed concepts, definitions, principles and classification rules. Hence, data are not strictly comparable with those prior to October 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. Hence, data are not strictly comparable with those prior to December 2017.*

Note: Figures may not add up due to rounding.

04

Financial Markets Developments



Mauritius Commercial Bank banknote

Mauritius Commercial Bank began its operations on 1 September 1838 and its banknote issues of 1838 were $10, $15, $20 and $50, printed locally by "Le Mauricien" newspaper. After 1839, banknotes were printed by other British printers including Myers and Sparrow.

FINANCIAL MARKETS DEVELOPMENTS

The Bank intervenes in the domestic money market to ensure an adequate level of rupee excess liquidity in the domestic foreign exchange market. The Bank acts as an agent for the Government in the issuance of securities for meeting Government's borrowing requirements. During FY2019-20, the Bank continued to supply foreign exchange (FX) to the market, mostly through regular FX interventions, to ensure adequate FX liquidity and to support economic activity. In so doing, the Bank aims to support exchange rate policy effectiveness so that the Rupee broadly reflects economic fundamentals.

Main Highlights of FY2019-20

Auctions		Treasury Bills	2 Year Notes	3 Year Notes	5 Year Bonds	10 Year Bonds	15 Year Bonds	20 Year Bonds
Issued	**FY2019-20:**	**Rs46.7 billion**	**Rs7.2 billion**	**Rs14.8 billion**	**Rs15.3 billion**	**Rs3.5 billion**	**Rs3.0 billion**	**Rs3.8 billion**
	FY2018-19:	*Rs40.7 billion*	-	*Rs21.0 billion*	*Rs15.7 billion*	*Rs5.5 billion*	*Rs1.8 billion*	*Rs4.2 billion*
Maturing	**FY2019-20:**	**Rs33.9 billion**	-	**Rs14.9 billion**	**Rs11.7 billion**	-	**Rs1.1 billion**	-
	FY2018-19:	*Rs36.9 billion*	-	*Rs19.4 billion*	*Rs10.1 billion*	-	-	-

Yields	Treasury Bills	2 Year Notes	3 Year Notes	5 Year Bonds	10 Year Bonds	15 Year Bonds	20 Year Bonds
FY2019-20: Range	**0.29 – 2.40%***	**0.72 – 1.54%**	**1.94 – 3.64%**	**1.35 – 4.04%**	**4.25 - 4.41%**	**3.79 – 5.02%**	**3.17 – 5.39%**
FY2018-19: *Range*	*2.14 – 3.80%*	-	*3.69 – 4.55%*	*3.42 – 5.15%*	*4.35 -5.42%*	*5.98%*	*6.04 – 6.22%*

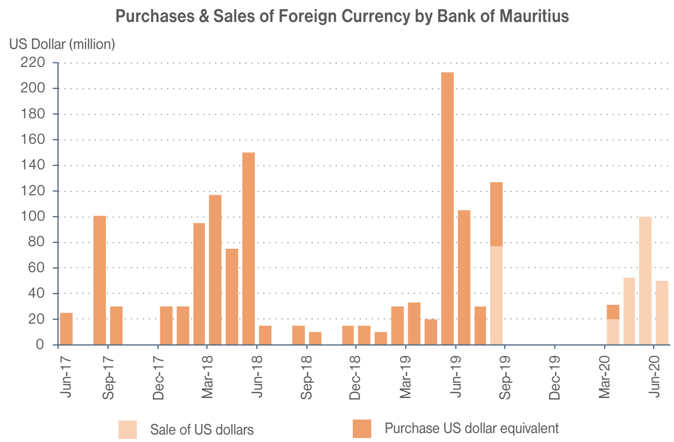
Outstanding Instruments issued by the Bank *(end of FY)*	FY2016-17	FY2017-18	FY2018-19	FY2019-20
	Rs69.0 billion	**Rs92.1 billion**	**Rs115.9 billion**	**Rs79.6 billion**

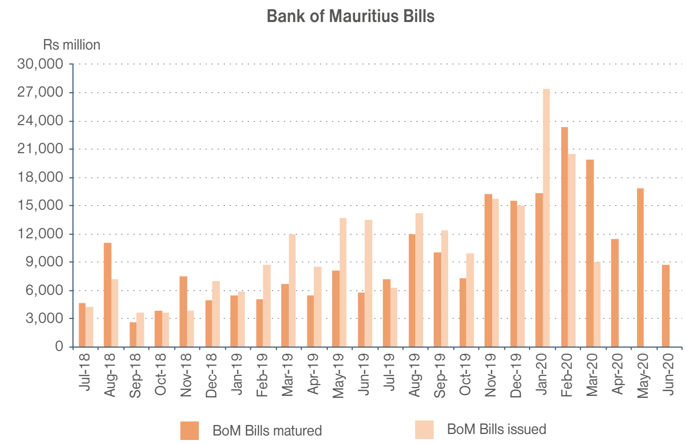
Foreign Exchange Intervention	Rupee Equivalent	FY2016-17	FY2017-18	FY2018-19	FY2019-20
	Purchases of USD	**Rs16.0 billion**	**Rs21.6 billion**	**Rs17.4 billion**	**Rs3.3 billion**
	Sales of USD	**-**	**-**	**-**	**Rs11.6 billion**
	Sterilisation of FX Proceeds:	Rs9.0 billion	Rs18.8 billion	Rs5.3 billion	Rs1.1 billion

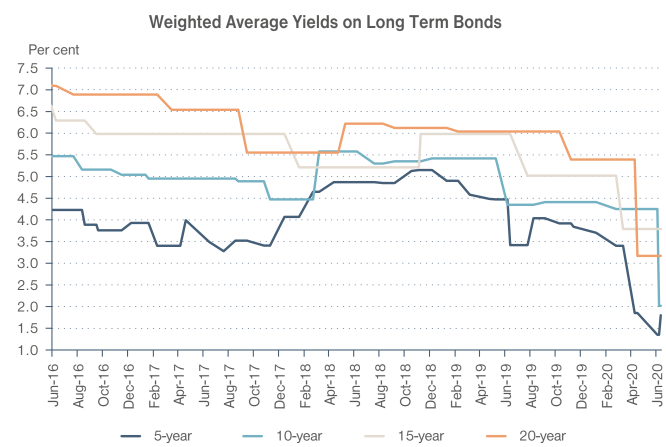
Rupee Excess Liquidity		FY2016-17	FY2017-18	FY2018-19	FY2019-20
	Average:	**Rs6.4 billion**	**Rs8.0 billion**	**Rs12.2 billion**	**Rs20.6 billion**

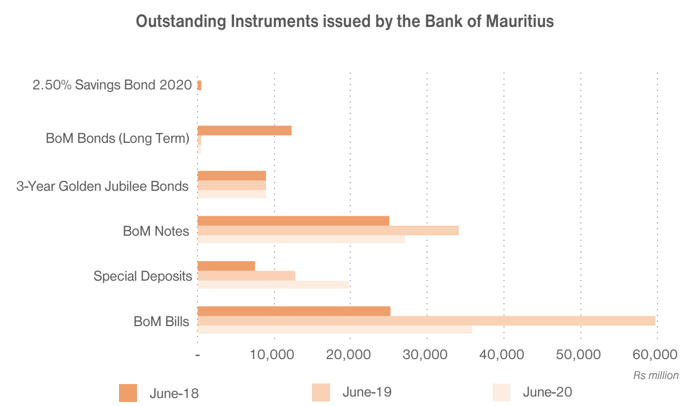
*Government of Mauritius Treasury Bills (GMTBs) & Bank of Mauritius (BoM) Bills.

Selected Indicators for Financial Markets







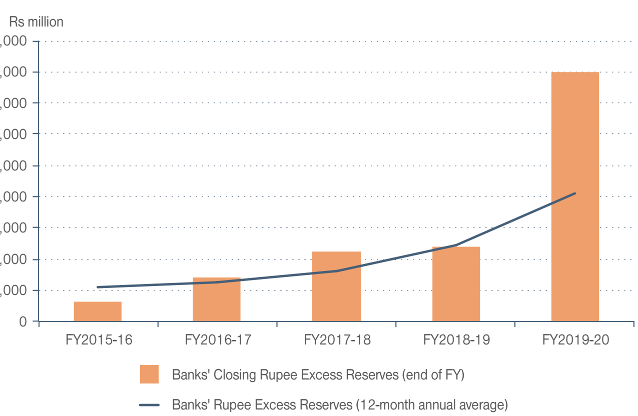


FINANCIAL MARKETS DEVELOPMENTS

The Bank maintained the issuance of BoM securities during FY2019-20, while ensuring an adequate level of rupee reserves in the market. However, with the outbreak of the COVID-19 pandemic, the Bank stepped in to support financial markets through several measures since the national lockdown imposed on 23 March 2020. The Bank ceased the issuance of its own securities during the last quarter of FY2019-20. The resulting rise in excess liquidity partly reflects the Bank's stance to ease monetary conditions and ensure that the domestic financial system had ample liquidity to withstand the challenges posed by the pandemic.

On an annual average basis, rupee excess reserves increased to Rs19.2 billion in FY2019-20, from Rs11.3 billion in FY2018-19 (Chart 4.1). The significant increase was the result of subdued activity during the lockdown period, coupled with net maturing securities during the last quarter of FY2019-20. Whilst banks tended to keep higher excess liquidity as precautionary balances to meet public demand, a large portion of the rupee excess liquidity was deemed to be structural.

Chart 4.1: Banks' Rupee Excess Reserves



The Bank's open market operations during FY2019-20 remained guided by the objective of maintaining an optimal level of rupee excess liquidity in the banking system, such that the 91-Day Bill yield remains within the interest rate corridor. During most of FY2019-20, the 91-Day Bill yield hovered within the corridor of the KRR. The cumulative 150 basis points cut in the KRR across two successive MPC meetings held in March and April 2020 and the uncertainties around the evolution of the pandemic caused yields to drop significantly across all maturities during the last quarter of FY2019-20 (Table 4.1).

Table 4.1: Short-Term Money Market Rates

Per cent

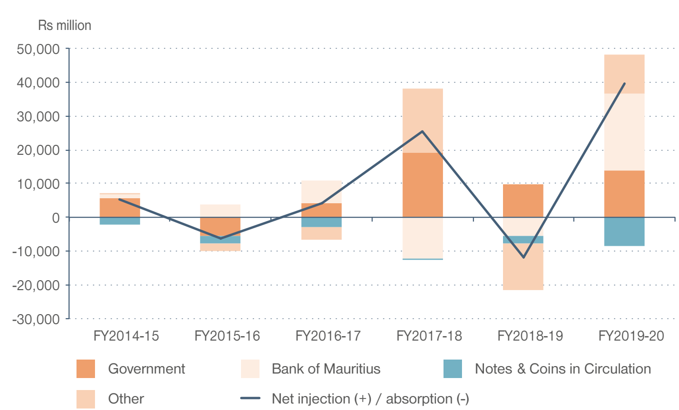
Interest Rates	FY2018-19	FY2019-20
28-Day Bills	-	1.67-2.34
91-Day Bills	2.14-3.61	0.91-3.09
182-Day Bills	2.44-3.69	0.19-3.24
364-Day Bills	2.64-3.80	0.60-3.40

Per cent

Interest Rates	FY2018-19	FY2019-20
Interbank	2.00-5.10	0.50-2.50
Call Money	2.00-3.70	0.50-2.50
Short Notice Transactions	2.00-3.60	1.40-2.25
Term Money Transactions	2.00-5.10	1.65-2.10
Overall Weighted Average Interbank Rate	3.52	1.98

The decline in the overall weighted average interbank rate to 1.98 per cent, mainly reflected pressures from the surge in excess liquidity and long positions held by banks. Interbank interest rates, applicable on overnight lending, reached a trough of 0.5 per cent during the last quarter of FY2019-20.

Chart 4.2: Drivers of Rupee Excess Reserves



COVID-19 Support Measures

In March 2020, the Bank introduced a Support Programme to support households and businesses impacted financially by the COVID-19 pandemic and to ensure that the domestic rupee and foreign exchange markets continue to operate smoothly.

Domestic Rupee Market

Reduction of the Cash Reserve Ratio

Effective 13 March 2020, the Cash Reserve Ratio applicable on rupee deposits was reduced from 9 per cent to 8 per cent. The rupee balances released through this reduction is being held in a special account at the Bank to be used by banks for on-lending to any economic operator impacted by COVID-19. As at end-June 2020, an amount of Rs413.0 million was disbursed from this amount.

Foreign Exchange Market

Intervention in the Domestic Foreign Exchange Market

The Bank has been intervening in a regular and sustained manner to ensure availability of foreign currency in the domestic FX market. Over the period March to June 2020, the Bank sold a total amount of US$222.3 million to banks.

Foreign Currency Requirements of State Trading Corporation

From 26 March 2020 to 30 June 2020, the Bank sold a total amount of US$65.6 million to the State Trading Corporation towards importation of petroleum, food and medical products.

Special Foreign Currency (USD) Lines of Credit

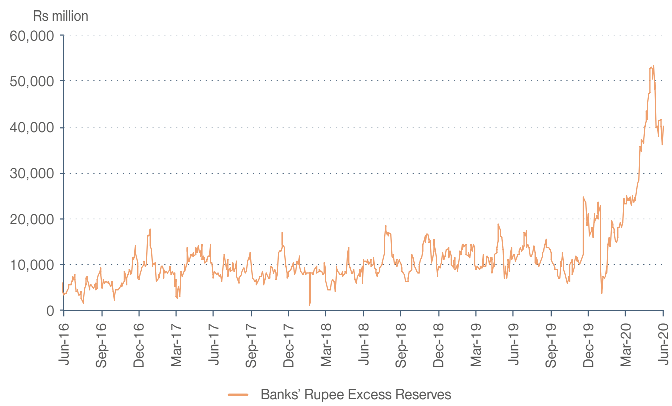
i. The Bank introduced a Line of Credit targeting operators having foreign currency earnings, including SMEs. The Line of Credit, to the tune of US$300 million, was available from 24 March 2020 to 30 June 2020, for repayment over a period of 2 years.

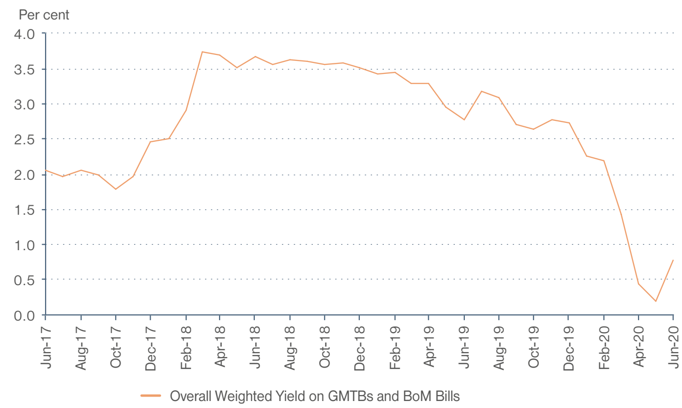
ii. A Special Foreign Currency (USD) Line of Credit, to the tune of US$300 million, was disbursed in June 2020 to banks to enable them to meet their foreign currency funding requirements.

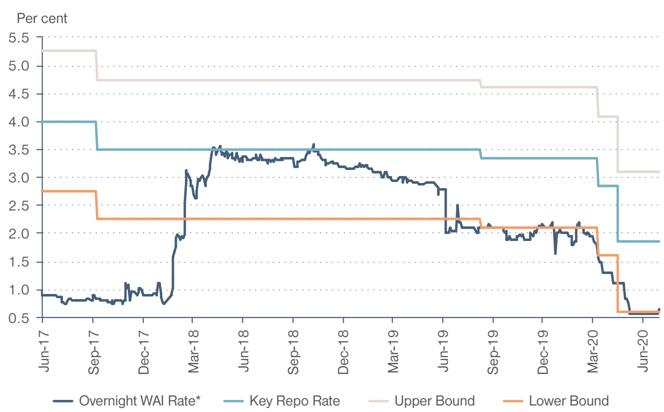
USD/MUR Swap Arrangement

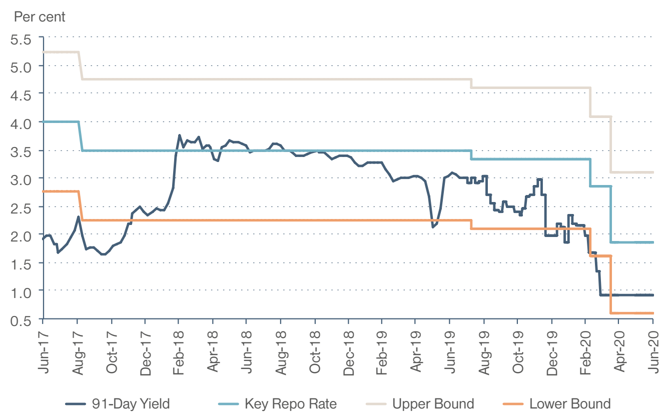
The USD/MUR swap arrangement, for an amount of US$100 million, aims to support import-oriented businesses. Over the period March 2020 to June 2020, a total amount of US$99.6 million was disbursed.

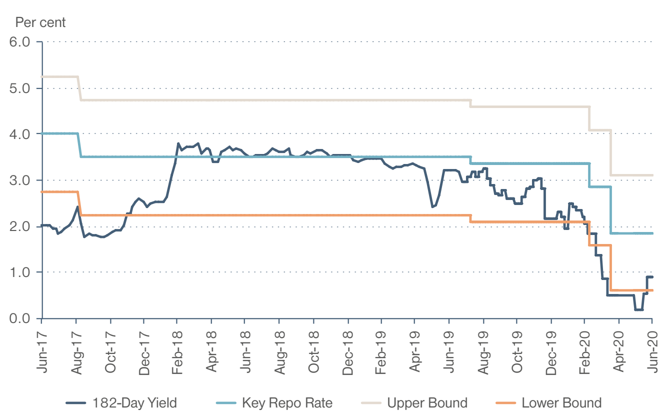
Chart 4.3: Banks' Rupee Excess Reserves and Money Market Rates

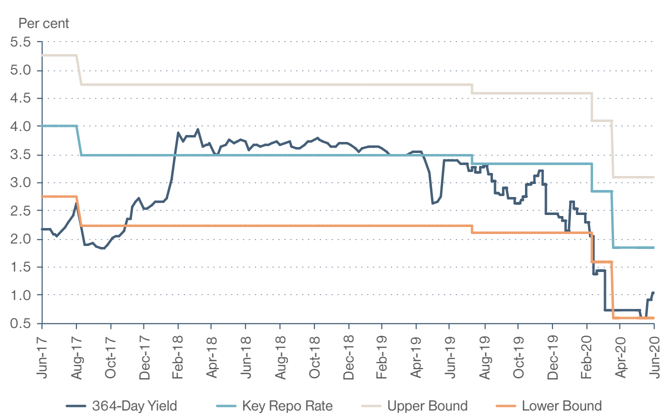












* Overnight Weighted Average Interbank Rate.

Issue of Bank of Mauritius securities

During FY2019-20, BoM securities for a total nominal amount of Rs147.0 billion were issued in FY2019-20, against maturing securities of Rs183.3 billion, representing a net maturing amount of Rs36.3 billion. The Bank started the issuance of a 28-Day Bill on 25 September 2019 to allow for better pricing of securities at the shorter end of the yield curve and to contain the cost of monetary operations.

BoM securities

28-Day, 91-Day, 182-Day and 364-Day BoM Bills:
Total bids issued: Rs130.6 billion
Total bids received: Rs304.1 billion

... reflecting excess liquidity conditions in the domestic money market.

Maturing BoM Bills: Rs165.1 billion.

Outstanding BoM instruments:
Drop from Rs115.9 billion as at end-June 2019 to Rs79.6 billion as at end-June 2020.

Issuance of Three-Year BoM Notes:
Rs3.5 billion

Special Deposits for Rs1.1 billion were placed with the Bank for a period of one year.

Issuance of Five-Year Bonds: Rs6.5 billion
Issuance of Ten-Year Bonds: Rs5.4 billion

... with a view of raising funds for the Bank's one-off contribution to the Government to support the economy.

Two-Year Savings Bonds

As from 23 March 2020, the Bank put on sale, through banks, a Two-Year Savings Bonds bearing interest at the rate of 2.50 per cent for the benefit of individuals and Non-Governmental Organisations. A total amount of Rs508.1 million has been raised through the issue of the Two-Year Savings Bond during FY2019-20. The issue has been extended until December 2020.

Interbank Money Market

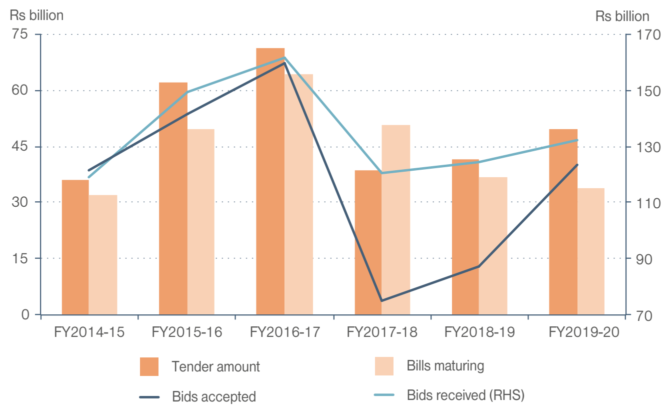
	FY2018-19	FY2019-20
Total Turnover:	Rs270 billion	Rs94.3 billion
Daily average transactions:	Rs826 million	Rs334 million

The call money market segment accounted for nearly 87 per cent of total transactions in FY2019-20, higher than the 66 per cent recorded for FY2018-19. On average, daily transactions on the call money segment amounted to Rs322 million in FY2019-20 compared to Rs618 million in FY2018-19. The fall in total interbank turnover may be attributed to the lower volume of transactions in the short notice segment, which fell from Rs178.7 billion in FY2018-19 to Rs82.0 billion in FY2019-20. Daily average transactions followed the same trend with the short notice segment moving from Rs289.0 million in FY2018-19 to Rs171.0 million in FY2019-20 and the term money segment dropping from Rs414.0 million in FY2018-19 to Rs104.3 million.

Issue of Government Securities

During FY2019-20, Government continued to issue securities in the short-, medium- and long- term tenors to meet its borrowing requirements. Net government expenditure amounted to nearly Rs43.8 billion and was financed by a net issuance of Government securities for Rs40 billion. The issue of Government of Mauritius Treasury Certificates in the 91-Day, 182-Day and 364-Day tenors on a weekly basis to Non-Financial Public Sector Bodies (NFPSBs), effective since June 2019, was revised in February 2020.

Chart 4.4 Auctioning of Government of Mauritius Treasury Bills



Government of Mauritius

Treasury Certificates

- Issued daily on a tap basis

Effective February 2020, yield = weighted yield of 182-Day Treasury Bills + 20 basis points

Treasury Bills

91-Day
119-Day
182-Day
364-Day

During FY2019-20, an aggregate nominal amount of Rs49,500 million were put on tender through single maturity auctions, compared to Rs41,500 million in FY2018-19.

- Bids received: Rs123,660 million
- Bids accepted: Rs46,680 million against maturing Treasury Bills of Rs33,900 million

Treasury Notes

Two-Year Government of Mauritius Treasury Notes

- Bids received: Rs14,850 million
- Bids accepted: Rs7,200 million

Three-Year Government of Mauritius Treasury Notes

- Bids received: Rs41,740 million
- Bids accepted: Rs14,800 million

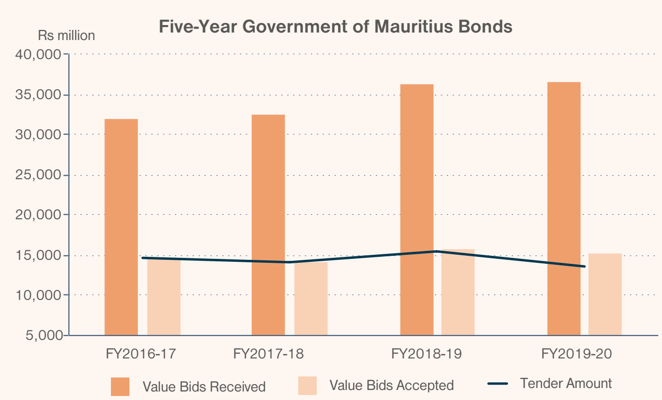
Bonds	Bids Received	Bids Accepted
	Rs Million	*Rs Million*
Five-Year	36,660	15,300
Ten-Year	8,530	3,500
Fifteen-Year	7,950	3,000
Fifteen-Year Inflation-Indexed	3,850	-
Twenty-Year	9,150	3,800

Table 4.2: Reverse Auction of Three-Year Government of Mauritius Treasury Notes and Five-Year Government of Mauritius Bonds

	2-Aug-19	9-Aug-19	23-Aug-19	6-Sep-19	4-Oct-19	11-Oct-19	8-Nov-19	22-Nov-19	13-Dec-19
1. Amount put on Tender (Rs mn)									
Three-Year [1]	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Five-Year [2]	500.0	500.0	500.0	500.0	500.0	500.0			
2. Value of Bids Received (Rs mn)									
Three-Year	-	-	-	200.0	200.0	-	-	-	-
Five-Year	-	284.25	-	434.2	-	-			
3. Value of Bids Accepted (Rs mn)									
Three-Year	-	-	-	-	200.0	-	-	-	-
Five-Year	-	-	-	434.2	-	-			
4. Highest Price Accepted (%)									
Three-Year	-	-	-	-	100.480	-	-	-	-
Five-Year	-	-	-	101.446	-	-			
5. Weighted Price of Bids Accepted (%)									
Three-Year	-	-	-	-	100.480	-	-	-	-
Five-Year	-	-	-	101.432	-	-			

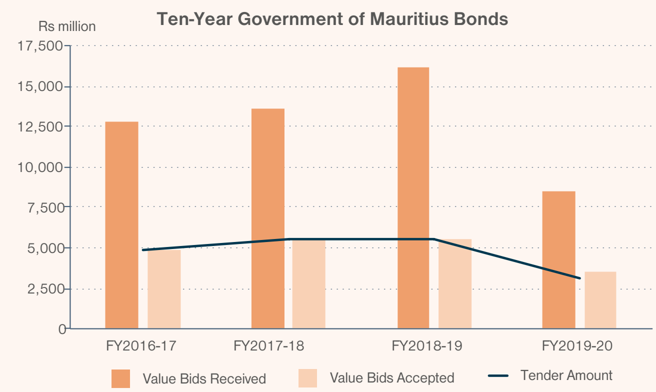
[1] 2.90% 3-Year Government of Mauritius Treasury Notes due on 17 February 2020
[2] 3.95% 5-Year Government of Mauritius Bonds due on 14 November 2019

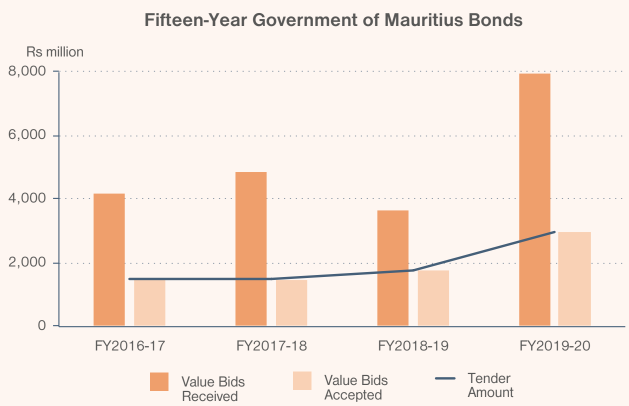
Long-Term Government of Mauritius Bonds



Seven auctions of Five-Year Government of Mauritius Bonds, including the issue of five New Benchmark Bonds and two re-openings.

Two auctions of Ten-Year Government of Mauritius Bonds held on 06 September 2019 and 07 February 2020, respectively.





Two auctions of Fifteen-Year Government of Mauritius Bonds

Bid cover ratio of 2.47 and 2.83, respectively.

Weighted yield dropped from 5.02 per cent on 26 July 2019 to 3.79 per cent on 13 March 2020.

Fifteen-Year Inflation-Indexed Government of Mauritius Bonds

Auction held on 04 March 2020.

Interest payable annually at the weighted accepted bid margin plus the 12-month average inflation rate.

Total bids received: Rs3.9 billion.

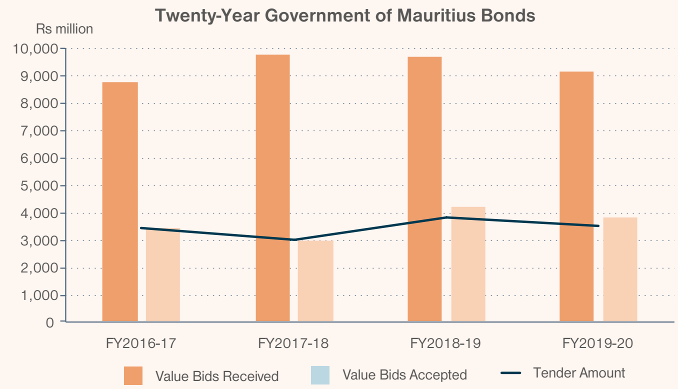
Bids accepted: Nil, as the bid margins were deemed high.

Two auctions of Twenty-Year Government of Mauritius Bonds

Bid cover ratio of 2.70 and 2.55, respectively.

Bids accepted: Rs3.8 billion

Weighted yield dropped from 5.39 per cent on 08 November 2019 to 3.17 per cent on 17 April 2020.



Primary Dealer System and Secondary Market Trading

The main objective of the Primary Dealer System is to develop the secondary market for both Government of Mauritius and BoM securities. As per conditions set in the Revised Guideline on the Operational Framework for Primary Dealers and following an annual review of their activities in April 2020, the license of the four Primary Dealers were renewed for a one-year period.

In parallel, the implementation of the E-Bond system has helped to improve efficiency and to deepen the secondary market in Mauritius. It has also allowed the development of a benchmark yield curve that has enhanced 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 fell by 5.9 per cent, mainly due to the lockdown imposed by the Government (Table 4.3). About 62.9 per cent of total transactions were carried out by banks, of which Non-Primary Dealer Banks accounted for the major share of 60.8 per cent, which represented an amount of Rs69.4 billion. The volume of transactions on the secondary market decreased considerably in April and May 2020.

Table 4.3: Secondary Market Transactions by Counterparty: July 2019-June 2020

(Rs million)

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total (FY2018-19)	Total (FY2019-20)
Banks	**10,665**	**10,562**	**13,967**	**7,983**	**6,399**	**10,190**	**13,468**	**11,707**	**7,756**	**4,808**	**4,625**	**11,970**	**99,960**	**114,100**
of which:														
Primary Dealers	6,723	6,632	7,161	2,951	850	3,798	5,854	3,976	645	2,443	1,723	1,940	41,651	44,697
Non-Primary Dealer Banks	3,942	3,930	6,806	5,032	5,549	6,392	7,614	7,731	7,111	2,365	2,902	10,030	58,309	69,403
Non-Bank Financial Institutions	**2,797**	**6,202**	**2,281**	**1,599**	**7,658**	**2,684**	**3,386**	**2,636**	**1,614**	**234**	**906**	**14,206**	**61,278**	**46,202**
of which:														
Pensions Funds	1,132	2,968	780	243	5,374	246	1,291	702	634	78	174	10,617	26,496	24,240
Insurance Companies	708	491	1,033	115	555	1,619	617	592	322	-	575	1,339	10,596	7,966
Other	957	2,743	468	1,241	1,728	819	1,478	1,343	657	156	157	2,251	24,187	13,997
Non-Financial Institutions	**1,359**	**1,993**	**1,558**	**967**	**1,929**	**1,092**	**1,734**	**927**	**976**	**690**	**203**	**747**	**20,165**	**14,174**
Individuals	**905**	**625**	**672**	**814**	**697**	**716**	**771**	**662**	**483**	**160**	**171**	**395**	**11,455**	**7,072**
Total	**15,726**	**19,382**	**18,478**	**11,363**	**16,682**	**14,682**	**19,359**	**15,933**	**10,829**	**5,892**	**5,905**	**27,318**	**192,858**	**181,549**

Figures may not add up to totals due to rounding.

Foreign Exchange Market

Foreign Currency Transactions

Total turnover on the domestic foreign exchange market, including spot and forward transactions but excluding interbank transactions, BoM interventions and sales to State Trading Corporation by the Bank, decreased from US$12.5 billion in FY2018-19 to US$10.8 billion in FY2019-20, mainly due to the slowdown in economic activity during the lockdown period.

Transactions were mostly concentrated in the spot market, which totalled US$9.6 billion and accounted for 88.5 per cent of total transactions. Forward purchases by banks decreased from US$1.1 billion in FY2018-19 to US$0.7 billion in FY2019-20, mainly due to the uncertainty regarding foreign currency receipts in the tourism and export sectors. As a result, the share of forward transactions in total transactions declined from 14.6 per cent to 11.5 per cent in FY2019-20 (Table 4.4).

Table 4.4: Foreign Currency Transactions

(US$ million)

	Purchases				Sales				Turnover
	Spot				Spot				
	Miscellaneous	More than US$ 20,000 or equivalent	Forward	Total	Miscellaneous	More than US$ 20,000 or equivalent	Forward	Total	
FY2018-19	1,933.7	3,357.2	1,130.3	**6,421.2**	1,506.6	3,857.4	686.0	**6,050.0**	**12,471.2**
FY2019-20	1,726.4	2,867.3	659.4	**5,253.1**	1,484.3	3,479.1	579.9	**5,543.3**	**10,796.4**

*Includes transactions below US$20,000 or equivalent.
Figures may not add up to totals due to rounding.

Foreign currency purchases and sales remained primarily denominated in US dollar and Euro. However, the share of transactions conducted in US dollar decreased from 60.3 per cent in FY2018-19 to 59.6 per cent in FY2019-20, while the share of transactions in Euro remained almost unchanged at around 29.0 per cent (Table 4.5).

Table 4.5: Foreign Currency Purchases and Sales by Major Currencies

(US$ million)

	Purchases					Sales				
	USD	EUR	GBP	Others	Total	USD	EUR	GBP	Others	Total
FY2018-19	2,425.7	1,709.5	235.6	116.8	**4,487.5**	3,017.3	958.6	131.9	435.5	**4,543.4**
FY2019-20	1,876.9	1,386.3	179.1	84.4	**3,526.7**	2,647.3	839.7	173.0	399.0	**4,059.0**

Other currencies, excluding Miscellaneous Transactions
Figures may not add up to totals due to rounding.

Intervention

Purchases of US dollars by the Bank through intervention dropped significantly from US$466.0 million in FY2018-19 to US$91.0 million in FY2019-20 (Table 4.6). Proceeds amounting to Rs1.1 billion from foreign exchange interventions were sterilised through special deposits held by banks with the Bank for a period of one year at an interest rate of 3.34 per cent. To ensure constant availability of foreign currency on the domestic market, the Bank sold a total amount of US$299.0 million to banks during FY2019-20, of which an amount of US$222.0 million was sold under the COVID-19 Special Programme over the period March to June 2020.

Table 4.6: Foreign Exchange Intervention by the Bank

Period	Purchases of US Dollars *(US$ million)*	Purchases of US Dollars *(Rupee Equivalent)*	Amount Sterilised *(Rs million)*	Sales of US Dollars *(US$ million)*	Sales of US Dollars *(Rupee Equivalent)*
FY2015-16	583	20,902	9,540	-	-
FY2016-17	450	15,957	9,028	-	-
FY2017-18	643	21,637	18,775	-	-
FY2018-19	466	17,443	5,296	-	-
FY 2019-20	91	3,304	1,079	299	11,582

Interbank Foreign Exchange Market

FY2018-19

Total Turnover, excluding BoM interventions: US$746 million
of which
- Purchases of US dollar against the rupee: US$394 million
- Purchases of US dollar against other foreign currencies: US$247 million

Weighted average interbank Rs/USD: Rs34.2762 - Rs36.0100

FY2019-20

Total Turnover, excluding BoM interventions: US$749 million
of which
- Purchases of US dollar aganist the rupee: US$425 million
- Purchases of US dollar against other foreign currencies: US$236 million

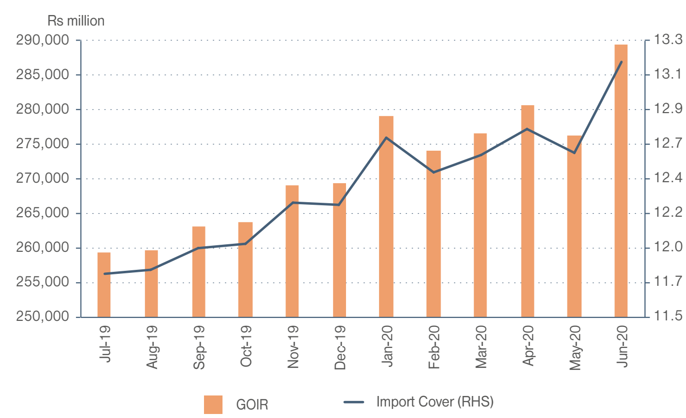
Weighted average interbank Rs/USD: Rs35.8069 - Rs40.6000

Credit Facilities - Special Line of Credit in Foreign Currency

In 2012, the Bank introduced a Special Foreign Currency Line of Credit for export and tourism operators to address currency mismatches between their income streams and existing debt-servicing requirements. As at end-June 2020, the balance to be repaid by banks stood at EUR 0.2 million.

Foreign Reserves Management

Chart 4.5: GOIR and months of Import Cover



June 2019: Rs253.4 billion or US$7.161 billion

- 11.5 months of import cover

June 2020: Rs289.5 billion or US$7.194 billion

- 13.2 months of import cover

The level of reserves provides a strong buffer against adverse external shocks. During FY2019-20, the Bank purchased an amount of USD91.2 million from banks and sold an amount of USD299.1 million to banks.

Strategic Asset Allocation

Foreign exchange reserves are managed in accordance with the principles of security, liquidity and return in order of priority. In line with international best practices, the Strategic Asset Allocation (SAA), which has been approved by the Board of Directors, guides the allocation of reserves into various asset classes and currencies, partly to reap diversification benefits. The risk preferences embodied within the SAA are translated into quantifiable metrics that serve as limits in the actual management of the reserves. With a view to improving performance, part of the reserves portfolio has been externalised to top-tier asset managers.

The performance of the reserves portfolio mirrored the prevailing financial market conditions during the financial year. The first half of FY2019-20 saw a rally in global equities alongside subdued volatility, which reflected investor optimism, strong economic data and accommodative central bank policies. These factors also contributed to a narrowing of spreads, coupled with greater appetite for riskier assets. The onset of the COVID-19 pandemic in 2020Q1 triggered an upheaval in global financial markets, which affected the performance of the foreign exchange reserves, although the strong risk management focus contributed to partly dampen the adverse impact. Thereafter, central bank and government support globally as well as the gradual reopening of economies in 2020Q2 helped to restore market sentiment. Most assets rebounded and contributed in enhancing the performance of the reserves. The Bank's foreign investments also benefited from the rally in gold – one of the best performing asset classes since the start of the pandemic – amid the cautious stance adopted by investors globally.

05

Payment and Settlement Systems and Currency Management

The Board of Currency of Commissioners banknote

The Board of Currency of Commissioners was set up in 1849 to act as issuer of currency. The Board of Currency issued banknotes from 1849 to 1967. An Order in Council prescribed the Indian Rupee as the only legal tender in Mauritius as from 1876 till 1934.

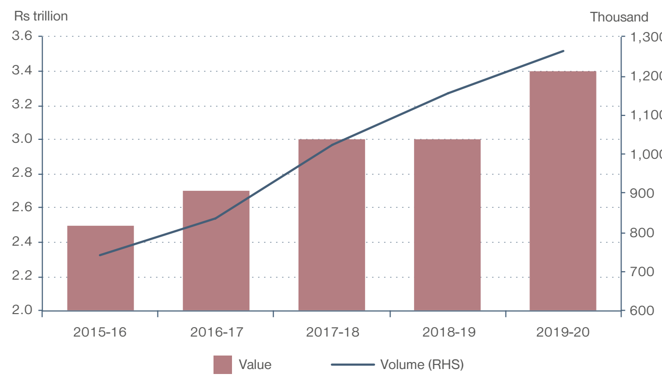
PAYMENT AND SETTLEMENT SYSTEMS AND CURRENCY MANAGEMENT

Payment systems play a crucial role in the economy. The Bank is vested with the power to regulate, oversee and supervise the national payment system and payment systems being operated in Mauritius primarily for the purpose of ensuring their safe, secure, efficient and effective operation and accessibility to the public. In order to strengthen payment infrastructures and to ensure their smooth functioning, the Bank implemented regulatory reforms which are enshrined in the National Payment Systems (NPS) Act 2018. The national payment landscape underwent a significant transformation with the launch of the Mauritius Central Automated Switch (MauCAS) on 14 August 2019, which serves as a national payment switch. This initiative has been implemented to cater for innovative payment infrastructures and to facilitate the provision of digital products and services.

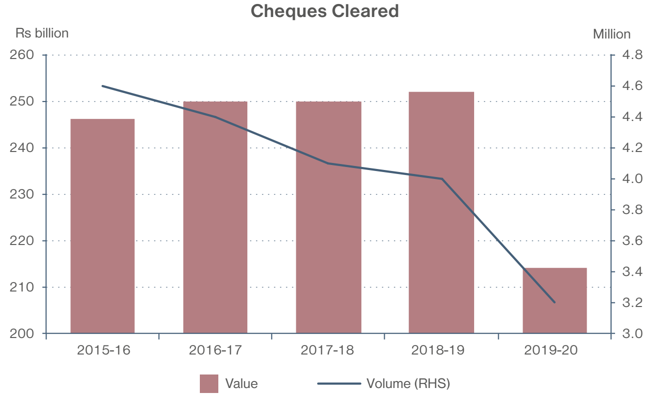
A major feat achieved during FY2019-20 was that the Bank's payment infrastructures operated smoothly with no disruption in the processing of transactions during the national lockdown. With the lifting of the sanitary curfew, a resurgence in payment flows was noted, in tandem with the restoration of economic activities.

Selected Indicators for Payment Systems

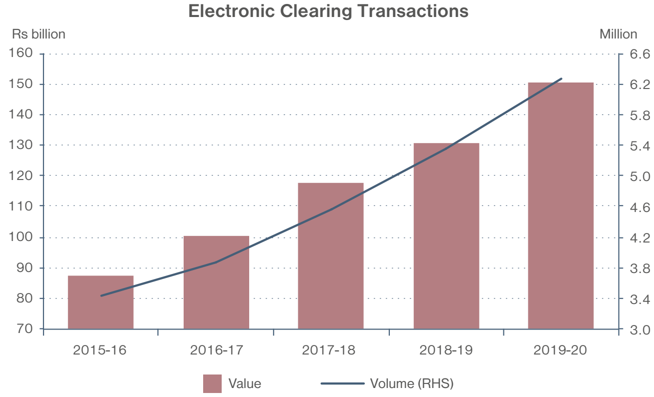
Transactions on MACSS



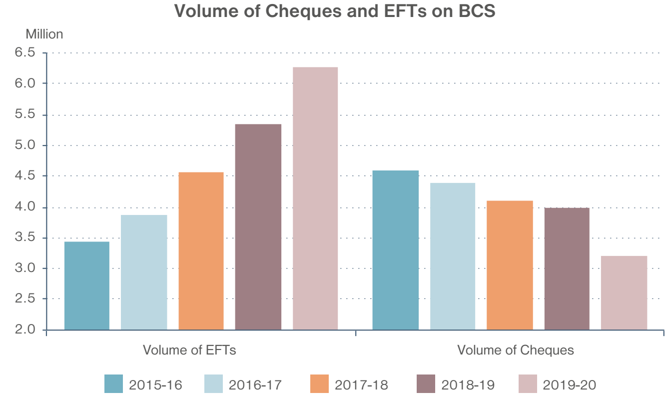
Cheques Cleared



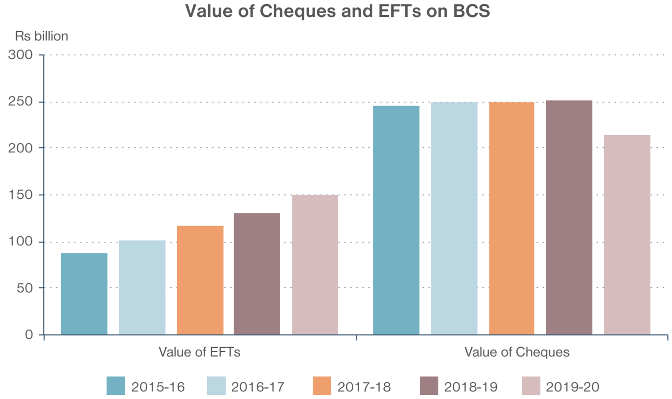
Electronic Clearing Transactions



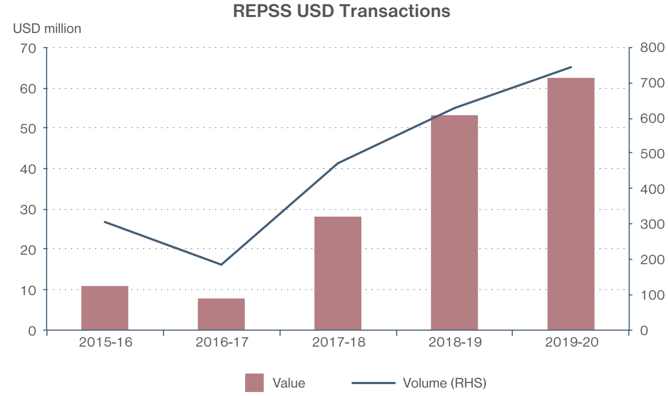
Volume of Cheques and EFTs on BCS



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 a fully automated multi-currency system that allows transfer of funds on a Real Time Gross Settlement (RTGS) basis. The MACSS represents a vital pillar of the Mauritian payment systems infrastructure and has systemic importance as any disruption of the MACSS can have spill-over effects on the whole financial system. MACSS also carries out batch settlements on a net deferred basis for the following:

- Cheque clearing positions, direct debit, and low value electronic transfers of the Port Louis Automated Clearing House;
- The Central Depository & Settlement Co. Ltd in Mauritian rupee, US dollar, euro, Pound sterling and South African rand;
- The Contribution Network Project to the accounts of the Mauritius Revenue Authority held with the Bank; and
- Domestic card transactions routed through the Card Payment System and transactions routed through the Instant Payment System.

Notwithstanding the national lockdown caused by the COVID-19 pandemic, throughput on MACSS, measured in volume and value terms, increased by 9.6 per cent and 12.8 per cent, respectively, in FY2019-20 compared to FY2018-19. During FY2019-20, 1,265,372 transactions for an amount of Rs3.4 trillion were settled on MACSS. The daily average volume of transactions settled was 5,058, representing an average value of Rs13.8 billion. The MACSS continued to operate efficiently and processed payments with same day finality without any downtime, reflecting the resilience of the system.

Foreign currency transactions on the MACSS were impacted during FY2019-20 amidst the disruptive effects of COVID-19. The monthly average value of transactions in USD and ZAR stood at USD508.6 million and ZAR22.4 million, representing declines of 9.5 per cent and 28.8 per cent, respectively, compared to the preceding financial year. However, the monthly average value of transactions in GBP, EUR and CHF increased by 53.7 per cent, 87.1 per cent and 6.8 per cent, respectively, to around GBP13.3 million, EUR250.8 million, CHF0.4 million during the period under review.

Settlement on MACSS	FY2018-19	FY2019-20
Number of transactions	1,154,764	1,265,372
Value of transactions	Rs 3.0 trillion	Rs 3.4 trillion
Daily average volume of transactions	4,701	5,058
Daily average value of transactions	Rs 12.4 billion	Rs 13.8 billion

Bulk Clearing System

The Port Louis Automated Clearing House (PLACH), the only clearing house in Mauritius, operates a bulk clearing system (BCS) for electronic clearing of cheques, electronic fund transfers (EFTs) and direct debit transactions which are cleared and settled indiscriminately during the four daily cycles, on a net deferred basis.

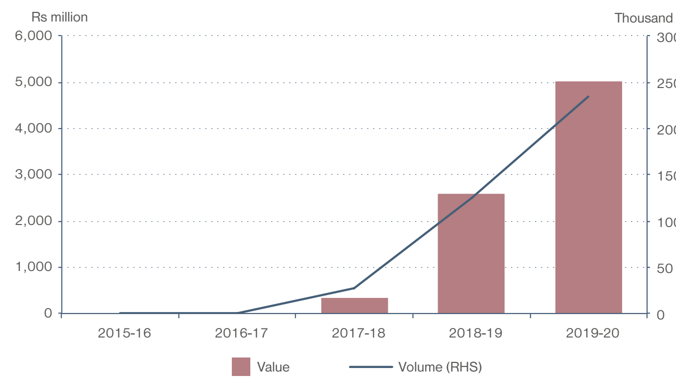
During FY2019-20, 3,167,104 cheques for a total value of Rs214 billion were cleared through the BCS compared to 3,966,198 cheques for a total value of Rs252 billion in FY2018-19. The volume and value of cheques cleared fell by 20.1 per cent and 14.8 per cent, respectively, during FY2019-20. On a daily average basis, the volume of cheques cleared dropped by 21.6 per cent from 16,136 in FY2018-19 to 12,652 in FY2019-20, while the value of cheques cleared fell by 16.4 per cent from Rs1,025 million to Rs857 million.

Cheque usage, both in terms of volume and value, has been on a general downtrend over the past five years. The volume and value of cheques cleared decreased by 30.8 per cent and 12.9 per cent, respectively, in FY2019-20 compared to FY2015-16. The marked decline in the volume of cheques cleared relative to the value of cheques cleared reflected substitution effect away from low value cheques towards other electronic payment modes.

The total value of EFTs amounted to nearly Rs150 billion for a total number of 6,268,356 items cleared during FY2019-20. In volume and value terms, EFTs have increased by 17.3 per cent and 15.0 per cent, respectively, compared to FY2018-19. Over the past five years, EFTs outweighed cheques both in volume and value terms, with an increase of 82.4 per cent in volume and 72.3 per cent in value in FY2019-20 compared to FY2015-16. In FY2019-20, payments pertaining to the Wage Assistance Scheme and Negative Income Tax have contributed to the increase in EFTs.

The Mauritius Revenue Authority uses the Direct Debit for collection of taxes as well as contributions for the National Pension Fund and other social contributions. During FY2019-20, 232,126 transactions were effected for a value of Rs5.0 billion, representing a significant increase of 8.7 times in volume terms and 15.1 times in value terms compared to FY2017-18 (Chart 5.1).

Chart 5.1: Transactions by Direct Debit



Bulk Clearing System

Cheques

- **FY2018-19:** 4.0 million cheques were cleared for a total value of Rs251.8 billion
  Daily average volume and value of cheques cleared: 16,136 and Rs1.0 billion
- **FY2019-20:** 3.2 million cheques were cleared for a total value of Rs214 billion
  Daily average volume and value of cheques cleared: 12,652 and Rs857 million

Electronic Fund Transfer

- **FY2018-19:** 5.4 million transactions were cleared for a total value of Rs130.7 billion
- **FY2019-20:** 6.3 million transactions were cleared for a total value of Rs150.0 billion

Direct Debit

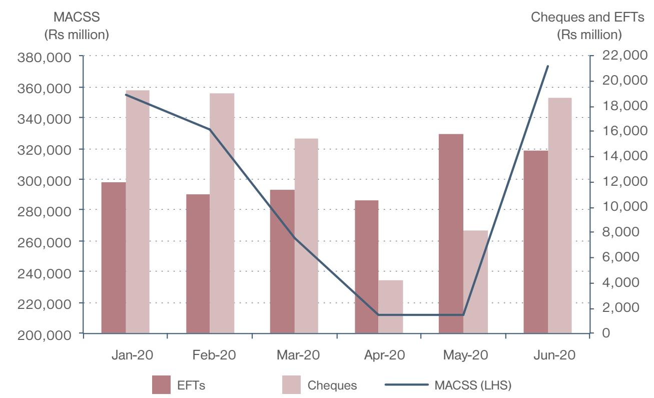
- **FY2018-19:** 125,109 transactions were effected for a total value of Rs2.6 billion
- **FY2019-20:** 232,126 transactions were effected for a total value of Rs5.0 billion

Trends in Payments: January to June 2020

Over the period January 2020 to June 2020, payment channels followed a U-shaped trajectory, illustrating the impact of the outbreak of the COVID-19 pandemic and the resulting national lockdown. The value of transactions processed on the MACSS declined slightly at the beginning of 2020 but registered an accelerated reduction around the time of the imposition of the lockdown in March 2020.

The MACSS transactions plateaued during the lockdown period but picked up afterwards as the lockdown was lifted. A similar pattern was observed for Direct Debit and Cheque transactions. However, EFTs showed a relatively greater resilience given the contactless nature of the payment channel, as opposed to cheques that are typically preceded by person-to-person interaction (Chart 5.2).

Chart 5.2: Value of MACSS, Cheques and EFTs



Mauritius Central Automated Switch

MauCAS, a digital platform facilitating real-time payments between individuals and organisations, which was launched in August 2019, has been a major addition to the Mauritius retail payment infrastructure. One of the objectives of MauCAS is to lower barrier to entry, therefore creating a level playing field for innovative service providers. MauCAS consists of the Card Payment System (CPS) and Instant Payment System (IPS).

Card Payment System	Processes and settles all domestic card payments.
Instant Payment System	Leverages on direct access to bank accounts to allow retail payments irrespective of the channel used.

Card Payment System

The CPS provides an alternative to international card scheme networks for the routing of domestic card transactions. The on-boarding of participants is being done in a phased manner. As at 30 June 2020, five participants have been on-boarded. During FY2019-20, the CPS processed 60,000 transactions for a total value of Rs84.4 million, representing a monthly average of 5,000 transactions.

Instant Payment System

The IPS is a new mode of payment based on the ISO 200022, allowing fund transfers to be made within 30 seconds and for participants to have direct access to bank accounts of all retail banks in Mauritius. As at end-June 2020, there were seven banks and one non-financial institution connected to the platform. During FY2019-20, the IPS processed 126,000 transactions for a total value of Rs143.3 million, constituting a monthly average of 10,498 transactions. The rise in mobile payments portrays the positive influence of MauCAS on the payment ecosystem.

The high value of ATM cash withdrawals compared to other electronic forms of payment indicates an enduring preference for cash usage in Mauritius. The number of ATMs in operation slightly increased in FY2019-20 while the number of Point-of-Sale (POS) terminals increased by 6 per cent, however, without major impact on the value of card payment transactions.

The uptake of mobile payments is becoming increasingly apparent in Mauritius, supported by higher interoperability among operators following the introduction of the MauCAS. On the supply side, the number of active agent outlets increased substantially from 536 to 2,320. On the demand side, the number of active mobile money accounts rose by more than 114 per cent (Chart 5.3).

PAYMENT AND SETTLEMENT SYSTEMS AND CURRENCY MANAGEMENT

Mauritius Central Automated Switch

Card Payment System

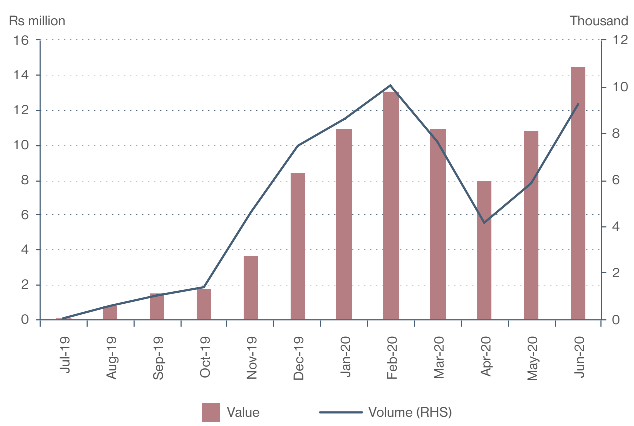
FY2019-20: 60,000 transactions were processed for a total value of Rs84.4 million, representing a monthly average of 5,000 transactions.

Instant Payment System

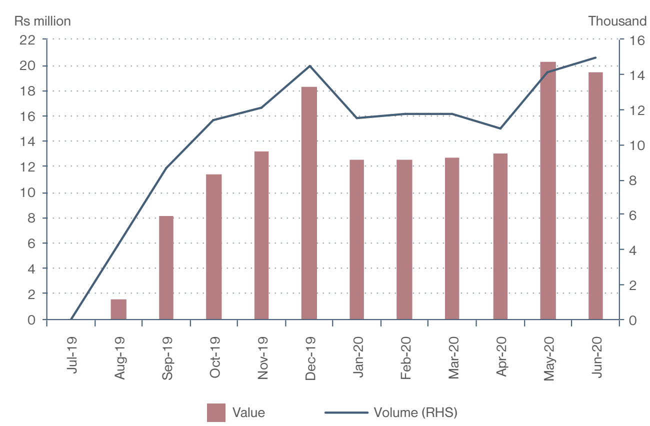
FY2019-20: 126,000 transactions were processed for a total value of Rs143.3 million, constituting a monthly average of 10,498 transactions.

Selected Indicators on MauCAS

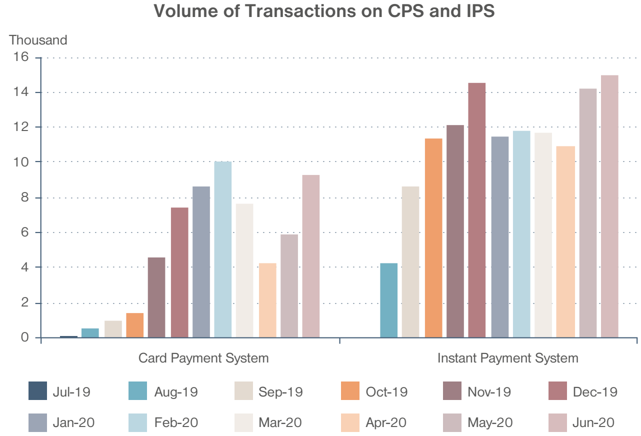
Transactions on CPS



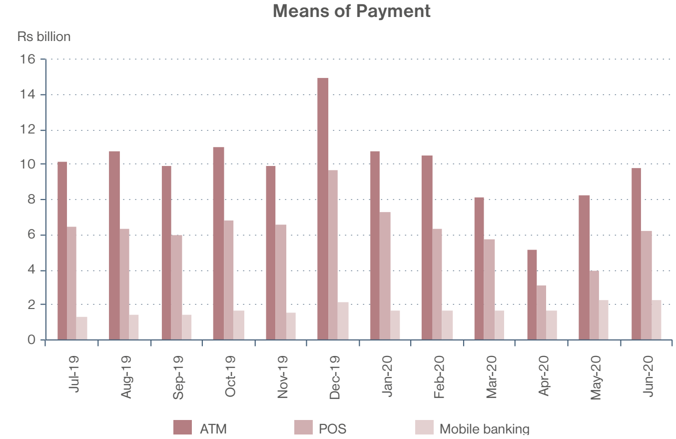
Transactions on IPS



Volume of Transactions on CPS and IPS

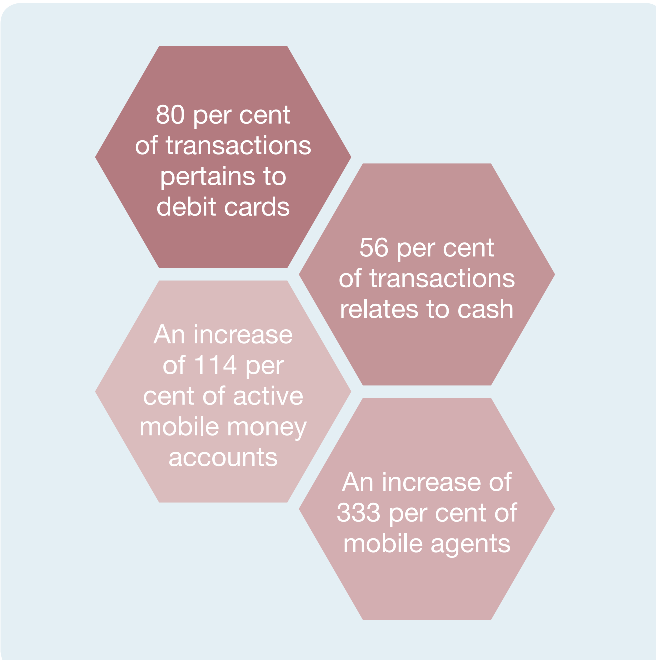


Means of Payment



PAYMENT AND SETTLEMENT SYSTEMS AND CURRENCY MANAGEMENT

Chart 5.3: Key Metrics for FY2019-20



Regional Cross Border Initiatives

COMESA Regional Payment and Settlement System (REPSS)

During FY2019-20, the value of transactions settled in USD on the REPSS increased to USD63 million, from USD53 million in FY2018-19. This illustrates the rising momentum in regional trade and heralds a positive development towards greater integration in the region.

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

Fifteen SADC member countries currently participate in SADC-RTGS and the total number of participating banks (including central banks) stands at 83. The number of transactions settled as at June 2020 on the SADC-RTGS totalled 1,818,386, representing a value of ZAR7.2 trillion (equivalent to USD413.7 billion). In June 2020, the SADC-RTGS processed 28,194 transactions amounting to ZAR99 billion.

Three banks from Mauritius currently participate in SADC-RTGS, namely Absa Bank (Mauritius) Limited, Standard Bank (Mauritius) Limited and the Mauritius Commercial Bank Limited. Standard Chartered Bank (Mauritius) Limited, which was previously operating on the system, is in the process of exiting from the SADC-RTGS.

Association of African Central Banks

In February 2020, the Association of African Central Banks (AACB) approved the execution of two initiatives for promoting cross border payments in Africa, namely an Inter-Regional Payment System Integration Framework and an Integrated Inter-Regional Mobile Payment Strategy. The Bank is represented in the Expert Panel of the AACB's African Inter-Regional Payments Integration Task Force, which has been established to oversee the implementation of these initiatives. The Bank also forms part of the Mobile Integration Strategy Working Group, which is the Task Force subgroup dedicated to developing the Integrated Inter-Regional Mobile Payment Strategy.

Regional Cross Border Initiatives

	COMESA REPSS	SADC-RTGS
FY2018-19	• Value of transactions settled in USD on the REPSS almost doubled to US$53.0 million	• 14 SADC countries • 81 participating banks • Total number of transactions: 1,441,006 • Value: US$395 billion
FY2019-20	• Value of transactions settled in USD on the REPSS increased to US$63 million	• 15 SADC countries • 83 participating banks • Total number of transactions: 1,818,386 • Value: US$414 billion

Fintech - Central Bank Digital Currency

The Bank has embarked on a project to implement a Central Bank Digital Currency (CBDC) whose main objective is to promote a cash-lite society and encourage digital payments, in line with the Bank's digitalisation strategy. The CBDC will provide users with a more efficient and secure payment system. The Bank is already engaging with relevant stakeholders to develop a Central Bank Digital Currency, which will cater for the specific needs of the domestic economy.

Cybersecurity

As financial services rely heavily on information technology, the incidence of cyber-attacks and business interruption is an undeniable threat. IT risk management and cybersecurity, thus, remain key concerns for the Bank due to the risks to financial stability and their potential impact on firms and/or customers. In this risky payments environment, the Bank's systems and infrastructures have consistently demonstrated resilience in the face of cyber threats. The Bank abides by the Society for Worldwide Interbank Financial Telecommunication (SWIFT) Customer Security Programme which continuously strengthens its mandatory security controls. Furthermore, the Bank is currently on a testing mode for the SWIFT Global Payments Innovation initiative, which provides end-to-end payment tracking and transparency.

Mauritius Credit Information Bureau

A well-managed credit reporting system plays a vital role in the effective management of credit risk and proper functioning of an economy. The Mauritius Credit Information Bureau (MCIB) was set up under Section 52 of the Bank of Mauritius Act 2004 and started its operations in December 2005. The MCIB has as principal objective the operation of a sound credit information system which contributes to the stability and soundness of the financial system in Mauritius.

The platform is based on a fully automated system which is owned by and located within the premises of the Bank. The MCIB provides a platform for sharing of information, thus bridging information asymmetry between lenders and borrowers. Lenders can carry out more informed credit worthiness assessment of their clients and, thus, manage the quality of their loan portfolios in a more effective manner.

The type of data recorded by the MCIB, their use and the data retention periods are governed by the Bank of Mauritius Act 2004 and the MCIB Terms and Conditions, as laid out under the Act. Furthermore, in line with the objects of the Data Protection Act 2007 which pertain to the protection of the privacy rights of individuals in relation to their personal data captured, transmitted, manipulated and stored, the Bank is registered as the Data Controller of the MCIB with the Data Protection Office.

According to the World Bank Doing Business 2020 Survey published in October 2019, the coverage of the MCIB in terms of number of entities as a percentage of the Mauritian adult population stood at 100 per cent. This performance is more favourable compared to Sub-Saharan African countries with an average of 19.3 per cent and also higher than the performance of the OECD high-income economies with an average of 91.1 per cent.

Security and System Access

Participants may access the MCIB platform online on a 24-hour basis through a secured network and are required to ensure full confidentiality of information obtained. Any information retrieved from the MCIB database shall not be disclosed to any other party except the applicant or guarantor as the case may be when processing requests for credits.

Participants of the MCIB

According to Section 8.1 of the MCIB Terms and Conditions, participants shall provide the MCIB, within such time frame as may be determined by the MCIB, with credit information, both positive and negative, on existing recipients of credit facilities, including those of their branches, in electronic form through the MCIB network or such other media as may be specified by the MCIB.

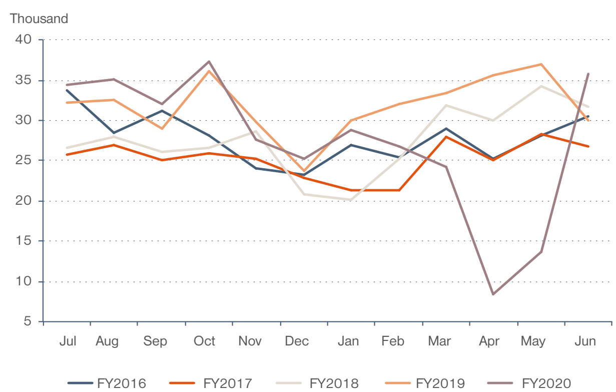
Participating institutions of the MCIB shall include any institution offering credit, leasing facilities, hire purchase, utility bodies or any crowdlending platform. As at end-June 2020, the participation base of the MCIB consisted of 47 participants, including the Bank (Chart 5.4). The number of reported entities rose from 920,224 as at end-June 2019 to 941,539 (which include 875,500 individuals) as at end-June 2020. In parallel, the number of records increased by 10.8 per cent from 4,562,122 to 5,054,373.

Chart 5.4: Number of Current Participants in the MCIB

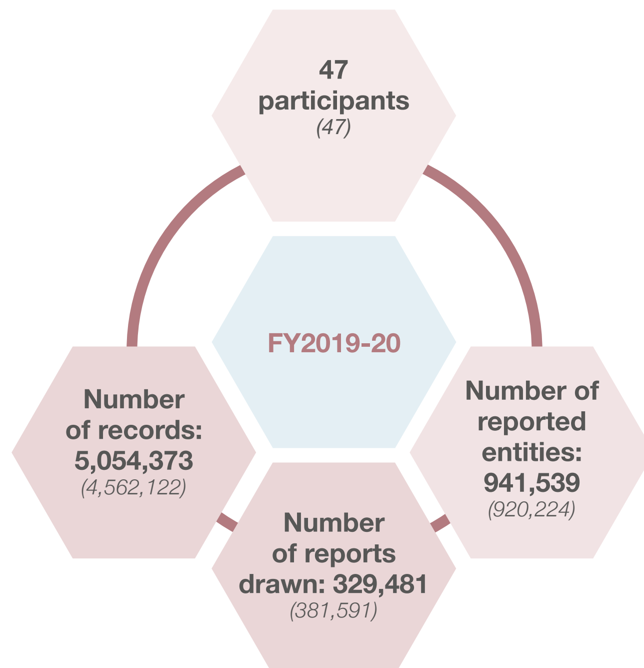
Consultation of the MCIB Database

Section 5.0 of the MCIB Terms and Conditions requires participating institutions to have recourse to information from the MCIB while processing applications for credit facilities. During FY2019-20, the number of reports drawn recorded a decline of 13.7 per cent to 329,481 as compared to 381,591 in FY2018-19. This significant fall in reports drawn has been mostly for April and May 2020, which was due to the confinement period (Chart 5.5).

Chart 5.5: Number of Reports drawn on the MCIB



Mauritius Credit Information Bureau Indicators



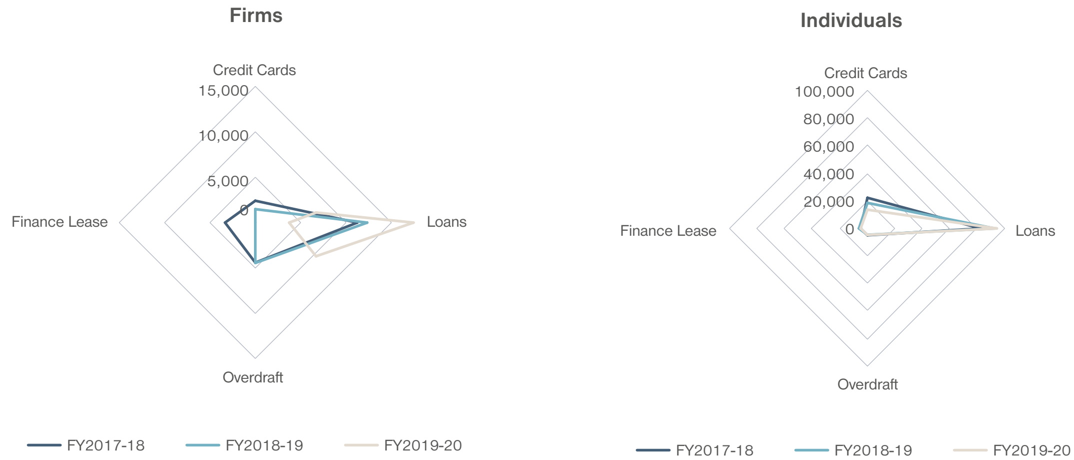
Note: Figures in italics pertain to FY2018-19.

Credit Facilities availed of by Firms and Individuals

The drop in the number of reports drawn was, to some extent, reflected in lower demand for new credit facilities in relation to loans, overdrafts, credit cards and finance leases which went down by 5.8 per cent from 145,396 in FY2018-19 to 136,960 in FY2019-20, as compared to an increase of 7.1 per cent for the preceding year. During the period under review, significant drops were observed in credit card facilities and loans to firms which declined by 30.8 per cent and 12.4 per cent, respectively. Chart 5.6 gives a comparison of new credit facilities approved by MCIB participants by credit type. For both firms and individuals, the credit facility mostly taken was loans.

PAYMENT AND SETTLEMENT SYSTEMS AND CURRENCY MANAGEMENT

Chart 5.6: Credit Facilities



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:

- ensure both the availability and supply of good quality banknotes and coins to banks;
- accept deposits of banknotes and coins from banks;
- attend to the destruction of soiled banknotes; and
- exchange soiled and mutilated banknotes.

The Bank made special arrangements during the lockdown period to attend to all requests for cash withdrawals by banks, namely for replenishment of ATMs and for payment of pensions. The Bank also accepted banknote deposits from banks. Through a special line of communication set up by the Bank, banks were able to submit their requests for cash withdrawals and deposits and were informed of all arrangements made to meet their requests to their satisfaction.

Currency Management

Banknotes and coins deposited at and issued by the Bank

	FY2018-19	FY2019-20
Banknotes:	Rs39.1 billion	Rs32.0 billion ▼
Coins:	Rs41.5 billion	Rs37.9 billion ▼

Examination of banknotes

	FY2018-19	FY2019-20
Number:	55.5 million	55.7 million ▲
Value:	Rs29.1 billion	Rs27.4 billion ▼

Examined banknotes unfit for circulation

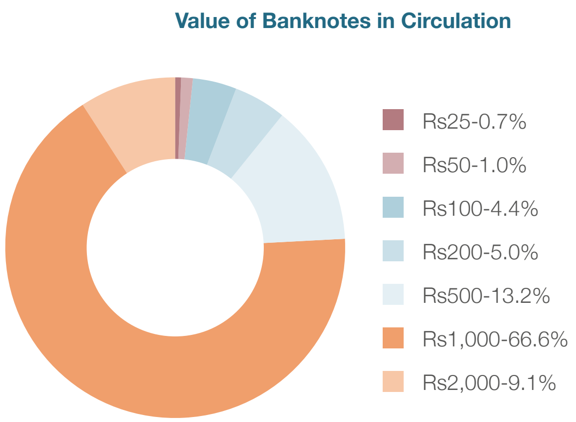
	FY2018-19	FY2019-20
% of total:	15.0	14.4 ▼
Value:	Rs6.0 billion	Rs3.8 billion ▼

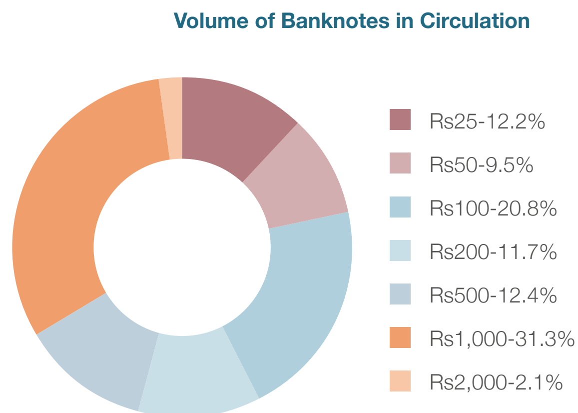
Destruction of soiled banknotes

	FY2018-19	FY2019-20
% of total:	94.0	82.0 ▼
Value:	Rs5.8 billion	Rs3.2 billion ▼

In FY2019-20, the value of banknotes in circulation increased by 16.5 per cent, compared to 6.9 per cent in FY2018-19, while the volume of banknotes rose by 9.7 per cent, compared to an increase of 6.0 per cent in the preceding financial year. Banknotes of Rs1,000 denomination constituted almost 67 per cent of the total value of banknotes in circulation, followed by banknotes of Rs500 denomination, which accounted for 13 per cent of the total. In volume terms, banknotes of Rs1,000 denomination represented 31.3 per cent of all banknotes in circulation, followed by banknotes of Rs100 denomination, with a share of 20.8 per cent. Chart 5.7 illustrates the total value and volume of banknotes in circulation by denomination. During FY2019-20, the total value and volume of coins in circulation increased by 7.2 per cent and 3.7 per cent, respectively, compared to FY2018-19.

Chart 5.7: Banknotes in Circulation as at 30 June 2020





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 1,000 grams, 500 grams and 100 grams as well as in grain forms to industrialists and licensed jewellers. • The selling prices 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 the Bank's website.
Sale of Dodo Gold Coins	• Dodo Gold coins of 22 carats are issued by the Bank in four denominations: - 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 and are on sale at the counter of the Bank and banks in Mauritius. • The daily selling prices of the coins, based on their gold content and on international gold market prices, are posted in the Bank's Banking Hall and on the Bank's website.

Commemorative Coins and Platinum Coins

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 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 first, second and third platinum commemorative coins of Rs1,500, Rs1,200 and Rs1,200 denomination in proof condition were issued in October 2009, November 2010 and December 2011, respectively.
Bank of Mauritius 50th Anniversary Commemorative Coins	• The Bank issued three commemorative coins, in proof condition, to mark its 50th Anniversary: - Rs1,500 denomination Gold coin - Rs1,000 denomination Gold coin - Rs200 denomination Silver coin

Clean Banknote Programme

The Bank continued with its Clean Banknote Programme, which was aimed at enhancing 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 in denomination of Rs2,000. The polymer Rs2,000 denomination banknote is an upgrade of the Rs2,000 paper banknote. Polymer banknotes are cleaner and more durable, besides containing enhanced security features.

Value and Volume of Polymer Banknotes in Circulation as at end-June 2020

Denomination

Denomination	Volume	Value
Rs25	Volume: 7.9 million	Value: Rs197 million
Rs50	Volume: 6.4 million	Value: Rs321 million
Rs2,000	Volume: 1.9 million	Value: Rs3,705 million
Rs500	Volume: 9.4 million	Value: Rs4,680 million

Coin Deposit Campaign

The Coin Deposit Campaign, launched by the Bank in July 2012, was maintained during the period under review. 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.

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 21,000 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.

06

Regional Cooperation and International Affiliation

First One Rupee banknote

After the First World war, the population began to store silver rupees mainly on account of inflation and this situation led to a lack of metallic coins that were in circulation. Subsequently, by an ordinance voted on 29 July 1919, the Government authorised the issue of One rupee banknote to be put in circulation on 23 April 1920.

REGIONAL COOPERATION AND INTERNATIONAL AFFILIATION

The Bank pursued its active involvement in various regional and international fora during FY2019-20, including bilateral engagement with several entities, including central banks. In the second quarter of 2020, the Bank initiated a strategic review of its relations with external stakeholders and entities to enhance its interactions and foster results-driven engagements.

In view of improving capacity building and sharing experience with peers, the Bank associated with numerous institutions and central banks during FY2019-20. Several staff members attended training courses and webinars conducted by the IMF's Africa Training Institute and Regional Technical Assistance Centre for Southern Africa.

Affiliations and Memberships of Bank of Mauritius

Regional Affiliations	International Affiliations	Regulation & Supervision AML/CFT	Consumer Protection and Financial Literacy	Islamic Finance
ESAAMLG COMESA FSB RCG for SSA AACB SADC Afrexim Bank	OMFIF ISI BIS IFC NGFS G30 World Bank IMF	GIFCS	FINCONET IADI	IFSB IILM

ESAAMLG: Eastern and Southern Africa Anti-Money Laundering Group; COMESA: Common Market for Eastern and Southern Africa; FSB RCG for SSA: Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa; AACB: Association of African Central Banks; SADC: Southern African Development Community; AfreximBank: African Export-Import Bank; OMFIF: The Official Monetary and Financial Institutions Forum; ISI: International Statistical Institute; BIS: Bank for International Settlements; IFC: Irving Fisher Committee on Central Bank Statistics; NGFS: Network of Central Banks and Supervisors for Greening the Financial System; G30: Group of Thirty Consultative Group on International Economic and Monetary Affairs, Inc; IMF: International Monetary Fund; GIFCS: The Group of international Finance Centre Supervisors; FINCONET: International Financial Consumer Protection Organisation; IADI: International Association of Deposit Insurers; IFSB: Islamic Financial Services Board and IILM: International Islamic Liquidity Management.

The Bank became a member of the Network of Central Banks and Supervisors for Greening the Financial System in July 2020, which complements its strategy towards inducing the process of greening the domestic financial sector.

The Bank contributed to the Common Market for Eastern and Southern Africa (COMESA) Monetary Institute's country-specific research work on *"Empirical Analysis of the Effects of Key External Shocks on Selected Macroeconomic Indicators"* and *"Impact of Macroeconomic Developments on Financial Stability"*. Participation to the research projects helped in sharing country experiences on recent policy challenges and facilitate networking among COMESA member states. Moreover, the key findings of the various studies were presented to the COMESA Committee of Governors of Central Banks.

REGIONAL COOPERATION AND INTERNATIONAL AFFILIATION

Participation in Main Meetings

JUL 2019	12th Sir Andrew Crockett Governors' Roundtable for African Central Bankers, 1-3 July 2019, UK	SADC Payment System Oversight Committee Designee Meeting, 24-26 July 2019, South Africa	SADC CCBG Legal Subcommittee Meeting, 29-30 July 2019, Zambia	
AUG 2019	42nd Ordinary Meeting of the Assembly of Governors of the AACB, 1 August 2019, Rwanda	Annual IFC Committee Meeting & 62nd ISI 2019 World Statistics Congress, 16-21 August 2019, Malaysia		
SEP 2019	38th Task Force of Senior Officials Meeting of the ESAAMLG, 1-5 September 2019, Eswatini	9th FSI-IADI Conference on Crisis Management, Bank Resolution and Deposit Insurance, 4-5 September 2019, Switzerland	49th Meeting of the SADC CCBG, 11-13 September 2019, Madagascar	2ème Sommet des Banques Centrales des Pays Francophones sur la cyber sécurité, 24-25 September 2019, Belgium
OCT 2019	Meeting of the COMESA Ministers of Finance and Central Bank Governors, 16 October 2019, USA	2019 IMF/World Bank Annual Meetings, 14-21 October 2019, USA	24th IILM Board Audit Committee Meeting, 31 October-1 November 2019, Malaysia	
NOV 2019	GIFCS Plenary Meeting and the FSI Seminar, 5-6 November 2019, Cayman Islands	23rd IILM Governing Board Meeting, 25 November 2019, Malaysia		
DEC 2019	24th Meeting of the COMESA Committee of Governors of Central Banks, 13 December 2019, Zambia	16th Meeting of the FSB-RCG for SSA, 12-13 December 2019, South Africa	SADC Macroeconomic Subcommittee Meeting, 12-13 December 2019, South Africa	

Participation in Main Meetings (continued)

JAN 2020	FATF Joint Group Africa Middle-East Meeting, 15-20 January 2020, Morocco			
FEB 2020	High-level Meeting on BIS Banking Activities and RMB investing in Africa, 5-6 February 2020, South Africa	CCBG Cross Border Crisis Simulation Exercise and CCBG Banking Supervision Subcommittee Meeting, 17-21 February 2020, South Africa	25th CCBG ICT Subcommittee Annual Conference, 24-28 February 2020, Botswana	
APR 2020	IMF/World Bank Spring Meetings, 14-17 April 2020, Virtual Meeting	FSB-RCG for SSA, 28 April 2020, Conference Call	CCBG Governors, 8 April 2020 on the impact of COVID-19 on SADC region, Virtual Meeting	GIFCS Dial-in Plenary Meeting, 29 April 2020
MAY 2020	50th CCBG meeting, 26 May 2020, Virtual Meeting			
JUN 2020	27th Annual General Meeting of Shareholders of the Afreximbank, held by circulation of resolutions, 13 June 2020, Virtual Meeting	36th Meeting of the Council and 18th General Assembly of the IFSB, 4 June 2020, Virtual Meeting		

REGIONAL COOPERATION AND INTERNATIONAL AFFILIATION

COVID-19 and Institutional Response

In response to COVID-19 pandemic, a number of regional and international institutions recommended policy actions and measures to mitigate the economic and social impact of the pandemic. In March 2020, the African Export-Import Bank (Afreximbank) launched a US$3 billion facility known as the Pandemic Trade Impact Mitigation Facility, to provide assistance to African countries to deal with the economic and health impacts of the pandemic. In April 2020, the Afreximbank provided a grant of US$3 million to support continental efforts to combat the pandemic, with a significant proportion of the grant earmarked for the COVID-19 Special Fund set up by the African Union as well as to the African Centre for Disease Control.

IMF	A comprehensive tracker of policy actions was launched to provide valuable and timely information on measures implemented by country authorities to respond effectively and with the right policy mix.
FSB	A database of policy measures taken by various jurisdictions was published on a regular basis. The database includes operational and business continuity, lending and credit support, funding and liquidity support, market functioning, operational and business continuity measures taken in member institutions.
BIS	Published several analyses on the implications of COVID-19 pandemic on the financial sector and the wider economy.
IFC	Issued a list of statistical initiatives developed in response to the COVID-19 pandemic outbreak, specifically with respect to the production, dissemination and use of official statistics.
IFSB	Compiled compendium sets of financial sector regulatory responses issued by Regulatory and Supervisory Authorities (RSAs) among IFSB member jurisdictions. IFSB initiatives included the provision of unlimited access to IFSB e-learning modules for a given period of time for all members to ensure continuity in IFSB's role of capacity building in Islamic finance.
SADC & COMESA Monetary Institute	Disseminated policy measures adopted by member countries to respond to the pandemic.

The Bank participated in webinars organised by international institutions including the IMF, Islamic Financial Services Board (IFSB), Official Monetary and Financial Institutions Forum (OMFIF) to share its experience on the measures implemented and to learn from other participants' experiences.

International Islamic Liquidity Management Corporation (IILM), IFSB, SADC CCBG and Financial Stability Board Regional Consultative Group for Sub Saharan Africa (FSB RCG for SSA) conducted virtual meetings since March 2020 to discuss the macroeconomic and financial market developments, including financial stability implications of COVID-19 pandemic.

REGIONAL COOPERATION AND INTERNATIONAL AFFILIATION

Regional Developments

Association of African Central Banks

The 42nd Ordinary Meeting of the AACB held in August 2019 reviewed the status of implementation of decisions of the 41st Ordinary Meeting, which included the monitoring and evaluation of the performance of Member States in terms of macroeconomic convergence. 22 out of 49 members met all the primary convergence criteria in 2018, compared to 19 out of 52 countries in 2017. Mauritius is converging towards the statistical benchmarks under the African Monetary Cooperation Programme (AMCP) (Table 1). The Assembly of Governors also took note of activities of the Community of African Banking Supervisors, including the launch of a Working Group on Basel Regulations.

Common Market for Eastern and Southern Africa

The Joint Ministerial and Governors Committee meetings held in the margin of the IMF/World Bank 2019 Annual Meetings was attended by Ministers and Governors from Djibouti, DR Congo, Egypt, Eswatini, Libya, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Tunisia and Zambia. Participants agreed on the setting up of a Technical Working Group to propose modalities for the operationalisation of the COMESA Common Market Levy. Such levies have been implemented by several regional economic communities like the Economic Community for Western African States (ECOWAS) and the Economic Community for Central Africa States (ECCAS).

During the 24th Meeting of the COMESA Committee of Governors of Central Banks, Governors agreed on the implementation of the revised macroeconomic convergence criteria that would be effective as from 2020. For FY2019-20, the COMESA Regional Payment and Settlement System (REPSS) has recorded total transactions amounting to over US$62 million through the 9 participating central banks, namely Democratic Republic of Congo, Egypt, Kenya, Malawi, Mauritius, Rwanda, Eswatini, Uganda and Zambia. Central Banks of Burundi, Djibouti, Sudan and Zimbabwe are in advanced stages of preparations for live operations. The Bank provided its yearly report on the implementation of the Assessment Framework on Financial System Stability and Financial Soundness Indicators.

Financial Stability Board Regional Consultative Group

In December 2019, the FSB RCG for SSA met in South Africa. Discussions revolved mainly on global and regional financial vulnerabilities, FSB's policy priorities and work plan and supervision of financial conglomerates. As climate change is gaining global importance, it was a subject matter on the agenda. In April 2020, the Group organized a virtual meeting, which focused exclusively on the implications of the COVID-19 pandemic on the economies and financial systems of countries in SSA and policy measures taken by these central banks.

Southern African Development Community

The Bank participated in meetings of SADC and CCBG on topics of interest for member countries and central banks, including payment systems, banking legislation, ICT, and supervision. In 2019, only five out of fifteen countries met the three primary macroeconomic convergence (MEC) criteria, while no country met all the three secondary MEC criteria. Mauritius met only two out of the three primary criteria and one of the secondary criteria.

REGIONAL COOPERATION AND INTERNATIONAL AFFILIATION

Macroeconomic Convergence and Mauritius

Macroeconomic convergence indicators provided the basis for comparison of economic performance of a country with its peers or a group of countries. The ultimate objective of macroeconomic convergence is to promote economic and monetary integration. Hence, macroeconomic convergence in Africa is hindered, to a large extent, by the vulnerability of individual economies to a range of domestic and external shocks. The COVID-19 pandemic is expected to impact negatively on the ongoing convergence process over the next few years.

In 2000, the AACB adopted the AMCP, which aims at establishing a harmonised monetary system and works towards the creation of a single monetary zone and a continental African Central Bank. The AMCP comprises a hierarchy of primary and secondary criteria with their relative target values and deadlines for compliance. The AMCP also guides the African continent, sub-divided into various sub-regions towards the adoption of African Monetary Union and African Single Currency. Likewise, the SADC and COMESA convergence criteria provide a guide to Member States for actions required to implement stability-oriented macroeconomic policies.

Table 6.1: Macroeconomic Convergence Criteria and the Performance of Mauritius

	Macroeconomic Convergence criteria			Performance of Mauritius	
	AACB	COMESA	SADC	2019	2020*
Primary criteria					
Inflation rate (annual percentage)	≤ 7	< 7	3-7	0.5	2.5
Overall budget deficit (per cent of GDP)	≤ 5	≤ 5	< 3 (within a band of 1%)	-3.2**	-13.6**
Central Bank credit to Government (as a percentage of previous year's tax revenue)	≤ 5	≤ 5	Not applicable	0	15**
External reserves (Months of imports of goods and services)	≥ 3	≥ 3		12.6	13.2
Public debt (as a percent of GDP)	Not applicable		< 60	58.7	73.4**
Secondary criteria					
General Government debt (per cent of GDP)	< 65	< 65	Not applicable	58.7	73.4**
Nominal Exchange Rate (against the US Dollar)	Variability of ±10%	Variability of ±10%		-5.7	
Total Tax Revenue to GDP Ratio	≥ 20	≥ 20		20**	19**
Ratio of Government Capital Expenditure to Tax Revenue	≥ 30	≥ 20		12.3**	26.7**
Current account deficit (per cent of GDP)	Not applicable		< 3	5.7	10.1
External reserves (Months of imports of goods and services)			> 6	12.6	13.2
Real GDP Growth (annual percentage change)			> 7	3.0	-13
Central Bank credit to Government (as a percentage of revenue)			< 5	0	15**
Domestic savings (as a percentage of GDP)			< 35	8.8	
Domestic investment (as a percentage of GDP)			< 30	19.6	

Notes:

*1 *Forecasts.*
*2 ** figures represent fiscal year data.*
3 The public debt criteria for the SADC MEC is proxied by General Government debt (as a percentage of GDP).

REGIONAL COOPERATION AND INTERNATIONAL AFFILIATION

International Developments

African Export Import Bank

The Afreximbank's 27th Annual General Meeting, held through the circulation of resolutions on 13 June 2020, approved the 2019 audited accounts, as well as the proposal to raise an additional US$500 million in equity within Afreximbank's current Strategic Plan, "Impact 2021-Africa Transformed". The increase in equity mobilization aims at enabling the Afreximbank to intervene in the current health and financial crisis caused by COVID-19 pandemic.

Bank for International Settlements

As an institutional member of Irving Fisher Committee on Central Bank Statistics, operating under auspices of the BIS since February 2010, the Bank participated in the IFC Satellite Seminars and IFC Committee Meeting in August 2019, with discussions on new frameworks for collecting, accessing and using micro data sets.

International Financial Consumer Protection Organisation

The Annual General Meeting of FinCoNet, hosted by the Bank of Italy from 13 to 14 November 2019, was held back-to-back with the International Seminar on Behavioural Insights for Conduct Supervision. Participants discussed risks and priorities including financial consumer protection supervision, consumer credit, digitalisation, oversight tools and the evolving perimeter of supervision. The work of FinCoNet is channelled through its Standing Committees with technical assistance from the OECD Secretariat. The Bank is represented in two Standing Committees, namely SC3: Online and Mobile Payments and SC4: Tools and Processes to Support Risk-Based Supervision in a Digital Age.

In FY2019-20, the Bank participated in a survey for supervisory approaches to consumers' creditworthiness assessment, taking into consideration the existing regulatory framework and market practices.

Official Monetary and Financial Institutions Forum

The Bank contributed to the "OMFIF research into regulatory landscape for climate risk" and the "African financial markets survey 2019" questionnaires. The Bank provided inputs for the 'Global Public Investor (GPI) 2019', which assesses the practices of public investors in a wide range of investments as well as their activities in the digital economy, sustainable investment and Islamic finance. The Bank participated in OMFIF virtual forum of roundtable discussions on pertinent themes which included central bank digital currencies and sustainable financial market development.

International Developments (Continued)

Islamic Finance

As part of its mandate to provide liquidity management instruments to the market, the IILM supplied an excess of US$9 billion in 2019 across 29 US dollar denominated Sukuks in seven different tenors including 2-week Sukuk, 3-week Sukuk, and 1-month Sukuk.

The 35th Meeting of the IFSB Council was chaired by the Governor of Bangladesh Bank. The Council approved the adoption of two new standards namely Technical Note on Financial Inclusion and Islamic Finance and Guidance Note on Sharīʿah-compliant Lender-of-Last-Resort Facilities. The IFSB conducted virtual meetings for its 36th Meeting of the Council and 18th General Assembly on 4 June 2020. The meetings were chaired by Governor of Bank Negara Malaysia.

In FY2019-20, the IFSB included its IFSB-17: Core Principles for Islamic Finance Regulation (Banking Segment) Standard in the Financial Stability Board (FSB) Compendium of Standards. The Bank provided its feedback on several survey questionnaires, the joint IFSB-AMF Working Paper on Money Laundering and Financing of Terrorism Risks in Islamic Banking and the draft Islamic Financial Services Industry Stability Report 2019.

SUSTAINABLE FINANCE

Network for Greening the Financial System (NGFS)

The Network for Greening the Financial System (NGFS), a group of central banks and supervisors whose purpose is to share best practices, contributes to the development of climate and environment-related risk management standards in the financial sector. The NGFS mobilises mainstream finance to support the transition towards a sustainable global economy. As at July 2020, the NGFS comprised 69 members, mostly central banks and 13 observers, and specifically, the BIS, Basel Committee on Banking Supervision, European Investment Bank, IMF and the Organisation for Economic Cooperation and Development.

The Bank officially joined the NGFS in July 2020. The decision by the Bank to become a NGFS member was motivated by its endeavour to address climate change related risks. The Bank stands to benefit from the various work streams of the NGFS in terms of understanding the requirements and implications of measures to be introduced, as well as capacity building.

07

Financial Statements

CONTENTS PAGE

OVERVIEW

The Bank of Mauritius realized a net profit of Rs224.1 million, in terms of section 11(1) of the Bank of Mauritius Act (the "Act"), for the financial year ended 30 June 2020 compared to Rs83.8 million for the previous financial year on the back of improved interest income from foreign investments.

The Bank of Mauritius (the "Bank") like other central banks worldwide deployed a series of economic measures in the face of the COVID-19 Pandemic. Hence, the Bank paid the interest on loans contracted by households earning less than Rs50,000 per month, amounting to Rs25 million from April to June 2020.

The Bank also provided a special line of credit of USD300 million to commercial banks and reduced the cash reserve ratio from 9% to 8%.

Furthermore, the Bank availed of a special line of credit of USD240 million from the Bank for International Settlements to provide liquidity in the forex market.

According to section 11(1) of the Act, the Board of Directors shall determine the net profits of 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.

Assets

Foreign assets of the Bank continued to increase mainly on account of Gain on Revaluation of Foreign Currency, Special Drawing Rights (SDR) and increase in the price of Gold in international market.

The Bank introduced a support programme to accompany banks and local economic operators in the COVID-19 context. In that respect, an amount of Rs12 billion was disbursed by the Bank, as at 30 June 2020, under the Special Line of Credit to banks and economic operators resulting in an increase in domestic assets.

Liabilities

The increase in Liabilities was mainly due to an increase in currency in circulation, demand deposits and other liabilities.

Capital and Reserves

Total reserves increased mainly on account of Gain on Revaluation of Foreign Currency, Special Drawing Rights and Gold.

In December 2019, the Bank transferred an amount of Rs18 billion from the Special Reserve Fund to Government under section 47(5)(b)(ii) 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 six 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 16 October 2020 to consider the financial statements of the Bank for the financial year ended 30 June 2020 and determined the net profits of the Bank in accordance with section 11(1) of the Act.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Bank of Mauritius (the Bank), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, set out on pages 157 to 204.

In our opinion, these financial statements give a true and fair view of the financial position of Bank of Mauritius as at 30 June 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (including International Independence Standards)* (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 matter

The financial statements of the Bank as at and for the year ended 30 June 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 September 2019.

Other Information

The directors are responsible for the other information. The other information comprises the Overview, but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance 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 that we have obtained prior to the date of this auditors' 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 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 assessing 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.

Auditors' 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 auditors' 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 scepticism 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 the directors.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- 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 the directors 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.

KPMG
Ebène, Mauritius

20 October 2020

John Chung, BSc, FCA
Licensed by FRC

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020	2019
		Rs 000	Rs 000
ASSETS			
Foreign Assets			
Cash and Cash Equivalents	6	**50,703,268**	53,015,860
Gold Deposits	7	**28,532,838**	20,010,473
Financial Assets held at Fair Value Through Other Comprehensive Income	8	**99,848,785**	84,153,488
Financial Assets held at Fair Value Through Profit or Loss	9	**109,864,541**	96,217,345
		288,949,432	253,397,166
Domestic Assets			
Financial Assets held at Amortised Cost	10	**31,696,330**	4,631,503
Computer Software	12	**21,118**	9,985
Property, Plant and Equipment	13	**1,797,507**	1,883,039
Other Assets	14	**316,029**	298,487
		33,830,984	6,823,014
TOTAL ASSETS		**322,780,416**	260,220,180
LIABILITIES			
Currency in Circulation	15	**42,331,746**	36,415,731
Demand Deposits			
Government		**26,964,259**	3,105,364
Banks		**110,215,588**	69,662,273
Other Financial Institutions		**755,544**	624,820
Others		**620,597**	464,455
		138,555,988	73,856,912
Monetary Policy Instruments	16	**79,636,900**	115,494,265
Provisions	17	**100,000**	100,000
Employee Benefits	18	**955,401**	801,988
Other Liabilities	19	**15,899,285**	5,751,574
TOTAL LIABILITIES		**277,479,320**	232,420,470
CAPITAL AND RESERVES			
Stated and Paid Up Capital	5	**2,000,000**	2,000,000
Reserves	5	**43,301,096**	25,799,710
		45,301,096	27,799,710
TOTAL LIABILITIES, CAPITAL AND RESERVES		**322,780,416**	260,220,180

The notes on pages 157 to 204 form part of the financial statements.

The financial statements have been approved and authorised for issue by the Board of Directors on 16 October 2020 and signed on its behalf by:

Shardhanand Gopaul
Acting Assistant Director

Mardayah Kona Yerukunondu
First Deputy Governor

Harvesh Seegolam
Governor

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2020

	Note	2020	2019
Income		**Rs 000**	Rs 000
Interest and Similar Income on Financial Assets using EIR	20(a)	**2,674,172**	2,172,099
Interest and Similar Income on Financial Assets at Fair Value Through Profit or Loss	20(b)	**2,361,577**	2,471,285
Miscellaneous Income	21(a)	**348,442**	236,104
Gain on Revaluation of Foreign Currencies/SDR		**27,250,745**	3,455,340
Gain on Revaluation of Gold Deposits	7	**8,511,755**	2,724,519
(Loss)/Gain on Financial Assets at Fair Value Through Profit or Loss	21(b)	**(313,652)**	2,367,498
Total Income		**40,833,039**	13,426,845
Expenditure			
Interest Relief on Household Loans		**25,135**	-
Staff Salaries and Other Benefits	22	**393,992**	414,262
General Expenditure		**240,516**	217,641
Fees Payable	23	**402,324**	374,982
Coin Issue Expenses		**9,687**	53,539
Note Issue Expenses		**8,673**	41,889
Depreciation and Amortisation		**115,802**	101,157
Directors' Remuneration	24	**31,245**	24,939
IMF Charges	33	**22,227**	41,546
Impairment Allowance on Financial Assets	11	**37,273**	5,040
Other Expenditure	25	**68,293**	62,036
Total Expenditure		**1,355,167**	1,337,031
Surplus of Income over Expenditure before Cost of Conducting Monetary Policy		**39,477,872**	12,089,814
OPEN MARKET OPERATIONS			
Cost of Conducting Monetary Policy	26	**(3,673,858)**	(3,466,926)
PROFIT FOR THE YEAR		**35,804,014**	8,622,888
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to Profit or Loss			
Remeasurements of defined benefit liability	18(a)	**(131,065)**	8,293
Items that are or may be reclassified subsequently to Profit or Loss			
Financial Assets at FVOCI-net change in fair value		**219,892**	1,116,067
Financial Assets at FVOCI-reclassified to profit or loss		**(200,969)**	6,336
TOTAL COMPREHENSIVE INCOME		**35,691,872**	9,753,584

The notes on pages 157 to 204 form part of the financial statements.

STATEMENT OF DISTRIBUTION

for the Year Ended 30 June 2020

	2020	2019
	Rs 000	Rs 000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR-AS PER IFRS	**35,691,872**	9,753,584
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	**(27,250,745)**	(3,455,340)
Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Gold	**(8,511,755)**	(2,724,519)
Transfer from/(to) Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-Loss/(Gain) on financial assets at FVTPL	**313,652**	(2,367,498)
Transfer to Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-Gain on financial assets at FVOCI	**(18,923)**	(1,122,404)
NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11(1) OF THE BANK OF MAURITIUS ACT 2004	**224,101**	83,823
Transfer to General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004	**(33,615)**	(12,574)
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004	**190,486**	71,249

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.

The notes on pages 157 to 204 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the Year Ended 30 June 2020

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Accumulated Profit	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 July 2018	2,000,000	2,689,828	13,427,547	-	18,117,375
Profit for the year	-	-	-	8,622,888	8,622,888
Other comprehensive income for the year	-	-	-	1,130,696	1,130,696
Total comprehensive income	-	-	-	9,753,584	9,753,584
Transfer to Special Reserve Fund	-	-	9,669,761	(9,669,761)	-
Transfer to General Reserve	-	12,574	-	(12,574)	-
Transfer to Consolidated Fund	-	-	-	(71,249)	(71,249)
Balance at 30 June 2019	2,000,000	2,702,402	23,097,308	-	27,799,710
Balance at 01 July 2019	**2,000,000**	**2,702,402**	**23,097,308**	**-**	**27,799,710**
Transfer to Government	**-**	**-**	**(18,000,000)**	**-**	**(18,000,000)**
Profit for the year	**-**	**-**	**-**	**35,804,014**	**35,804,014**
Other comprehensive income for the year	**-**	**-**	**-**	**(112,142)**	**(112,142)**
Total comprehensive income	**-**	**-**	**-**	**35,691,872**	**35,691,872**
Transfer to Special Reserve Fund	**-**	**-**	**35,467,771**	**(35,467,771)**	**-**
Transfer to General Reserve Fund	**-**	**33,615**	**-**	**(33,615)**	**-**
Transfer to Consolidated Fund	**-**	**-**	**-**	**(190,486)**	**(190,486)**
Balance at 30 June 2020	**2,000,000**	**2,736,017**	**40,565,079**	**-**	**45,301,096**

The notes on pages 157 to 204 form part of the financial statements.

STATEMENT OF CASH FLOWS

for the Year Ended 30 June 2020

	Note	2020	2019
		Rs 000	Rs 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated from Operating Activities	27	**35,966,730**	13,933,940
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in Financial Assets held at Fair Value Through Other Comprehensive Income*		**(4,317,174)**	(3,385,929)
Net movement in Financial Assets held at Fair Value Through Profit or Loss		**(20,265)**	(1,400,498)
(Increase)/Decrease in Government Securities		**(15,000,000)**	310,000
Additions to Computer Software		**(13,663)**	(2,598)
Acquisition of property, plant and equipment		**(38,581)**	(130,684)
Proceeds from sale of property, plant and equipment		**67**	2,174
Dividend Received		**20,518**	16,903
Net Cash Generated from Investing Activities		**(19,369,098)**	(4,590,632)
CASH FLOWS FROM FINANCING ACTIVITIES			
Balance of net profits paid into the Consolidated Fund		**(71,249)**	-
Net increase in Cash and Cash Equivalents		**16,526,383**	9,343,308
Cash and Cash Equivalents at 1 July		**53,015,860**	43,410,726
Effect of exchange rate fluctuations on foreign assets		**(18,838,975)**	261,826
Cash and Cash Equivalents at 30 June	6	**50,703,268**	53,015,860

* Net Movement in Financial Assets held at Fair Value Through Other Comprehensive Income comprise of:	**Rs 000**
Additions to Financial Assets held at Fair Value Through Other Comprehensive Income	**(73,110,258)**
Disposal/Maturities of Financial Assets held at Fair Value Through Other Comprehensive Income	**68,793,084**
	(4,317,174)

The notes on pages 157 to 204 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2020

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 thousand rupees, 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)

New standards and interpretations not yet effective

At the date of authorisation of the financial statements of the Bank for the year ended 30 June 2020, the following Standards and Interpretations were in issue but not yet effective:

2. BASIS OF PREPARATION (CONTINUED)

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

New standards and interpretations not yet effective (Continued)

Standard/Interpretation		Date Issued By IASB	Effective Date Periods Beginning On Or After
Conceptual Framework Amendments	Amendments to References to Conceptual Framework in IFRS Standards	March 2018	1 January 2020
IFRS 3 Amendment	Definition of a Business	October 2018	1 January 2020
IAS 1 and 8 Amendments	Amendments to the Definition of Material	October 2018	1 January 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	Amendments To Interest Rate Benchmark Reform	August 2019	1 January 2020
IFRS 16 Amendment	Covid-19-Related Rent Concessions	May 2020	1 June 2020
IAS 37 Amendment	Onerous Contracts: Cost of Fulfilling a Contract	May 2020	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 Amendments	Annual Improvements to IFRS Standards (2018 – 2020)	May 2020	1 January 2022
IAS 16 Amendment	Property, Plant And Equipment: Proceeds Before Intended Use	May 2020	1 January 2022
IFRS 3 Amendment	Reference to the Conceptual Framework	May 2020	1 January 2022
IFRS 17	Insurance Contracts	May 2017	1 January 2023
IFRS 17 Amendments	Insurance Contracts	June 2020	1 January 2023
IAS 1 Amendment	Classification of Liabilities as Current or Non-Current	January 2020	1 January 2023
IFRS 10 And IAS 28 Amendment	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	September 2014	Deferred indefinitely

All Standards and Interpretations will be adopted at their effective date except for those Standards and Interpretations that are not applicable to the Bank.

The Standards and Interpretations below are not applicable to the business of the Bank and will therefore have no impact on future financial statements:

- Definition of a Business (Amendments to IFRS 3)
- COVID-19-Related Rent Concessions (Amendments to IFRS 16)
- Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- IFRS 17 Insurance Contracts
- Amendments to IFRS 17
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

2. BASIS OF PREPARATION (CONTINUED)

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

New standards and interpretations not yet effective (Continued)

The Bank is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although this is expected to be rare, some entities may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of the effective date, unless the new guidance contains specific scope outs.

The Bank is in the process of assessing the impact of this standard on the Bank's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

2. BASIS OF PREPARATION (CONTINUED)

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

New standards and interpretations not yet effective (Continued)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7 (Continued))

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The amendments are effective from 1 January 2020. Early application is permitted.

The Bank is in the process of assessing the impact of this standard on the Bank's financial statements.

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments are to be applied retrospectively from the effective date.

The Bank is in the process of assessing the impact of this standard on the Bank's financial statements.

Annual Improvements to IFRS Standards 2018-2020

Standard/Interpretation	Amendment	Impact
IFRS 1 First-time Adoption of International Financial Reporting Standards	The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	Not applicable for the Bank
IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.	The Bank is in the process of assessing the impact of this standard on the Bank's financial statements.
IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.	Not applicable for the Bank
IAS 41 Agriculture	The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.	Not applicable for the Bank

2 BASIS OF PREPARATION (CONTINUED)

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

New standards and interpretations not yet effective (Continued)

Annual Improvements to IFRS Standards 2018-2020 (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

New standards and interpretations adopted by the Bank during the year

The Bank has adopted the following standard for the first time in the annual reporting period commencing 1 July 2019.

IFRS 16 Leases

The Bank applied IFRS 16 with a date of initial application of 1 July 2019. As a result, the Bank has changed its accounting policy for lease contract.

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee, the Bank leases some office premises. The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets (i.e. IT equipment and office furniture); and
- used hindsight when determining the lease term.

The Bank's activities as a lessor are not material.

Based on the above, the adoption of IFRS 16 did not have a significant impact on the financial statements of the Bank.

3. ACCOUNTING POLICIES

(a) Financial Instruments

Classification

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

3. ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (Continued)

Classification (Continued)

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 at 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.

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. The Bank classifies all equity investments as financial assets at FVTPL.

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.

3. ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (Continued)

Business model assessment (Continued)

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.

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 (e.g. Non-recourse arrangement); and
- features that modify consideration of the time value of money-e.g. 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 rate (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:

- Cash and cash equivalents
- Short term deposits meeting the definition of cash and cash equivalents
- Special line of credit in foreign currency
- Special line of credit in local currency
- Investment in government securities
- Staff loans
- Other receivables

3. ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (Continued)

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.

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. The Bank has not elected to designate equity instruments to be classified as financial assets at FVOCI.

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 external fund managers designated at FVPTL
- gold deposits

3. ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (Continued)

Initial recognition of financial assets: classification and measurement

Financial assets are initially measured at their fair value, except in the case of financial assets recorded at fair value, transaction costs that are directly attributable to its acquisition 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.

Subsequent measurement of financial assets

Effective interest rate

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method on all financial instruments measured at amortised cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 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")

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Bank includes in this category:

- currency in circulation
- demand deposits
- monetary policy instruments
- lines of credit with foreign counterparties
- abandoned funds
- special drawings rights
- other deposits
- accrued charges/interest and other payables

3. ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (Continued)

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.

A financial liability is derecognised when its contractual obligations are discharged or cancelled, or expire.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Impairment of financial assets

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, an impairment allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (Continued)

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.

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

3. ACCOUNTING POLICIES (CONTINUED)

(a) Financial Instruments (Continued)

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 (CONTINUED)

(a) Financial Instruments (Continued)

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 profit or loss in impairment allowance of financial assets.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable 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 (CONTINUED)

(a) Financial Instruments (Continued)

Fair Value Measurement Principles (Continued)

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. IFRS 9 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 standard for the gold deposits. Accordingly, the Bank has considered IFRS 9 to be the most appropriate accounting standard for gold deposits. 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 and FVOCI gains or losses are recognised in profit or loss when the financial instrument is de-recognised or impaired and through the amortisation process on the reporting date.

Bank of Mauritius Securities

Monetary Policy Instruments comprise of Bank of Mauritius Securities which are issued for liquidity management and are measured at amortised cost.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances 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 (CONTINUED)

(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. Amortisation 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, plant 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, plant or equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant 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, plant 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.

(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

3. ACCOUNTING POLICIES (CONTINUED)

(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.

State Pension Plan

Contribution to the National Pension Scheme is expensed to profit or loss in the period in which it falls due.

3. ACCOUNTING POLICIES (CONTINUED)

(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.

The cost of conducting monetary policy represents the interest expense/finance cost of the Bank measured using the effective interest rate.

The gain or loss on revaluation of foreign currencies and SDR arise on the foreign assets comprising of cash and cash equivalents and financial assets held at fair value.

(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 pre-tax 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 (CONTINUED)

(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) Leases

Policy applicable before 1 July 2019

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.

Policy applicable as from 1 July 2019

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

4. USES OF ESTIMATES AND JUDGEMENT (CONTINUED)

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.

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”).

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).

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.

Section 47(5) of the Bank of Mauritius Act 2004 (Act) was amended in the Finance (Miscellaneous Provisions) Act 2019 as follows:

Funds out of the Special Reserve Fund may be used, only and strictly, in the following order of priority –

(a) for the purpose of increasing the amount paid as capital of the Bank in accordance with section 10(4);

(b) by the Bank, in exceptional circumstances and with the approval of the Board –

(i) for monetary policy purposes;

(ii) 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 this Act

6. CASH AND CASH EQUIVALENTS

	2020	2019
	Rs 000	Rs 000
Current Accounts	**5,985,789**	7,100,923
Short term deposits	**39,703,348**	41,470,376
Special Drawing Rights (SDR)	**5,005,949**	4,438,061
Foreign Currency Notes	**8,182**	6,500
	50,703,268	53,015,860

7. GOLD DEPOSITS

	2020	2019
	Rs 000	Rs 000
Opening balance	**20,010,473**	17,282,603
Additions during the year	**4,118**	423
Interest Receivable	**6,492**	2,928
Gain on Revaluation	**8,511,755**	2,724,519
Closing balance	**28,532,838**	20,010,473

Gold deposits represent gold bars in storage with Bank of England and on deposits with other counterparties.

8. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	Rs 000	Rs 000
Foreign Investments	**99,907,566**	84,187,134
Impairment Allowance on financial assets	**(58,781)**	(33,646)
	99,848,785	84,153,488

9. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	Rs 000	Rs 000
Foreign Investments	**108,509,938**	95,152,906
Other Investment	**1,354,603**	1,064,439
	109,864,541	96,217,345

Foreign Investments include funds entrusted to external 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.

10. DOMESTIC FINANCIAL ASSETS HELD AT AMORTISED COST

	2020	2019
	Rs 000	Rs 000
Special Line of Credit in Foreign Currency	**12,085,773**	253,160
Special Line of Credit in Local Currency	**4,114,114**	3,887,386
Government Securities	**15,344,240**	324,785
Staff Loans	**105,531**	104,240
Net Balances due in Clearing	**15,713**	35,841
Others	**33,775**	26,221
	31,699,146	4,631,633
Impairment Allowance		
Special Line of Credit in Foreign Currency	**(69)**	(11)
Special Line of Credit in Local Currency	**(17)**	(15)
Government Securities	**(2,656)**	(55)
Staff Loans	**(74)**	(49)
	(2,816)	(130)
	31,696,330	4,631,503

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.

11. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS

	Foreign Assets			Domestic Assets			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	Lifetime ECL	Lifetime ECL	
	Collective basis	Collective basis	Individual basis	Collective basis	Collective basis	Individual basis	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Impairment allowance as at 30 June 2019	**30,650**	**2,996**	-	**130**	-	-	**33,776**
Transfer to Stage 2	**(1,673)**	**1,673**	-	-	-	-	-
Financial assets derecognised	**(9,451)**	-	-	-	-	-	**(9,451)**
Changes to Risk Parameters and FX translation	**3,546**	**29,716**	-	**(23)**	-	-	**33,239**
New financial assets	**1,325**	-	-	**2,709**	-	-	**4,034**
ECL charge for the year	**4,871**	**29,716**	-	**2,686**	-	-	**37,273**
Impairment allowance as at 30 June 2020	**24,397**	**34,385**	-	**2,816**	-	-	**61,598**
Impact of IFRS 9 on 1 July 2018	28,589	-	-	147	-	-	28,736
Changes to Risk Parameters and FX translation	7,656	-	-	(17)	-	-	7,639
Financial assets derecognised	(8,555)	-	-	-	-	-	(8,555)
New financial assets	2,960	2,996	-	-	-	-	5,956
ECL charge for the year	2,061	2,996	-	(17)	-	-	5,040
Impairment allowance as at 30 June 2019	30,650	2,996	-	130	-	-	33,776

12. COMPUTER SOFTWARE

COST	Rs 000
At 1 July 2018	245,305
Additions	2,598
At 30 June 2019	247,903
Additions	13,663
Transfer from WIP (Note 13)	8,859
Scrapped	(122,336)
At 30 June 2020	**148,089**
ACCUMULATED AMORTISATION	
At 1 July 2018	234,362
Charge for the year	3,556
At 30 June 2019	237,918
Charge for the year	11,379
Scrapped	(122,326)
At 30 June 2020	**126,971**
CARRYING VALUE	
At 30 June 2020	**21,118**
At 30 June 2019	9,985

The Directors have reviewed the carrying values of intangible assets and are of the opinion that at 30 June 2020, the carrying values have not suffered any impairment.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicle	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COST						
At 1 July 2018	1,920,492	38,756	859,908	194,934	29,124	3,043,214
Additions	7,325	71,114	31,023	13,768	7,455	130,685
Transfer	-	(28,410)	28,408	-	2	-
Scrapped	-	-	(671)	-	-	(671)
Disposals	-	-	(62)	(244)	(7,002)	(7,308)
At 30 June 2019	**1,927,817**	**81,460**	**918,606**	**208,458**	**29,579**	**3,165,920**
Additions	**15,379**	**536**	**4,988**	**17,678**	**-**	**38,581**
Transfer	**26,163**	**(69,557)**	**9,178**	**25,357**	**-**	**(8,859)**
Transfer to General Expenditure	**-**	**(10,773)**	**-**	**-**	**-**	**(10,773)**
Disposals	**-**	**-**	**-**	**(142)**	**-**	**(142)**
At 30 June 2020	**1,969,359**	**1,666**	**932,772**	**251,351**	**29,579**	**3,184,727**
ACCUMULATED DEPRECIATION						
At 1 July 2018	326,750	-	686,753	155,860	23,145	1,192,508
Charge for the year	35,622	-	26,886	28,283	6,811	97,602
Scrapped	-	-	(85)	-	-	(85)
Disposals	-	-	(62)	(81)	(7,001)	(7,144)
At 30 June 2019	**362,372**	**-**	**713,492**	**184,062**	**22,955**	**1,282,881**
Charge for the year	**36,453**	**-**	**28,115**	**37,293**	**2,564**	**104,425**
Scrapped	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**(86)**	**-**	**(86)**
At 30 June 2020	**398,825**	**-**	**741,607**	**221,269**	**25,519**	**1,387,220**
CARRYING AMOUNT						
AT 30 JUNE 2020	**1,570,534**	**1,666**	**191,165**	**30,082**	**4,060**	**1,797,507**
AT 30 JUNE 2019	1,565,445	81,460	205,114	24,396	6,624	1,883,039

The Directors have reviewed the carrying values of tangible assets and are of the opinion that at 30 June 2020, the carrying values have not suffered any impairment.

14. OTHER ASSETS

	2020	2019
	Rs 000	Rs 000
Prepayments	**42,448**	37,913
Industrial Gold and Dodo Gold Coins	**105,306**	100,032
Gold Bars	**150,192**	142,074
Commemorative Coins	**13,317**	13,729
Others	**4,766**	4,739
	316,029	298,487

15. CURRENCY IN CIRCULATION

	2020	2019
Notes issued	**Rs 000**	Rs 000
Face value		
2,000	**3,705,010**	2,914,812
1,000	**27,105,902**	22,927,986
500	**5,365,564**	4,703,873
200	**2,021,150**	1,884,659
100	**1,805,963**	1,687,166
50	**411,848**	400,622
25	**264,693**	273,302
Demonetised Notes	**446,247**	499,243
	41,126,377	35,291,663
Coins issued		
Face value		
20 rupees	**277,688**	243,038
10 rupees	**399,181**	373,711
5 rupees	**178,096**	170,242
1 rupee	**207,716**	197,822
50 cents	**43,644**	42,260
25 cents **	**6,327**	6,327
20 cents	**54,029**	52,491
10 cents **	**2,417**	2,417
5 cents	**12,990**	12,532
2 cents **	**330**	330
1 cent	**223**	223
Others***	**22,728**	22,675
Total	**1,205,369**	1,124,068
Total face value of Notes and Coins in Circulation	**42,331,746**	36,415,731

** These denominations have ceased to be issued by the Bank.
*** Others include Gold Coins and Commemorative Coins.

16. MONETARY POLICY INSTRUMENTS

	2020	2019
	Rs 000	Rs 000
Bank of Mauritius Savings Bonds	**1,038**	1,038
Bank of Mauritius Bonds	**12,323,374**	490,112
Bank of Mauritius Notes	**25,218,410**	34,239,956
Bank of Mauritius Bills	**24,950,659**	58,948,102
Bank of Mauritius Golden Jubilee Bonds	**8,987,312**	8,990,317
Bank of Mauritius 2020 Savings Bonds	**508,683**	-
Special Deposits from banks	**7,647,424**	12,824,740
	79,636,900	115,494,265

17. PROVISIONS

	2020	2019
	Rs 000	Rs 000
Balance at 30 June	**100,000**	100,000

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.

18. EMPLOYEE BENEFITS

Amounts recognised in the Statement of Financial Position:

	2020	2019
	Rs 000	Rs 000
Defined Benefit Plan (Note (a))	**820,474**	673,354
Short Term Employee Benefits (Note (b))	**134,927**	128,634
	955,401	801,988

(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 6 August 2020 submitted by The State Insurance Company of Mauritius Ltd, who also acts as independent actuaries, is produced hereunder.

	2020	2019
	Rs 000	Rs 000
Current Service Cost	**28,088**	27,511
Employee Contributions	**(10,316)**	(10,711)
Fund Expenses	**755**	800
Net interest expense	**25,672**	40,311
Net Periodic Pension Cost included in Staff Salaries and other benefits	**44,199**	57,911

Past service cost is nil.

Remeasurement of defined benefit liability recognised in Other Comprehensive Income (OCI):

Actuarial loss/(gain)	**131,065**	(8,293)

18. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (Continued)

Movements in liability recognised in the Statement of Financial Position:

	2020	2019
	Rs 000	Rs 000
At start of the year	673,353	653,690
Total Expenses as per above	44,199	57,910
Actuarial loss/(gain) recognised in OCI	131,065	(8,293)
Bank of Mauritius share of pension (topping-up)	(325)	(325)
Employer Contributions	(27,818)	(29,629)
At end of the year	820,474	673,353

Movements in the present value of the Defined Benefit Obligations in the current period were as follows:

	2020	2019
	Rs 000	Rs 000
At start of the year	1,522,708	1,481,355
Current Service Cost	28,089	27,511
Interest Cost	54,818	88,882
Actuarial loss	160,778	1,130
Benefits Paid	(117,210)	(76,170)
At end of the year	1,649,183	1,522,708

Movements in the fair value of the Plan Assets in the current period were as follows:

	2020	2019
	Rs 000	Rs 000
At start of the year	849,355	827,666
Expected Return on Plan Assets	29,146	48,571
Actuarial Gain	29,714	9,423
Contributions from the Employer	27,818	29,629
Employee Contributions	10,316	10,711
Bank of Mauritius Share of Pension	325	325
Benefits Paid (Excluding BOM share of pension)	(117,210)	(76,170)
Fund Expenses	(755)	(800)
At end of the year	828,709	849,355

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:

	2020	2019
	Rs 000	Rs 000
Present Value of Defined Benefit Obligation	1,649,183	1,522,708
Fair Value of Plan Assets	(828,709)	(849,355)
Net Liability arising from Defined Benefit Obligation	820,474	673,353

18. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (Continued)

The major categories of plan assets at the reporting date are as follows:

	2020	2019
Major categories of Plan Assets	%	%
Local Equities	10.1	13.4
Overseas Equities and Bonds	24.6	20.7
Fixed Interest Securities and Cash	61.7	61.7
Others	3.6	4.2

The overall expected rate of return on Plan Assets is determined by reference to market yields on bonds.

The history of experience adjustments is as follows: -

	2020	2019
	Rs 000	Rs 000
Experience losses on plan liabilities	**(160,778)**	(1,130)
Experience gains on plan assets	**29,713**	9,423
	(131,065)	8,293

The Bank expects to make a contribution of Rs28.5 million (2019: Rs29.4 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

	2020	2019
	%	%
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:

	2020	2019
Discount Rate	**3.6%**	6.0%
Future Long-term Salary Increases	**2.5%**	4.0%
Future Pension Increases	**1.5%**	3.5%

Mortality before retirement	A 6770 Ultimate Tables
Mortality in retirement	PA (90) Tables
Retirement age	65 years

The discount rate is determined by reference to market yields on bonds.

18. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (Continued)

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 Rs181.4 million (increase by Rs220.7 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 Rs69.8 million (decrease by Rs62.4 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 Rs135.7 million (decrease by Rs116.9 million) if all other assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs55.1 million (decrease by Rs55.7 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

	2020	2019
	Rs 000	Rs 000
Provision for Annual and Sick Leaves	**77,430**	75,363
Provision for Passage Benefits	**57,497**	53,271
	134,927	128,634

(c) Employer Contribution towards Pension Cost

	2020	2019
	Rs 000	Rs 000
Contributions Expensed (Note 22)	**34,252**	34,880

(d) State Pension Plan

	2020	2019
	Rs 000	Rs 000
National Pension Scheme Contributions (Note 22)	**1,904**	1,570

19. OTHER LIABILITIES

	2020	2019
	Rs 000	Rs 000
Amount Transferable to Consolidated Fund (Government)	190,487	71,249
Creditors	126,931	462,060
Abandoned Funds from Financial Institutions	1,849,595	1,582,655
Special Drawing Rights (SDR)	3,937,343	3,488,025
Foreign Currency of Line of Credit-BIS	9,659,005	-
Exchange Rate Difference on Swap Transactions	2,927	-
Interest and Charges Payable	115,925	130,503
Other Deposits	17,044	17,044
Others	28	38
	15,899,285	5,751,574

20. INCOME

(a) Interest and Similar Income on Financial Assets using Effective Interest Rate

	2020	2019
	Rs 000	Rs 000
Interest Income at Amortised Cost		
Repurchase Agreement	340,104	216,571
Loans and Advances	105,920	100,478
Government Securities	46,684	31,093
Special Drawing Rights	27,285	45,940
Current Accounts	44,982	32,819
Deposit Accounts	18,875	(18,882)
	583,850	408,019
Interest and Similar Income at FVOCI		
Fixed Income Securities	1,863,439	1,772,915
Realised Gain/(Loss) on Fixed Income Securities	226,883	(8,835)
	2,090,322	1,764,080
	2,674,172	2,172,099

(b) Interest and Similar Income on Financial Assets at Fair Value through Profit or Loss

	2020	2019
	Rs 000	Rs 000
Dividend Income from Fund Managers	2,013,346	2,068,389
Interest Income from Fund Managers	331,029	357,727
Other Income	17,202	45,169
	2,361,577	2,471,285

21.(a) MISCELLANEOUS INCOME

	2020	2019
	Rs 000	Rs 000
Processing and Licence Fees	**111,962**	114,158
MACSS & MCIB Fees	**76,410**	78,676
Profit on Foreign Exchange Transactions	**152,634**	39,085
Profit on Sale of Property, Plant and Equipment	**1**	1,425
Penalty	**3,370**	1,001
Sponsorship Income	**550**	800
Sundry Income	**1,288**	485
Fees and Charges	**2,227**	474
	348,442	236,104

21. (b) (LOSS)/GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	Rs 000	Rs 000
Foreign Investments	**(410,182)**	2,254,094
Unquoted Investments	**96,530**	113,404
	(313,652)	2,367,498

22. STAFF SALARIES AND OTHER BENEFITS

	2020	2019
	Rs 000	Rs 000
Staff Salaries and Allowances	**351,212**	370,113
Employer Contribution Towards Pension Cost (Note 18(c))	**34,252**	34,880
Staff Family Protection Scheme	**6,505**	7,630
National Pension Scheme Contributions (Note 18(d))	**1,904**	1,570
HRDC Levy	**119**	69
	393,992	414,262

The amount of Rs351,212,000 includes an increase in the liability for short term employee benefits amounting to Rs6,293,000 (see Note 18(b)).

23. FEES PAYABLE

Fees payable represent management fees payable to external fund managers and custodians.

24. DIRECTORS' REMUNERATION

	2020	2019
	Rs 000	Rs 000
Governor	**15,986**	10,374
Deputy Governors (2)	**13,339**	12,765
Other Directors	**1,920**	1,800
	31,245	24,939

Directors' remuneration also includes emoluments and benefits paid on retirement to former Governor and former Deputy Governors. Directors are paid a monthly fee of **Rs30,000** (2019: Rs30,000). At 30 June 2020 the number of Other Directors on the board was 6 (2019:5).

25. OTHER EXPENDITURE

	2020	2019
	Rs 000	Rs 000
Stationery and Library	**4,032**	6,414
Communication Charges	**59,964**	54,211
Interest on Government Accounts	**1,721**	-
Others	**2,576**	1,411
	68,293	62,036

26. 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 also through special deposits from banks are provided below.

	2020	2019
Interest	**Rs 000**	Rs 000
Bank of Mauritius Securities	**3,256,917**	2,908,525
Special Deposits	**416,941**	558,401
	3,673,858	3,466,926

27. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATING ACTIVITIES

	Note	**2020**	2019
		Rs 000	Rs 000
Net Profit for the Year		**35,804,014**	8,622,888
Adjustments for:			
Dividend and Interest Income on financial assets at FVTPL		**2,344,375**	-
Non-Cash Increase in Employee Benefits		**59,456**	33,025
Amortisation of Computer Software	12	**11,379**	3,556
Depreciation of Property, Plant and Equipment	13	**104,425**	97,602
Profit on sale of Property, Plant and Equipment	21(a)	**(1)**	(1,425)
Dividend Received from Other Investment		**(45,765)**	(16,903)
Cost of conducting Monetary Policy		**3,673,858**	3,466,926
Gain on Revaluation of Gold Deposits		**(8,511,754)**	(2,724,519)
Loss/(Gain) on Financial Assets at Fair Value Through Profit or Loss		**313,652**	(2,367,498)
Gain on revaluation of foreign currencies and SDR		**(27,250,745)**	(3,455,340)
Impairment Allowance		**37,273**	33,775
Operating Profit before working capital changes		**6,540,167**	3,692,087
Decrease in Interest Receivable		**121,234**	-
(Increase)/Decrease in Loans and Advances		**(11,908,708)**	461,052
(Increase)/Decrease in Other Assets		**(17,542)**	51,735
Decrease in Notes and Coins in Circulation		**5,916,015**	2,337,843
Decrease/(Increase) in Government Demand Deposits		**23,858,895**	(8,394,880)
Decrease/(Increase) in Banks' Demand Deposits		**40,553,315**	(5,363,837)
Decrease in Other Financial Institutions' Demand Deposits		**130,724**	426,499
Decrease in Other Demand Deposits		**156,142**	202,161
(Increase)/Decrease in Bank of Mauritius Securities		**(36,207,910)**	22,987,814
Interest Paid on Monetary Policy Instruments		**(3,323,313)**	(3,071,095)
Decrease in Other Liabilities		**10,147,711**	604,561
Net Cash Generated from operating activities		**35,966,730**	13,933,940

28. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2020 is as follows:

The Bank has a commitment to pay on call 60% of 1,233 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 **Rs22 million** (2019: Rs35 million).

There was no other contingent liability that existed at 30 June 2020.

29. SHORT-TERM LEASES AND LEASES OF LOW VALUE ASSETS

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table relates 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.

2020

	1 Year	**>1 - 5 Years**	**> 5 Years**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
Archiving-Plaine Lauzun DBM	**203**	**-**	**-**	**203**
Fallback Site-Cyber Tower	**2,972**	**4,411**	**-**	**7,383**
	3,175	**4,411**	**-**	**7,586**

2019

	1 Year	>1 - 5 Years	> 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Archiving-Plaine Lauzun DBM	193	-	-	193
Fallback Site-Cyber Tower	3,537	8,326	-	11,863
	3,730	8,326	-	12,056

An amount of Rs4,111,152 (2019: Rs4,596,458) has been expensed in profit or loss for the year relating to short-term and low value item leases.

30. 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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (i) Categories and Fair Values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to the short term nature of the financial instrument or the effect of discounting is not material.

	Carrying Amount 2020	Fair Value 2020	Carrying Amount 2019	Fair Value 2019
Financial Assets	**Rs 000**	**Rs 000**	Rs 000	Rs 000
Amortised Cost				
Cash and Cash Equivalents	**50,703,268**	**50,703,268**	53,015,860	53,015,860
Loans and Advances	**16,219,884**	**16,219,884**	4,159,502	4,159,502
Staff Loans	**105,457**	**105,457**	104,192	104,192
Investment in Government Securities	**15,341,584**	**15,068,772**	324,731	324,731
Other Financial Assets	**29,405**	**29,405**	43,078	43,078
	31,696,330	**31,423,518**	4,631,503	4,631,503
	82,399,598	**82,126,786**	57,647,363	57,647,363
Fair Value Through Other Comprehensive Income				
Foreign Investments	**99,848,785**	**99,848,785**	84,153,488	84,153,488
Fair Value Through Profit or Loss				
Gold Deposits	**28,532,838**	**28,532,838**	20,010,473	20,010,473
Foreign Investments	**108,509,938**	**108,509,938**	95,152,906	95,152,906
Other Investments	**1,354,603**	**1,354,603**	1,064,439	1,064,439
	109,864,541	**109,864,541**	96,217,345	96,217,345
	138,397,379	**138,397,379**	116,227,818	116,227,818
Total Financial Assets	**320,645,762**	**320,372,950**	258,028,669	258,028,669
	2020	**2020**	2019	2019
Financial Liabilities	**Rs 000**	**Rs 000**	Rs 000	Rs 000
Amortised Cost	**276,423,919**	**277,024,303**	231,518,462	231,518,462

(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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (ii) Fair value of financial instruments (Continued)

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:

				Total carrying amount	Total fair value
2020	**Level 1**	**Level 2**	**Level 3**		
Financial Assets	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Gold Deposits	**28,532,838**	**-**	**-**	**28,532,838**	**28,532,838**
Foreign Investments	**99,848,785**	**108,509,938**	**-**	**208,358,723**	**208,358,723**
Other Investments	**-**	**-**	**1,354,603**	**1,354,603**	**1,354,603**
	128,381,623	**108,509,938**	**1,354,603**	**238,246,164**	**238,246,164**
2019					
Financial Assets					
Gold Deposits	20,010,473	-	-	20,010,473	20,010,473
Foreign Investments	84,153,488	95,152,906	-	179,306,394	179,306,394
Other Investments	-	-	1,064,439	1,064,439	1,064,439
	104,163,961	95,152,906	1,064,439	200,381,306	200,381,306

The fair value of the level 2 instruments is calculated using the net asset value (NAV) of the external fund managers. The NAV is based 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.

A reconciliation of fair value measurements in level 3 is set out below:

Equity Securities	**2020**	2019
	Rs 000	Rs 000
Opening balance	**1,064,439**	912,192
Addition during the year	**20,265**	16,670
Dividend receivable	**25,247**	-
Change in fair value (Note 21(b))	**244,652**	135,577
Closing balance	**1,354,603**	1,064,439

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. There have been no transfers between the levels in the fair value hierarchy during the year.

30. FINANCIAL INSTRUMENTS (CONTINUED)

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		
			2020	2019
			Rs 000	Rs 000
Other investments	Net asset value of the investee company	10% Increase/ Decrease	**135,460**	106,444
Government securities and Monetary Policy Instruments	Bond yield valuation method	Not applicable	**Not applicable**	Not applicable

(b) (iii) Derivative Financial Instruments

Derivative financial instruments including currency swaps are initially recognised in the balance sheet at cost (which includes transaction costs).

Derivative financial instruments are subsequently remeasured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. Except for certain currency swaps, no exchange of principal takes place.

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

	Notional Principal Amount	Fair Values Assets	Fair Values Liabilities
	USD 000	Rs 000	Rs 000
Foreign Exchange Derivatives: Currency Swaps (less than 6 months to maturity)	99,622	-	2,927

(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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (Continued)

The Bank uses 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.

(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:

	2020	2019
	Rs 000	Rs 000
Mauritius	**31,703,052**	4,639,485
USA	**79,201,328**	78,827,167
United Kingdom	**125,561,110**	109,063,974
Europe	**62,122,695**	48,494,799
Other	**22,057,577**	17,003,244
	320,645,762	258,028,669

(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:

	2020	2019
	Rs 000	Rs 000
Government	**62,753,396**	31,598,387
Supranational Financial Institutions	**191,160,098**	169,284,601
Foreign Banks and Financial Institutions	**34,301,773**	38,945,214
Other	**32,430,495**	18,200,467
	320,645,762	258,028,669

(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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Credit Exposure by Credit Rating (Continued)

	Credit Rating	2020		2019	
		Rs 000	%	Rs 000	%
Cash and Cash Equivalents	Central Banks	**50,050,494**	**17.40**	50,254,719	19.83
	Others	**652,775**	**0.23**	2,761,141	1.09
Gold Deposits	Others	**28,532,838**	**9.92**	20,010,473	7.9
Foreign Financial assets held at Amortised Cost and Fair Value Through Other Comprehensive income					
	Aaa	**10,922,656**	**3.80**	19,025,768	7.51
	Aa	**4,942,948**	**1.72**	3,920,336	1.55
	A	**17,873,307**	**6.21**	17,140,714	6.76
	Baa	**14,898,002**	**5.18**	18,771,400	7.41
	Ba	**1,499,393**	**0.52**	560,030	0.22
	Others	**49,712,479**	**17.29**	24,735,240	9.76
Foreign Financial Assets held at Fair Value Through Profit or Loss					
	Central banks	**17,354,479**	**6.03**	15,067,047	5.95
	Others	**91,155,459**	**31.70**	80,085,859	32.02
Total Foreign Financial Assets		**287,594,830**	**100.00**	252,332,727	100.00

	Credit Rating	2020		2019	
		Rs 000	%	Rs 000	%
Loans and Advances	Baa	**7,447,663**	**23.50**	253,144	5.47
	Ba	**4,629,758**	**14.60**	-	-
	Others	**4,142,463**	**13.07**	4,010,550	86.59
Government Securities	Others	**15,341,583**	**48.40**	324,731	7.01
Other Assets	Others	**134,863**	**0.43**	43,078	0.93
Total Domestic Financial Assets		**31,696,330**	**100.00**	4,631,503	100.00

Summary by Major Credit Category	Credit Rating	2020		2019	
		Rs 000	%	Rs 000	%
Foreign Financial Assets	central banks	**67,404,973**	**23.44**	65,321,766	25.78
	Aaa	**10,922,656**	**3.80**	19,025,768	7.51
	Aa	**4,942,948**	**1.72**	3,920,336	1.55
	A	**17,873,307**	**6.21**	17,140,714	6.76
	Baa	**14,898,002**	**5.18**	18,771,400	7.41
	Ba	**1,499,393**	**0.52**	560,030	0.22
	Others	**170,053,551**	**59.13**	127,592,713	50.77
		287,594,830	**100.00**	252,332,727	100.00
Domestic Financial Assets	Baa	**7,447,663**	**23.50**	253,144	9.49
	Ba	**4,629,758**	**14.60**	-	-
	Others	**19,618,909**	**61.90**	4,378,359	90.51
		31,696,330	**100.00**	4,631,503	100.00

30. FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Credit Exposure by Credit Quality

Debt Investment Securities at FVOCI	2020					2019
	Stage 1	Stage 2	Stage 3	Purchase or Originated Credit Impaired	Total	Total
	12-month ECL	Life Time ECL	Life Time ECL			
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit rating AAA to Baa: Low to fair risk	98,349,392	-	-	-	98,349,392	83,593,458
Credit rating Ba: Monitoring	-	1,499,393	-	-	1,499,393	560,030
Credit rating below Ba: Default	-	-	-	-	-	-
Total Carrying Amount	98,349,392	1,499,393	-	-	99,848,785	84,153,488
Impairment Allowance	(25,719)	(33,062)	-	-	(58,781)	(33,646)

(v) Collateral held

The Bank holds collateral against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2020	2019	
Reverse Repurchase Transaction	100	100	Marketable Securities
Special Line of Credit in Foreign Currency	100	100	Marketable Securities

(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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (Continued)

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 2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Foreign Assets	114,121,453	13,585,770	6,555,504	147,032,955	11,307,717	292,603,399
Loans and Advances	12,150,991	421	20,436	4,305,689	-	16,477,537
Government Securities	324,815	-	-	15,562,500	-	15,887,315
Other Assets	29,405	-	-	52,667	52,790	134,862
Total Financial Assets	126,626,664	13,586,191	6,575,940	166,953,811	11,360,507	325,103,113
Non Derivative Financial Liabilities						
Currency in Circulation	42,331,746	-	-	-	-	42,331,746
Demand Deposits	138,555,988	-	-	-	-	138,555,988
Monetary Policy Instruments	14,152,231	10,622,174	29,096,420	23,193,344	6,532,814	83,596,983
Other Liabilities	15,899,285	-	-	-	-	15,899,285
Total Financial Liabilities	210,939,250	10,622,174	29,096,420	23,193,344	6,532,814	280,384,002
Net Liquidity Gap	(84,312,586)	2,964,017	(22,520,480)	143,760,467	4,827,693	44,719,111

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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (Continued)

Maturity Analysis (Continued)

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	Rs000	Rs000	Rs000	Rs000	Rs000	Rs000
Non Derivative Financial Assets						
Foreign Assets	89,003,904	10,959,406	9,394,517	134,290,918	15,516,978	259,165,723
Loans and Advances	178,121	72,848	13,789	3,894,745	-	4,159,503
Government Securities	-	-	-	324,731	-	324,731
Other Assets	43,078	-	-	47,620	56,572	147,270
Total Financial Assets	89,225,103	11,032,254	9,408,306	138,558,014	15,573,550	263,797,227
Non Derivative Financial Liabilities						
Currency in Circulation	36,415,731	-	-	-	-	36,415,731
Demand Deposits	73,856,911	-	-	-	-	73,856,911
Monetary Policy Instruments	33,443,515	15,398,285	30,834,175	38,719,037	637,800	119,032,812
Other Liabilities	5,751,554	-	-	-	-	5,751,554
Total Financial Liabilities	149,467,711	15,398,285	30,834,175	38,719,037	637,800	235,057,008
Net Liquidity Gap	(60,242,608)	(4,366,031)	(21,425,869)	99,838,977	14,935,750	28,740,219

30. FINANCIAL INSTRUMENTS (CONTINUED)

(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 2020	Effect on Profit and equity 2019
		Rs000	Rs000
Foreign Currency Portfolio	+50	**1,081,506**	1,055,343
	-50	**(1,081,506)**	(1,055,343)
Government Securities	+50	**76,708**	1,556
	-50	**(76,708)**	(1,556)

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, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

30. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (Continued)

Repricing Analysis (Continued)

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 2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	104,443,209	13,359,333	4,578,524	1,309,308	154,470,239	10,788,819	288,949,432
Loans and Advances	12,082,477	-	19,607	-	4,097,717	20,083	16,219,884
Government Securities	324,205	-	-	-	15,017,379	-	15,341,584
Other Assets	29,405	-	-	-	105,457	-	134,862
Total Financial Assets	116,879,296	13,359,333	4,598,131	1,309,308	173,690,792	10,808,902	320,645,762
Non Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	42,331,746	42,331,746
Demand Deposits	26,649,861	-	-	-	-	111,906,127	138,555,988
Monetary Policy Instruments	13,743,258	10,243,853	25,173,052	3,212,157	27,264,580	-	79,636,900
Other Liabilities	3,937,343	-	-	-	-	11,961,942	15,899,285
Total Financial Liabilities	44,330,462	10,243,853	25,173,052	3,212,157	27,264,580	166,199,815	276,423,919
Interest Sensitivity Gap	72,548,834	3,115,480	(20,574,921)	(1,902,849)	146,426,212	(155,390,913)	44,221,843

30. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (Continued)

Repricing Analysis (Continued)

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 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets							
Foreign Assets	83,743,195	10,531,000	4,078,635	4,600,883	144,395,508	6,047,946	253,397,167
Loans and Advances	159,136	72,848	5,971	7,818	3,894,745	18,984	4,159,502
Government Securities	-	-	-	-	324,731	-	324,731
Other Assets	-	-	-	-	104,192	43,078	147,270
Total Financial Assets	83,902,331	10,603,848	4,084,606	4,608,701	148,719,176	6,110,008	258,028,670
Financial Liabilities							
Currency in Circulation	-	-	-	-	-	36,415,731	36,415,731
Demand Deposits	20,915,421	-	-	-	-	52,941,491	73,856,912
Monetary Policy Instruments	32,939,544	15,068,582	12,271,679	17,800,873	37,413,587	-	115,494,265
Other Liabilities	3,488,025	-	-	-	-	2,263,529	5,751,554
Total Financial Liabilities	57,342,990	15,068,582	12,271,679	17,800,873	37,413,587	91,620,751	231,518,462
Interest Sensitivity Gap	26,559,341	(4,464,734)	(8,187,073)	(13,192,172)	111,305,589	(85,510,743)	26,510,208

30. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (Continued)

Effective Interest Rates

For assets:
The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 0.75% p.a. to 8.75% p.a. (2019: 2.50% p.a. to 8.75% p.a.) and from -0.55% p.a. to 7.84% p.a. (2019: -0.55% p.a. to 7.84% p.a.) for foreign currency denominated assets.

For liabilities:
The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 1.33% p.a. to 6.95% p.a. (2019: 2.14% p.a. to 6.95% p.a.) and from -0.50% p.a. to 2.58% p.a. (2019: -0.40% p.a. to 3.10% 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:

	2020	2019
	Rs 000	Rs 000
SDR Basket	**246,729,473**	221,356,456
Non SDR Basket	**42,219,959**	32,040,710
	288,949,432	253,397,166

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 2020	Effect on Profit and Equity 2019
		Rs 000	Rs 000
Foreign Currency Portfolio	**+50 cents**	**6,509,724**	6,044,490
	-50 cents	**(6,509,724)**	(6,044,490)

31. 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.

32. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius are disclosed in Notes 10, 19, 20 and 25 to the financial statements. The Bank also maintains demand deposits of **Rs (000) 26,964,259** (2019: Rs (000) 3,105,364) for the Government.

Emoluments payable to Directors are disclosed in Note 24 as per their terms of appointment.

The Bank contributes for the post-retirement benefits of its employees as disclosed in Note 18(c), including for the Governor and the Deputy Governors who are on the permanent and pensionable establishment of the Bank. The contribution for the former Governor was **Rs (000) 714** (2019: Rs (000) 1,563) and former and current Second Deputy Governor was **Rs (000) 934** (2019: Rs (000) 934).

33. 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 (SDR) 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 Rs22,227,325. (2019: Rs41,546,661).

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.

34. IMPACT OF COVID-19

On March 11, 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. This event is a significant event considering the spread of virus all over the world and the situation of lock-down in Mauritius during the months of March 2020 to May 2020. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies. COVID-19 has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted.

The Bank has not been significantly impacted by COVID-19 given that it is highly liquid. The fair value and carrying amounts of the Bank's financial instruments at 30 June 2020 is already adjusted for the impacts of COVID-19.

Being the central bank of Mauritius, the Bank has taken measures in order to mitigate the post-COVID impacts on the economy. These measures include the creation of Mauritius Investment Corporation Ltd (MIC), special lines of credit given to banks and other economic operators, contributions to the Government for economic stabilisation, amongst others.

34. IMPACT OF COVID-19 (CONTINUED)

As at the date of approval of these financial statements, the COVID-19 crisis is still unfolding globally, and there will be some uncertainty remaining around the accurate assessment of the full impact of COVID-19 crisis or any prediction regarding the future course of events that would arise due to the COVID-19 crisis. Management has made an assessment of the Bank's ability to continue as a going concern taking into account all available information about the future including the analysis of the possible impacts in relation to COVID-19, which is at least, but is not limited to, twelve months from the date of approval of these financial statements and confirm that they have not identified events or conditions that may cast doubt on the Bank's ability to continue as a going concern.

35. INVESTMENT IN MAURITIUS INVESTMENT CORPORATION LTD

On 2 June 2020, the Bank incorporated a wholly owned subsidiary namely the Mauritius Investment Corporation Ltd (MIC) with a capital of Rs1 billion which was fully subscribed and paid on 30 July 2020. From date of incorporation to 30 June 2020, MIC was not fully operational. On this basis, the Bank has determined that MIC was not a material subsidiary at 30 June 2020 and thus did not present consolidated financial statements.

36. SUBSEQUENT EVENTS

The Bank increased its capital from Rs2 billion to Rs10 billion by a transfer of Rs8 billion from the Special Reserve Fund on 31 July 2020 in terms of Section 10(4) of the Bank of Mauritius Act 2004.

In terms of section 6(1)(oa) of the Bank of Mauritius Act 2004, a one-off contribution of Rs60 billion was made to the Government of Mauritius after the reporting date.

Except for the above, there were no other material subsequent events.

37. 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.

One thousand rupees interbank banknote

The 1954 Government of Mauritius Rs1000 banknote is one of the rarest modern banknotes. The banknote was used for interbank transfers and transfers to the Commissioners of Currency by the banks. The banknote is purple in colour and depicts the portrait of Queen Elizabeth II. Numismatic catalogues feature only serial number A4502 but the Bank of Mauritius Museum proudly owns banknote bearing serial number A4501.

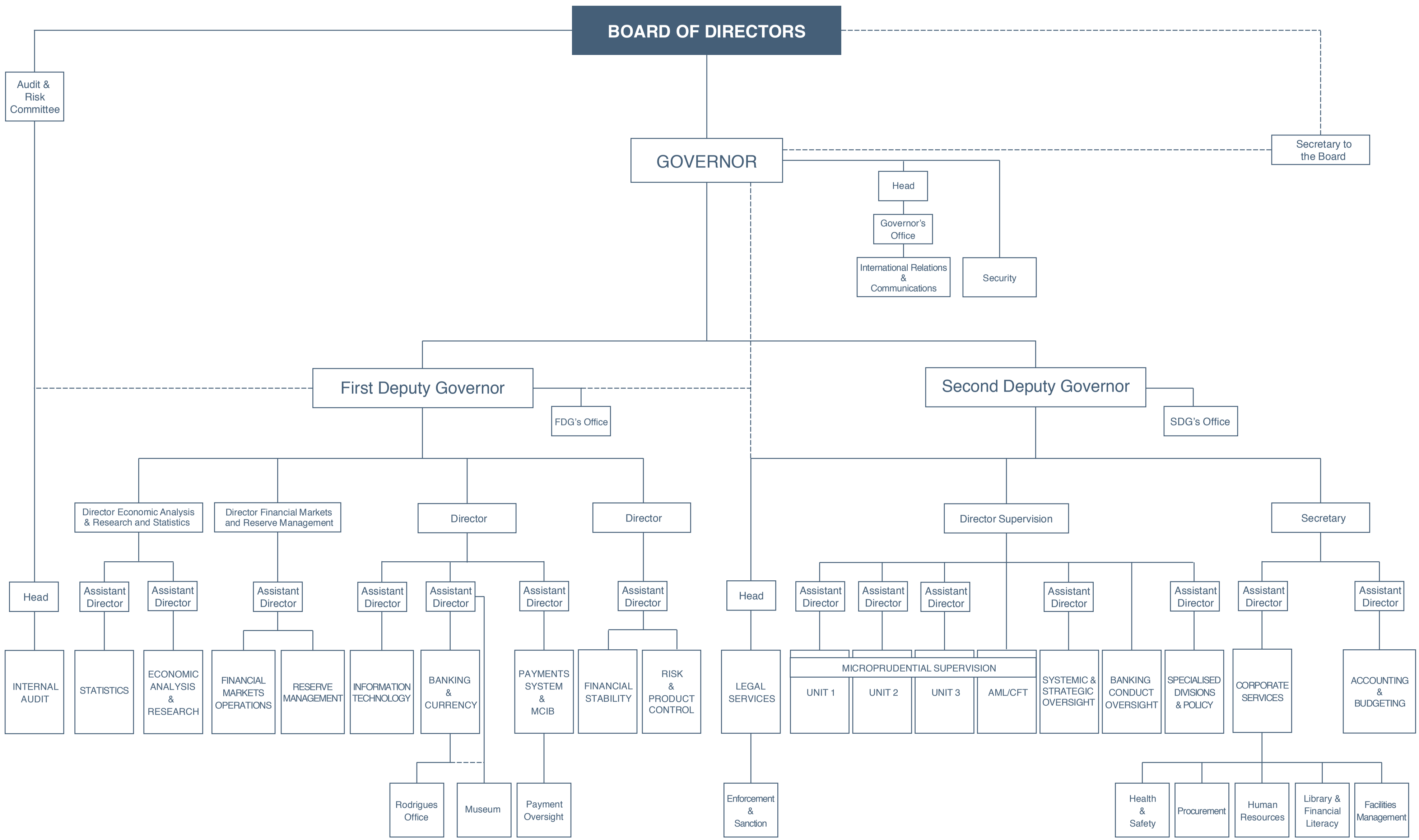
08

Appendices

APPENDICES

Appendix I

Bank of Mauritius - Organisation Chart



APPENDICES | FINANCIAL STATEMENTS | REGIONAL COOPERATION & INTERNATIONAL AFFILIATION | PAYMENT AND SETTLEMENT SYSTEMS AND CURRENCY MANAGEMENT | FINANCIAL MARKETS DEVELOPMENTS | REGULATION AND SUPERVISION | REVIEW OF THE ECONOMY | ABOUT BANK OF MAURITIUS

Appendix II

Senior Management Officials

Mr Harvesh Seegolam
Governor
MSc International Finance, BSc (Hons) Economics

Mr Mardayah Kona Yerukunondu
First Deputy Governor
LLB (Hons), Barrister

Mrs Hemlata Sadhna Sewraj-Gopal
Second Deputy Governor
ACA, BA (Hons) Economics

Mr Jitendra Nathsingh Bissessur
Acting Director - Economic Analysis & Research and Statistics
MSc Applied Economics, BA (Hons) Mathematical Statistics

Mr Ramsamy Chinniah
Acting Director - Supervision
FCCA, MSc Financial Economics

Mrs Marjorie M. A. Heerah Pampusa
Acting Director - Financial Stability and Risk & Product Control
MA Economics, BSc (Hons) Economics

Mrs Sudha Hurrymun
Acting Director - Supervision
FCCA, MSc Finance

Ms Smeeta Bissoonauth
Assistant Director - Corporate Services
ACMA CGMA, MSc Actuarial Science

APPENDICES

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 Rajshri Jutton-Gopy

Head - Legal Services

LLB (Hons), Attorney

Mr Youssouf Waesh Khodabocus

Head - Governor's Office

BA (Hons) Economics

Mr Ng Cheong Jose Li Yun Fong

Assistant Director - IT

BSc Computer Science

Mrs Tilotma Gobin Jhurry

Acting Assistant Director - Payments System & MCIB

BCS Professional Graduate Diploma

Mr Shardhanand Gopaul

Acting Assistant Director - Accounting & Budgeting

FCCA, MSc (conversion) Information Systems

Mr Sanjay Ramnarainsing

Acting Assistant Director - Financial Markets Operations and Reserve Management

FCCA, MBA Financial Management

Appendix III

Overseas Meetings attended by Former Governor

Former Governor Mr Yandraduth Googoolye, who was in office until 29 February 2020, attended the:

i. 42nd Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks on 01 August 2019 in Kigali, Rwanda. He also attended the Governor's Symposium on Rising African Sovereign Debt: Implications for Monetary Policy and Financial Stability on 31 July 2019.

   He was accompanied by Mr Feisal Bin Khalid Sooklall, Senior Analyst-Economic Analysis & Research, and Ms Pooja Yashni Mohesh, Bank Officer Grade 1-Supervision.

ii. International Banking Conference: Shaping the Future organised by the Central Bank of Kuwait on 23 September 2019 in Kuwait City, Kuwait.

iii. 2019 IMF/World Bank Annual Meetings and several ancillary meetings in the margins of the Annual Meetings from 14 to 19 October 2019 in Washington DC, USA.

   He was accompanied by Mrs Kaveeta Nowbutsing-Hurynag, Senior Analyst-International Relations. Mr Jaywant Pandoo, Acting Director-Financial Markets Operations & Reserve Management, was part of the delegation up to 18 October 2019.

iv. He had a Meeting with South African Reserve Bank on 10 December 2019 in Johannesburg, South Africa.

   He was accompanied by Mrs Marjorie Marie-Agnes Heerah Pampusa, Acting Director-Financial Stability and Risk & Product Control.

v. 16th Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa on 12 and 13 December 2019 in Cape Town, South Africa.

   He was accompanied by Mr Dhirajsingh Rughoobur, Senior Analyst-Supervision, and Ms Preksha Kurrumchand, Bank Officer Grade I-Supervision.

Overseas Meetings attended by Former First Deputy Governor and Former Second Deputy Governor

Former First Deputy Governor, Dr Renganaden Padayachy who was in office until 08 October 2019, attended the Global Blockchain Policy Forum on 12 and 13 September 2019 in Paris, France.

Former Second Deputy Governor, Mr Mahendra Vikramdass Punchoo who was in office until 29 February 2020:

i. represented the Governor at the 49th Meeting of the SADC Committee of Central Bank Governors on 13 September 2019 in Antananarivo, Madagascar.

   He was accompanied by Mrs Powkeem Lo Tiap Kwong, Chief-Statistics, and Mr Uttam Deepak Seetul, Analyst-Supervision.

ii. attended the 15th Basel Committee on Banking Supervision-Financial Stability Institute high-level meeting for Africa on strengthening financial sector supervision and current regulatory priorities on 30 and 31 January 2020 in Cape Town, South Africa.

Appendix IV

Virtual Meetings attended by First Deputy Governor and Second Deputy Governor

First Deputy Governor, Mr Mardayah Kona Yerukunondu represented the Governor at the:

i. Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa on 28 April 2020; and

ii. 50th Meeting of the SADC Committee of Central Bank Governors on 26 May 2020.

Second Deputy Governor, Mrs Hemlata Sadhna Sewraj-Gopal represented the Governor at the:

i. Plenary Meeting of the Group of International Finance Centre Supervisors on 29 April 2020; and

ii. 36th Meeting of the Council and 18th General Assembly of the Islamic Financial Services Board on 04 June 2020.

Appendix V

Overseas Meetings, Training Courses, Seminars and Workshops

Acting Directors/Assistant Directors/Acting Assistant Directors/Heads of Divisions

- **Mr Jitendra Nathsingh Bissessur, Acting Director-Economic Analysis & Research and Statistics,** attended the

  i. 13th European Central Bank Central Banking Seminar 2019: Monetary Policy in the Euro area from 01 to 05 July 2019, Frankfurt, Germany;

  ii. Irving Fisher Committee Satellite Seminar from 16 to 17 August 2019 and Annual Irving Fisher Committee Meeting on 18 August 2019, Kuala Lumpur, Malaysia; and

  iii. 62nd ISI 2019 World Statistics Congress from 19 to 21 August 2019, Kuala Lumpur, Malaysia.

- **Mr Ramsamy Chinniah, Acting Director-Supervision,** attended the

  i. HSBC Summer Global College hosted by UK Prudential Regulation Authority on 01 July 2019, London, UK; and

  ii. Large Exposures Framework Workshop hosted by Basel Committee on Banking Supervision on 16 October 2019, Basel, Switzerland.

- **Mrs Marjorie Marie-Agnes Heerah Pampusa, Acting Director-Financial Stability and Risk & Product Control,**

  i. attended the 2019 Institutional Client Program hosted by Franklin Templeton from 04 to 08 November 2019, San Francisco, USA;

  ii. accompanied the former Governor to a Meeting with South African Reserve Bank on 10 December 2019, Johannesburg, South Africa; and

  iii. attended a high-level meeting on Bank for International Settlements Banking Activities and RMB Investing in Africa hosted by the Bank for International Settlements on 06 February 2020, Cape Town, South Africa.

- **Mrs Sudha Hurrymun, Acting Director-Supervision,** attended the

  i. 38th Task Force of Senior Officials Meeting hosted by ESAAMLG from 01 to 05 September 2019, Ezulwini, Eswatini;

  ii. FATF Joint Group Africa Middle East Meeting hosted by FATF from 15 to 17 January 2020, Rabat, Morocco; and

  iii. Video conference on Beneficial Owners of Legal Entities hosted by Global Forum of the Organisation for Economic Cooperation and Development and the African Tax Administration Forum from 27 to 29 May 2020.

- **Mr Jaywant Pandoo, Acting Director-Financial Markets Operations & Reserve Management,**

  i. attended the Forum on Governance Issues for Reserve Managers hosted by World Bank Treasury and Bank for International Settlements from 11 to 13 September 2019, Basel, Switzerland;

  ii. accompanied the former Governor to the 2019 IMF/World Bank Annual Meetings, and several ancillary meetings in the margins of the Annual Meetings from 14 to 18 October 2019, Washington DC, USA; and

  iii. attended the 24th Board Audit Committee Meeting hosted by IILM on 31 October and 01 November 2019, Kuala Lumpur, Malaysia.

- **Mr Yuntat Chu Fung Leung, Head-Internal Audit,** attended the 2nd Edition of the FinTech & RegTech Global Summit hosted by Central Banking on 04 and 05 September 2019, Singapore.

- **Mrs Urvashi Chuttarsing-Soobarah, Assistant Director-Supervision,** attended the:

  i. Plenary Meeting of the Group of International Finance Centre Supervisors and FSI Seminar on 05 and 06 November 2019, Cayman Islands; and

  ii. Virtual Plenary Meeting of the Group of International Finance Centre Supervisors on 29 April 2020.

- **Mrs Rajshri Devi Jutton-Gopy, Head-Legal Services,** attended the

  i. 38th Task Force of Senior Officials Meeting hosted by ESAAMLG from 01 to 05 September 2019, Ezulwini, Eswatini;

ii. FATF Joint Group Africa Middle-East Meeting hosted by FATF from 15 to 17 January 2020, Rabat, Morocco; and

iii. Video conference on Beneficial Owners of Legal Entities hosted by Global Forum of the Organisation for Economic Cooperation and Development and the African Tax Administration Forum from 27 to 29 May 2020.

- **Mr Youssouf Waësh Khodabocus, Head-Governor's Office,** attended the 23rd Governing Board Meeting hosted by IILM on 25 November 2019, Kuala Lumpur, Malaysia.

- **Mr Ng Cheong Jose Li Yun Fong, Assistant Director-IT,** attended the 25th Committee of Central Bank Governors ICT Subcommittee Annual Conference from 24 to 28 February 2020, Kasane, Botswana.

- **Mr Dhanesswurnath Thakoor, Assistant Director-Payments System & MCIB,** attended the CPMI-FSI Policy Implementation Meeting on Developments in Authorities' Expectations in Dealing with Cyber Risk hosted by Bank for International Settlements on 26 and 27 November 2019, Basel, Switzerland.

- **Mrs Tilotma Gobin Jhurry, Acting Assistant Director-Payments System & MCIB,** attended the Workshop on Settlement and Custodian Relations hosted by World Bank Treasury and RAMP from 09 to 13 September 2019, Washington DC, USA.

- **Mr Sanjay Ramnarainsing, Acting Assistant Director-Financial Markets Operations & Reserve Management,** attended the Treasury Services 9th Annual Central Banks and Sovereigns Seminar hosted by J.P. Morgan from 30 September to 04 October 2019, London, UK.

Chiefs and Data Protection Officer

- **Mr Jayvind Kumar Choolhun, Chief-Payment Systems and MCIB,** attended the

i. SADC Payment System Oversight Committee Designee Meeting from 24 to 26 July 2019, Pretoria, South Africa; and

ii. Workshop on Liquidity Management and Payments Operations hosted by World Bank Treasury and Federal Reserve Bank of New York from 21 to 24 October 2019, New York, USA.

- **Mr Arvind Kumar Dowlut, Chief-IT,** attended the Deuxième Sommet des Banques Centrales des Pays Francophones sur la Cybersécurité hosted by Bank of Canada, National Bank of Belgium and Banque de France on 24 and 25 September 2019, Brussels, Belgium.

- **Mr Qayyum Ali Ismael Ghanty, Chief-Risk & Product Control,** attended the Deuxième Sommet des Banques Centrales des Pays Francophones sur la Cybersécurité hosted by Bank of Canada, National Bank of Belgium and Banque de France from 24 to 25 September 2019, Brussels, Belgium.

- **Miss Bibi Koraisha Jeewoot, Chief-Reserve Management,** attended the 11th edition of "Share it" Training Programme on Principles of Portfolio Management hosted by PICTET Asset Management from 30 September to 04 October 2019, Geneva, Switzerland.

- **Mr Neetyanand Kowlessur, Chief-Governor's Office,** attended the:

i. 7th IMF Statistical Forum on Measuring the Informal Economy on 14 and 15 November 2019, Washington DC, USA; and

ii. Meeting of the SADC Committee of Central Bank Officials held virtually on 21 and 22 May 2020 and 50th Meeting of the SADC Committee of Central Bank Governors held virtually on 26 May 2020.

- **Mrs Powkeem Lo Tiap Kwong, Chief-Statistics,** attended the SADC Committee of Central Bank Officials Meeting on 11 and 12 September 2019 and accompanied the former Second Deputy Governor to the 49th Meeting of the SADC Committee of Central Bank Governors on 13 September 2019, Antananarivo, Madagascar.

- **Dr Ashwin Kumar Madhou, Chief-Economic Analysis & Research,** attended the Seminar on Financial Accounts hosted by European Central Bank from 25 to 29 November 2019, Frankfurt, Germany.

- **Dr Ashwin Moheeput, Chief-Financial Stability,** attended the

i. Validation Workshop for the study on "Impact of Macroeconomic Developments on Financial Stability" hosted by COMESA Monetary Institute from 11 to 13 November 2019; and

ii. 14th Meeting of the Financial System Development and Stability Subcommittee on 14 and 15 November 2019, Nairobi, Kenya.

- **Mrs Hemlata Nundoochan, Chief-Supervision,** attended the Seminar for Senior Bank Supervisors from Emerging Economies hosted by World Bank Group from 21 to 25 October 2019, Washington DC, USA.

- **Mr Aswin Ramduny, Chief-Payments System & MCIB,** attended the 1st Afro-Asia Fintech Festival 2019 hosted by Central Bank of Kenya and Monetary Authority of Singapore from 15 to 16 July 2019, Nairobi, Kenya.

- **Mrs Nivedita Sajadah-Aujayeb, Data Protection Officer,** attended the Meeting of the Committee of Central Bank Governors Legal Subcommittee on 29 and 30 July 2019, Lusaka, Zambia.

- **Mr Chandradeo Sharma Rutah, Chief-Supervision,** attended the

i. Programme on Country Experiences and Challenges encountered during the Implementation of Basel II and Basel III hosted by South African Reserve Bank from 15 to 19 July 2019, Pretoria, South Africa; and

ii. Africa Supervisory College pertaining to Absa Group Limited's separation from Barclays Plc hosted by South African Reserve Bank on 13 November 2019, Pretoria, South Africa.

Senior Analysts

- **Miss Prithee Nishi Gopy, Senior Analyst-Internal Audit,** attended the Seminar on Internal Audit and Internal Control hosted by Banque de France and Institut Bancaire et Financier International from 18 to 21 November 2019, Paris, France.

- **Mr Satishingh Jugoo, Senior Analyst-Statistics,** attended the 14th Edition of External Statistics Seminar hosted by European Central Bank from 09 to 13 December 2019, Frankfurt, Germany.

- **Mrs Lutchmee Devi Maistry, Senior Analyst-Supervision,** attended the Bank Supervision Application Workshop hosted by Central Bank of Kenya on 27 September 2019, Nairobi, Kenya.

- **Mrs Kaveeta Nowbutsing-Hurynag, Senior Analyst-International Relations,**

i. accompanied the former Governor to the 2019 IMF/ World Bank Annual Meetings and several ancillary meetings in the margins of the Annual Meetings from 14 to 19 October 2019, Washington DC, USA;

ii. attended the Meeting of the SADC Committee of Central Bank Officials held virtually on 21 and 22 May 2020 and 50th Meeting of the SADC Committee of Central Bank Governors held virtually on 26 May 2020; and

iii. attended the 36th Meeting of the Council and 18th General Assembly of the Islamic Financial Services Board held virtually on 04 June 2020.

- **Miss Marie-Line Gilberte Philibert, Senior Analyst-Supervision,** attended the Anti-Money Laundering/ Combating Financing of Terrorism Course hosted by SADC Committee of Central Bank Governors and ESAAMLG from 23 to 27 September 2019, Arusha, Tanzania.

- **Mr Karankumar Pitteea, Senior Analyst-Economic Analysis & Research,** attended the Validation Workshop for the study on "Empirical Analysis of the Effects of Key External Shocks on Selected Macroeconomic Indicators" back-to-back with the 17th Meeting of the Monetary and Exchange Rates Policies Subcommittee hosted by COMESA Monetary Institute from 30 September to 04 October 2019, Nairobi, Kenya.

- **Mrs Shakuntala Devi Ramanah, Senior Analyst-Supervision,** attended the Seminar on Corporate Governance Issues in Banking Sector hosted by AFRITAC South from 14 to 18 October 2019, Pretoria, South Africa.

- **Mr Dhirajsingh Rughoobur, Senior Analyst-Supervision,**

i. accompanied the former Governor to the 16th Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa hosted by South African Reserve Bank on 12 and 13 December 2019, Cape Town, South Africa; and

ii. attended the Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa held virtually on 28 April 2020.

APPENDICES

- **Mrs Yasmatee Seeburrun, Senior Analyst-Supervision,** attended the Training on "Modelling Expected Credit Losses Under IFRS9" hosted by COMESA Monetary Institute from 26 to 30 August 2019, Nairobi, Kenya.

- **Mr Feisal Bin Khalid Sooklall, Senior Analyst-Economic Analysis & Research,** accompanied the former Governor to the 2019 Annual Meetings of the Association of African Central Banks on 31 July and 01 August 2019 in Kigali, Rwanda.

- **Mr Sandiren Vadeevaloo, Senior Analyst-Supervision,** attended the Supervisory College for the Supervisors of the Banking Operations of Standard Bank Group Limited hosted by the Prudential Authority of South African Reserve Bank from 07 to 10 October 2019, Pretoria, South Africa.

Analysts and Communications Officer

- **Mr Rajesh Kumar Beegun, Analyst-IT,** attended the Bank Supervision Application Workshop hosted by Central Bank of Kenya on 27 September 2019, Nairobi, Kenya.

- **Mr Shehzaad Chutoo, Analyst-Risk and Product Control,** attended the Online Workshop on Credit Risk Management hosted by World Bank Treasury and RAMP from 27 to 30 April 2020.

- **Mr Suyash Dhurmea, Analyst-Statistics,** attended the Seminar on Bank and Monetary Management for Developing Countries hosted by the People's Republic of China from 05 to 25 September 2019, Shanghai, China.

- **Mrs Hesheeni Ghoorah-Ramchurter, Analyst-Internal Audit,** attended the Workshop on Effective Internal Audit of a Central Bank's Foreign Exchange Reserve Management Operations hosted by World Bank Treasury and RAMP from 02 to 06 December 2019, Washington DC, USA.

- **Mrs Tameshwaree Gokool, Analyst-Supervision,** attended the Africa Supervisory College pertaining to Absa Group Limited's separation from Barclays Plc hosted by South African Reserve Bank on 13 November 2019, Pretoria, South Africa.

- **Miss Yuvna Hemoo, Analyst-Financial Markets Operations,** attended the Seminar on Monetary Policy Implementation and Financial Market Development for Central Banks' Officials hosted by AFRITAC South from 26 to 30 August 2019, Pretoria, South Africa.

- **Mr Dany Allan Nicholas Ng Cheong Vee, Analyst-Risk and Product Control,** attended the

  i. Online Workshop on Credit Risk Management hosted by World Bank Treasury and RAMP from 27 to 30 April 2020; and

  ii. Virtual Workshop on Managing an External Asset Management Program hosted by World Bank Treasury and RAMP from 22 to 25 June 2020.

- **Miss Meenakshi Ramchurn, Analyst-Reserve Management,** attended the

  i. Fixed Income Investment Management Training Programme hosted by J.P. Morgan Asset Management from 07 to 11 October 2019, London, UK; and

  ii. Virtual Workshop on Market Risk: Review of Fundamentals hosted by World Bank Treasury and RAMP from 18 to 21 May 2020.

- **Miss Yogeeta Devi Ramphul, Analyst-Supervision,** attended the 9th FSI-IADI Conference on Crisis Management, Bank Resolution and Deposit Insurance hosted by the Bank for International Settlements on 04 and 05 September 2019, Basel, Switzerland.

- **Mrs Deepmala Ramrup, Analyst-IT,** attended the 10th Monetary Authority of Singapore Information Technology Supervision Workshop from 12 to 14 November 2019, Singapore.

- **Mr Ramanand Ramsohok, Analyst-Banking,** attended the De La Rue Regional Currency Conference hosted by De La Rue International Limited from 10 to 12 September 2019, Nairobi, Kenya.

- **Mrs Preethee Ramudit-Bakhoree, Analyst-Reserve Management,** attended the

  i. Online Workshop on Credit Risk Management hosted by World Bank Treasury and RAMP from 27 to 30 April 2020; and

  ii. Virtual Workshop on Managing an External Asset Management Program hosted by World Bank Treasury and RAMP from 22 to 25 June 2020.

- **Miss Komal Rughoo, Analyst-Supervision,** attended E-learning courses on Money Laundering hosted by United Nations Office on Drugs and Crime from 06 May to 01 June 2020.

- **Mr Uttam Deepak Seetul, Analyst-Supervision** attended the

    i. SADC Committee of Central Bank Officials Meeting on 11 and 12 September 2019 and accompanied the former Second Deputy Governor to the 49th Meeting of the SADC Committee of Central Bank Governors on 13 September 2019, Antananarivo, Madagascar; and

    ii. Seminar on Corporate Governance Issues in Banking Sector hosted by AFRITAC South from 14 to 18 October 2019, Pretoria, South Africa.

Bank Officers Grade I

- **Mr Stephan Soon Chan Ah Kine, Bank Officer Grade I-Supervision,** attended the Programme on Demystifying Statistical Techniques for Risk Management hosted by National Institute of Bank Management from 05 to 10 August 2019, Pune, India.

- **Mr Atish Babboo, Bank Officer Grade I-Economic Analysis & Research,** attended the Seminar on Bank and Monetary Management for Developing Countries hosted by the People's Republic of China from 05 to 25 September 2019, Shanghai, China.

- **Mr Mohammed Naeem Bakurally, Bank Officer Grade I-Human Resources,** attended the Programme on Human Resource Management in Banks and Financial Institutions hosted by National Institute of Bank Management from 14 to 18 January 2020, Pune, India.

- **Miss Oojala Burhoo, Bank Officer Grade I-Accounting & Budgeting,** attended the Online Workshop on Fundamentals of Investment Accounting hosted by World Bank Treasury and RAMP from 01 to 04 June 2020.

- **Miss Kevina Dwarka, Bank Officer Grade I-Supervision,** attended E-learning courses on Money Laundering hosted by United Nations Office on Drugs and Crime from 06 May to 01 June 2020.

- **Miss Yeshni Goburdhun, Bank Officer Grade I-Supervision,** attended the Supervisory College for the Supervisors of the Banking Operations of Standard Bank Group Limited hosted by the Prudential Authority of the South African Reserve Bank from 07 to 10 October 2019, Pretoria, South Africa.

- **Miss Madhvi Jhumun, Bank Officer Grade I-Supervision,** attended the Programme on Demystifying Statistical Techniques for Risk Management hosted by National Institute of Bank Management from 05 to 10 August 2019, Pune, India.

- **Miss Heeranee Jugessur, Bank Officer Grade I-Statistics,** attended the Monetary and Financial Statistics Course hosted by SADC Committee of Central Bank Governors Secretariat in collaboration with South African Reserve Bank and IMF from 07 to 11 October 2019, Pretoria, South Africa.

- **Miss Preksha Kurrumchand, Bank Officer Grade I-Supervision,** accompanied the former Governor to the 16th Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa hosted by South African Reserve Bank on 12 and 13 December 2019, Cape Town, South Africa.

- **Mr Marc Daniel Didier Lenette, Bank Officer Grade I-International Relations,** attended the SADC Committee of Central Bank Governors Macroeconomic Subcommittee Meeting on 12 and 13 December 2019, Pretoria, South Africa.

- **Miss Pooja Yashni Mohesh, Bank Officer Grade I-Supervision,** accompanied the former Governor to the 2019 Annual Meetings of the Association of African Central Banks on 31 July and 01 August 2019, Kigali, Rwanda.

- **Mr Balaganapathi Mootoo, Bank Officer Grade I-Supervision,** attended the Training on "Modelling Expected Credit Losses Under IFRS9" hosted by COMESA Monetary Institute from 26 to 30 August 2019, Nairobi, Kenya.

- **Miss Koveena Mootoosamy, Bank Officer Grade I-Supervision,** attended the Anti-Money Laundering/ Combating Financing of Terrorism Course hosted by SADC Committee of Central Bank Governors and ESAAMLG from 23 to 27 September 2019, Arusha, Tanzania.

- **Mrs Manita Pandoo-Jugurnauth, Bank Officer Grade I-Accounting & Budgeting,** attended the Online Workshop on Fundamentals of Investment Accounting hosted by World Bank Treasury and RAMP from 01 to 04 June 2020.

- **Mrs Amrita Devi Ramburun, Bank Officer Grade I-Accounting & Budgeting,** attended the Programme on Human Resource Management in Banks and Financial Institutions hosted by National Institute of Bank Management from 14 to 18 January 2020, Pune, India.

- **Mr Damien Christophe Seblin, Bank Officer Grade I-Reserve Management,** attended the Annual Fixed Income Boot Camp hosted by Deutsche Gesellschaft fur Wertpapier-Sparen from 15 to 17 October 2019, London, UK.

Appendix VI

Local Courses, Seminars and Workshops

Heads of Division

- **Mrs Sudha Hurrymun, Acting Director-Supervision,** attended the Training Session on FATF Standards related to AML/CFT Regulation and Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions hosted by Ministry of Financial Services and Good Governance on 10 July 2019, Ebene.

- **Mrs Rajshri Jutton-Gopy, Head-Legal Services,** attended the

  i. Training Session on FATF Standards related to AML/CFT Regulation and Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions hosted by Ministry of Financial Services and Good Governance on 10 July 2019, Ebene; and

  ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Ng Cheong Jose Li Yun Fong, Assistant Director-IT,** attended the Workshop on Cyber Security for C-Level hosted by Currimjee Informatics Ltd on 04 and 05 July 2019, Bagatelle.

- **Mrs Tilotma Gobin Jhurry, Acting Assistant Director-Payments System & MCIB,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

Chiefs and Data Protection Officer

- **Mr Jayvind Kumar Choolhun, Chief-Payments System & MCIB,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Qayyum Ali Ismael Ghanty, Chief-Risk & Product Control,** attended the

  i. Workshop on Cyber Security for Technical hosted by Currimjee Informatics Ltd on 04 and 05 July 2019, Bagatelle; and

  ii. National Cybersecurity Strategy Seminar 2020 hosted by Ministry of Technology and Innovation and European Union on 03 and 04 March 2020, Flic en Flac.

- **Mrs Hemlata Nundoochan, Chief-Supervision,** attended the

  i. Training Session on FATF Standards related to AML/CFT Regulation and Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions hosted by Ministry of Financial Services and Good Governance on 10 July 2019, Ebene; and

  ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mrs Malini Ramdhan, Chief-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mrs Nivedita Sajadah-Aujayeb, Data Protection Officer,** attended the

  i. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis; and

  ii. Capacity Building Workshop on Regulatory Impact Assessment hosted by Economic Development Board on 13 February 2020, Balaclava.

Senior Analysts

- **Mr Ghanish Beegoo, Senior Analyst-Statistics,** attended the Course on Macroeconomic Diagnostics hosted by ATI from 01 to 12 July 2019, Ebene.

- **Mr Ibne Faraz Beekun, Senior Analyst-IT,** attended the

  i. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis;

  ii. Training on Microsoft Azure Fundamentals hosted by Microsoft on 25 February 2020, Port Louis; and

iii. National Cybersecurity Strategy Seminar 2020 hosted by Ministry of Technology and Innovation and European Union on 03 and 04 March 2020, Flic en Flac.

- **Mr Minesh Bhundoo, Senior Analyst-Human Resources,** attended the Certified KPI Professional Course hosted by Soft Skills Consultants from 12 to 14 August 2019, Plaine Magnien.
- **Mrs Mahima Bhurtha, Senior Analyst-Economic Analysis & Research,** attended the
  i. Multi-Stakeholder Meeting for the Strategic and Institutional Review of the National Productivity and Competitiveness Council hosted by NPCC on 12 September 2019, Quatre Bornes; and
  ii. Seminar on Forecasting and Policy Analysis Systems hosted by AFRITAC South from 09 to 13 December 2019, Ebene.
- **Mr Ravishin Bullyraz, Senior Analyst-Supervision,** attended the
  i. Training Session on FATF Standards related to AML/CFT Regulation and Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions hosted by Ministry of Financial Services and Good Governance on 10 July 2019, Ebene; and
  ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.
- **Mrs Aarti Jang, Senior Analyst-Procurement,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.
- **Mr Ranjeet Kallychurn, Senior Analyst-IT,** attended La Médiation Bancaire: Une Realité et Fintech, Données Personnelles et IA: Les Nouveaux Horizons du Monde Bancaire hosted by MCB Institute of Finance on 03 and 04 July 2019, Port Louis.
- **Mrs Kaveeta Nowbutsing-Hurynag, Senior Analyst-International Relations,** attended the Conférence sur les Enjeux Climatiques pour Maurice hosted by MCB on 05 February 2020, Port Louis.
- **Miss Marie-Line Gilberte Philibert, Senior Analyst-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.
- **Mrs Shakuntala Devi Ramanah, Senior Analyst-Supervision,** attended the
  i. Training Session on FATF Standards related to AML/CFT Regulation and Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions hosted by Ministry of Financial Services and Good Governance on 10 July 2019, Ebene; and
  ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.
- **Mr Vasan Kumar Ranlaul, Senior Analyst-IT,** attended the Conference on "Data Protection Today-Breaking the Iceberg" hosted by Data Protection Office and the Ministry of Technology, Communication and Innovation on 16 January 2020, Balaclava.
- **Mrs Yasmatee Seeburrun, Senior Analyst-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.
- **Mr Feisal Bin Khalid Sooklall, Senior Analyst-Economic Research & Analysis,** attended the Course on Financial Development and Financial Inclusion hosted by ATI from 28 October to 08 November 2019, Ebene.

Analysts/Database Administrators

- **Mr Manod Saive Gopaul, Analyst-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.
- **Mr Nadeem Azad Jeetun, Analyst-Economic Analysis & Research,** attended the
  i. Course on Macroeconomic Diagnostics hosted by ATI from 01 to 12 July 2019, Ebene;

ii. Workshop on Labour Statistics hosted by Statistics Mauritius on 29 October 2019, Port Louis;

iii. Seminar on Forecasting and Policy Analysis Systems hosted by AFRITAC South from 09 to 13 December 2019, Ebene; and

iv. Stakeholders Workshop on the African Continental Free Trade Area hosted by AfCFTA on 06 March 2020, Ebene.

- **Miss Monysha Lyna Jany Singh Jhamna, Analyst-Risk & Product Control,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Dronacharya Jhurry, Database Administrator-Risk & Product Control,** attended the

i. Workshop on Cyber Security for Technical hosted by Currimjee Informatics Ltd on 04 and 05 July 2019, Bagatelle; and

ii. Training on Microsoft Azure Fundamentals hosted by Microsoft on 25 February 2020, Port Louis.

- **Mr Nageswar Jokhun, Database Administrator-IT,** attended the Training on Microsoft Azure Fundamentals hosted by Microsoft on 25 February 2020, Port Louis.

- **Mrs Pratima Keerodhur, Analyst-Accounting & Budgeting,** attended the International Financial Reporting Standards (IFRS9) Implementation Issues hosted by AFRITAC South from 19 to 23 August 2019, Ebene.

- **Mr Arnaud Jean Marie Mohun, Analyst-IT,** attended the Training on Microsoft Azure: Modernising Web Applications and Data hosted by Microsoft on 26 February 2020, Port Louis.

- **Miss Archana Puttyah, Analyst-Supervision,** attended the

i. International Financial Reporting Standards (IFRS9) Implementation Issues hosted by AFRITAC South from 19 to 23 August 2019, Ebene; and

ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Ved Greedharry Rampadaruth, Database Administrator-IT,** attended the Training on Microsoft Azure Fundamentals hosted by Microsoft on 25 February 2020, Port Louis.

- **Miss Yogeeta Devi Ramphul, Analyst-Supervision,** attended the

i. Training Session on FATF Standards related to AML/CFT Regulation and Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions hosted by Ministry of Financial Services and Good Governance on 10 July 2019, Ebene; and

ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Komal Rughoo, Analyst-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mrs Kaajal Seebaluck-Beerbul, Analyst-IT,** attended the Training on Microsoft Azure: Modernising Web Applications and Data hosted by Microsoft on 26 February 2020, Port Louis.

- **Mr Dinesh Seeruttun, Analyst-IT,** attended the Training on Microsoft Azure: Modernising Web Applications and Data hosted by Microsoft on 26 February 2020, Port Louis.

Bank Officers Grade I

- **Miss Marie Martine Acham, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Stephan Soon Chan Ah Kine, Bank Officer Grade I-Supervision,** attended the International Financial Reporting Standards (IFRS9) Implementation Issues hosted by AFRITAC South from 19 to 23 August 2019, Ebene.

- **Miss Bibi Zoya Aungraheeta, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Atish Babboo, Bank Officer Grade I-Economic Analysis & Research,** attended the Seminar on Forecasting and Policy Analysis Systems hosted by AFRITAC South from 09 to 13 December 2019, Ebene.

- **Miss Preeyamvada Banarsee, Bank Officer Grade I-Legal Services,** attended the

  i. Training Session on FATF Standards related to AML/CFT Regulation and Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions hosted by Ministry of Financial Services and Good Governance on 10 July 2019, Ebene;

  ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis; and

  iii. Capacity Building Workshop on Regulatory Impact Assessment hosted by Economic Development Board on 13 February 2020, Balaclava.

- **Mr Larveen Bhujun, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Yaasir Bhurtun, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Oojala Burhoo, Bank Officer Grade I-Accounting & Budgeting,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Rideema Cunniah, Bank Officer Grade I-Economic Analysis & Research,** attended the

  i. Workshop on SheTrades Outlook hosted by Ministry of Foreign Affairs, Regional Integration and International Trade on 12 September 2019, Quatre Bornes; and

  ii. Seminar on Forecasting and Policy Analysis Systems hosted by AFRITAC South from 09 to 13 December 2019, Ebene.

- **Miss Nisha Dharkhan, Bank Officer Grade I-Supervision,** attended the

  i. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis; and

  ii. Course on Core Elements of Banking Supervision hosted by ATI from 10 to 21 February 2020, Ebene.

- **Miss Urvashee Dussooa, Bank Officer Grade I-Statistics,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Kevina Dwarka, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Bibi Sharmeen Gariban, Bank Officer Grade I-Economic Analysis & Research,** attended the Financial Programming and Policies Course hosted by ATI from 05 to 16 August 2019, Ebene.

- **Miss Yeshni Goburdhun, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Yashilall Gopaul, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mrs Rajni Jangi-Kistoo, Bank Officer Grade I- Human Resources,** attended the Certified KPI Professional Course hosted by Soft Skills Consultants from 12 to 14 August 2019, Plaine Magnien.

- **Mrs Doushy Jeeana Dawoodharry, Bank Officer Grade I-Payments System & MCIB,** attended a Workshop based on the Standards promulgated by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organisation of Security Commissions hosted by AFRITAC South from 10 to 13 December 2019, Ebene.

- **Miss Humairaa Juman, Bank Officer Grade I-Payments System & MCIB,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Preksha Kurrumchand, Bank Officer Grade I-Supervision,** attended La Médiation Bancaire: Une Realité et Fintech, Données Personnelles et IA: Les Nouveaux Horizons du Monde Bancaire hosted by MCB Institute of Finance on 03 and 04 July 2019, Port Louis.

- **Mrs Mehisha Luchmadu-Imrit, Bank Officer Grade I-Supervision,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Bihisht Mautadin, Bank Officer Grade I-Statistics,** attended the

  i. Financial Programming and Policies Course hosted by ATI from 05 to 16 August 2019, Ebene; and

  ii. Multi-Stakeholder Meeting for the Strategic and Institutional Review of the National Productivity and Competitiveness Council hosted by NPCC on 12 September 2019, Quatre Bornes.

- **Miss Divya Luxmi Mungar, Bank Officer Grade I-Legal Services,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Neezla Polin, Bank Officer Grade I-Supervision,** attended the Course on Core Elements of Banking Supervision hosted by ATI from 10 to 21 February 2020, Ebene.

- **Miss Poonita Rajkumarsingh, Bank Officer Grade I-Supervision,** attended the International Financial Reporting Standards (IFRS9) Implementation Issues hosted by AFRITAC South from 19 to 23 August 2019, Ebene.

- **Mrs Maita Devi Rambojun, Bank Officer Grade I-Internal Audit,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mrs Hema Ramnial-Tacouri, Bank Officer Grade I-Legal Services,** attended the

  i. Conference on "Data Protection Today-Breaking the Iceberg" hosted by Data Protection Office and the Ministry of Technology, Communication and Innovation on 16 January 2020, Balaclava; and

  ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Chidanand Rughoobar, Bank Officer Grade I-Economic Research & Analysis,** attended the Course on Inclusive Growth hosted by ATI from 14 to 25 October 2019, Ebene.

- **Miss Nainam Priyadarshinee Seedoyal, Bank Officer Grade I-Payments System & MCIB,** attended the

  i. Workshop based on the Standards promulgated by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organisation of Security Commissions hosted by AFRITAC South from 10 to 13 December 2019, Ebene; and

  ii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Miss Divya Seewon, Bank Officer Grade I-Financial Stability,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Prashant Sowdagur, Bank Officer Grade I-Supervision,** attended the

  i. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis; and

  ii. Course on Core Elements of Banking Supervision hosted by ATI from 10 to 21 February 2020, Ebene.

- **Mrs Rajlukshmee Tengur, Bank Officer Grade I-Economic Analysis & Research,** attended the

    i. AfrAsia Bank Sustainability Summit hosted by AfrAsia Bank on 14 and 15 October 2019, Port Louis;

    ii. Seminar on Forecasting and Policy Analysis Systems hosted by AFRITAC South from 09 to 13 December 2019, Ebene; and

    iii. Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mr Sheik Muhammad Hafeez Toofail, Bank Officer Grade I-Legal Services,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

Bank Officers Grade II

- **Mr Jacques Adriano Berthy Marianen, Bank Officer Grade II-Banking,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

- **Mrs Yousreen Banoo Sohawon, Bank Officer Grade II-Banking,** attended the Seminar on Risk-Based Approach to AML/CFT Supervision hosted by AFRITAC South in collaboration with Bank of Mauritius from 21 to 24 January 2020, BoM Tower, Port Louis.

Facilities Officer and Services Technicians

- **Mr Doorgesh Choonucksing, Services Technician-Facilities Management,** attended the APC Seminar hosted by Scomat on 05 February 2020, Bagatelle.

- **Mr Randhirsingh Doongoor, Services Technician-Facilities Management,** attended the 17th Edition of the IEE Regulations for Electrical Installations hosted by Regional Training Centre on 28 August 2019, Reduit.

Appendix VII

Staff Turnover

RECRUITMENT

- Miss Marie Francess Priscilla Ramane was appointed Help Desk Officer on 01 July 2019.
- Mrs Manisha Cunthen was appointed Help Desk Officer on 22 July 2019.
- Mr Dhunanjay Alvin Jooron was appointed Security Officer on 05 August 2019.
- Mr Arnaud Jean Marie Mohun was appointed Analyst on 01 October 2019.
- Mr Dinesh Seeruttun was appointed Analyst on 04 November 2019.
- Miss Palvinabye Mahadoo Bhisajee, Mr Shehzaad Ahmud Rossan and Miss Kumari Mudita Sookrah were appointed Help Desk Officer on 18 November 2019.
- Miss Kanishka Gopal was appointed Analyst on 11 December 2019.
- Miss Kalnishabye Bhicajee and Mrs Navina Mooroogen were appointed Help Desk Officer on 06 January 2020.
- Mrs Darshiny Auchoybur-Seebocus was appointed Bank Officer Grade II on 13 January 2020.
- Miss Narvadah Bhayro was appointed Bank Officer Grade II on 20 January 2020.
- Miss Namratah Devi Calcutta and Miss Priyamvada Devi Dabeedeen were appointed Bank Officer Grade II on 16 March 2020.

APPOINTMENT

- Miss Marie Christelle Pascaline Lubois and Mrs Veediartee Rung Bahadoor were appointed Receptionist on the permanent and pensionable establishment with effect from 15 April 2020.
- Ms Pauline Carole Amelie Charazac was appointed Consultant-International and Public Relations on 05 May 2020.

RETIREMENT

- Mrs Anita Doorga, Bank Officer Grade II (Personal), retired with effect from 08 July 2019.
- Mr Abdoolah Sheik Mahomed, Bank Attendant/Driver, retired with effect from 07 October 2019.
- Mr Rajcoomasingh Dawonath, Analyst, retired with effect from 27 October 2019.
- Mrs Sarita Awmee, Bank Officer Grade I, retired with effect from 20 November 2019.
- Mr Jean Noel Satinaden, Bank Attendant Grade II, retired with effect from 23 January 2020.
- Mr Naraindúth Durjan, Bank Attendant Grade II, retired with effect from 15 February 2020.
- Mr Harryram Ramsurn, Chief, retired with effect from 28 February 2020.
- Mr Hedley Jean Claude David, Chief, retired with effect from 07 March 2020.
- Mrs Falzana Atchia, Analyst, retired with effect from 16 March 2020.

RESIGNATION

- Mr Suyash Budloo, Bank Officer Grade I, resigned with effect from 01 July 2019.
- Mrs Preetee Shalini Hauzaree-Ramchuriter, Bank Officer Grade II, resigned with effect from 11 July 2019.
- Mr Nandkumar Daworaz, Analyst, resigned with effect from 06 September 2019.
- Miss Geeleena Bissessur, Bank Officer Grade I, resigned with effect from 31 August 2019.
- Miss Marie Francess Priscilla Ramane, Help Desk Officer, resigned with effect from 30 September 2019.
- Miss Kanishka Gopal, Analyst, resigned with effect from 16 December 2019.
- Miss Sidhi Devi Kawal, Bank Officer Grade I, resigned with effect from 09 January 2020.

- Mr Avisen Mootealloo, Bank Officer Grade I, and Miss Bhavnah Devi Aujgobee, Help Desk Officer, resigned with effect from 03 February 2020.
- Mrs Darshiny Auchoybur-Seebocus, Bank Officer Grade II, resigned with effect from 28 February 2020.
- Mrs Meneesha Gopaul-Mungur, Bank Officer Grade II, resigned with effect from 11 March 2020.

PROMOTION

- Mr Goinsamy Chinapial, Mr Rajiv Gobin and Mr Lutchmun Ramneehorah, were appointed Bank Attendant Grade II with effect from 21 October 2019.
- Mr Ibne Faraz Beekun, Mr Minesh Bhundoo, Mrs Mahima Bhurtha, Miss Prithee Nishi Gopy, Mrs Aarti Jang, Mr Ranjeet Kallychurn, Mr Krishnaduth Kissoon, Mr Ved Prakash Anand Koonjul, Mrs Lutchmee Devi Maistry, Mr Abdool Anwar Massafeer, Mrs Nitisha Mihdidin, Mr Premchand Nundlall, Miss Marie-Line Gilberte Philibert, Mrs Shakuntala Devi Ramanah, Mr Leckraz Ramful, Mrs Vijayantimala Ramful, Mr Vasan Kumar Ranlaul, Mrs Yasmatee Seeburrun were appointed Senior Analyst with effect from 21 May 2020.
- Mr Suresh Nabelah, Mrs Mridula Daibee Ramkissoon and Mr Percy Fabrice Dabeesing were appointed Analyst with effect from 25 May 2020.
- Mrs Rajshri Jutton-Gopy was appointed Head-Legal Services with effect from 25 June 2020.
- Mrs Nivedita Sajadah-Aujayeb was appointed Data Protection Officer with effect from 25 June 2020.

TERMINATION

The Bank terminated the employment of Mr Neven Andee, Bank Attendant Grade III, with effect from 22 August 2019.

Appendix VIII

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 2020.

Banks

1. ABC Banking Corporation Ltd
2. Absa Bank (Mauritius) Limited
3. AfrAsia Bank Limited
4. Bank One Limited
5. Bank of Baroda
6. Bank of China (Mauritius) Limited
7. BanyanTree Bank Limited [1]
8. BCP Bank (Mauritius) Ltd
9. Century Banking Corporation Ltd [2]
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 [3]

Non-Bank Deposit Taking Institutions

1. La Prudence Leasing Finance Co. Ltd
2. Mauritius Housing Company Ltd
3. MCB Leasing Limited
4. SICOM Financial Services Ltd
5. SPICE Finance Ltd
6. 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 is currently under conservatorship.
[2] The bank carries on exclusively Islamic banking business.
[3] The bank carries on exclusively private banking business.

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LIST OF ACRONYMS

Afreximbank	African Export–Import Bank
AfCFTA	African Continental Free Trade Area
AACB	Association of African Central Banks
AFRITAC	Africa Regional Technical Assistance Center
AMCP	African Monetary Cooperation Programme
AMF	Arab Monetary Fund
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ATI	Africa Training Institute
ATMs	Automated Teller Machines
AU	African Union
BA	Banking Act
BCS	Bulk Clearing System
BDI	Baltic Dry Index
BIS	Bank for International Settlements
BML	Broad Money Liabilities
BoE	Bank of England
BoM	Bank of Mauritius
CAR	Capital Adequacy Ratio
CBDC	Central Bank Digital Currency
CBS	Core Banking Systems
CCBG	Committee of Central Bank Governors
CET1	Common Equity Tier 1
c.i.f.	Cost, insurance, freight
CKYC	Central Know Your Customer
CLI	Composite Leading Indicator
CMPHS	Continuous Multi-Purpose Household Survey
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CPS	Card Payment System
CSA	Civil Status Act
DCs	Depository Corporations
DEM	Development & Enterprise Market
D-SIBs	Domestic Systemically-Important Banks
DTIs	Deposit-Taking Institutions
DXY	US Dollar Index

LIST OF ACRONYMS

ECB	European Central Bank
ECCAS	Economic Community for Central Africa States
ECL	Expected Credit Losses
ECOWAS	Economic Community for Western African States
EFTs	Electronic Fund Transfers
EMDEs	Emerging Market and Developing Economies
EOEs	Export-Oriented Enterprises
EPI	Export Price Index
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
EWC	Employee Welfare Committee
FAO	Food and Agriculture Organisation
FATF	Financial Action Task Force
FIAMLA	Financial Intelligence and Anti-Money Laundering Act
FinCoNet	International Financial Consumer Protection Organisation
FIU	Financial Intelligence Unit
f.o.b.	Free on board
FSB	Financial Stability Board
FSC	Financial Services Commission
FSI	Financial Soundness Indicators
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
FX	Foreign Exchange
FY	Financial Year
G30	Group of Thirty Consultative Group on International Economic and Monetary Affairs
GBC	Global Business Companies
GBLHs	Global Business Licence Holders
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GEP	Global Economic Prospects
GFC	Global Financial Crisis
GFCF	Gross Fixed Capital Formation
GIFCS	Group of International Finance Centre Supervisors
GMTBs	Government of Mauritius Treasury Bills
GNDI	Gross National Disposable Income

LIST OF ACRONYMS

GNI	Gross National Income
GNS	Gross National Savings
GOIR	Gross Official International Reserves
GPI	Global Public Investor
GSBF	Groupe des Superviseurs Bancaires Francophones
GVA	Gross Value Added
HQLA	High Quality Liquid Assets
IADI	International Association of Deposit Insurers
IBOR	Interbank Offered Rates
ICT	Information and Communication Technology
IESBA Code	International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants
IFC	Irving Fisher Committee on Central Bank Statistics
IFRS	International Financial Reporting Standard
IFSB	Islamic Financial Services Board
IILM	International Islamic Liquidity Management
IIP	International Investment Position
IMF	International Monetary Fund
IPI	Import Price Index
IPS	Instant Payment System
ISA	International Standards on Auditing
ISI	International Statistical Institute
ISIC	International Standard Industrial Classification
IT	Information Technology
JIOI	Jeux des Iles de l'Océan Indien
KRR	Key Repo Rate
LCR	Liquidity Coverage Ratio
MACSS	Mauritius Automated Clearing and Settlement System
MauCAS	Mauritius Central Automated Switch
MCIB	Mauritius Credit Information Bureau
MDIC	Mauritius Deposit Insurance Corporation Ltd
MEC	Macroeconomic Convergence
MERI	Mauritius Exchange Rate Index
MIC	Mauritius Investment Corporation Ltd
ML/TF	Money Laundering/Terrorism Financing
MoC	Memorandum of Cooperation

LIST OF ACRONYMS

MPC	Monetary Policy Committee
NBDTIs	Non-Bank Deposit-Taking Institutions
NFA	Net Foreign Assets
NFPSBs	Non-Financial Public Sector Bodies
NGFS	Network for Greening the Financial System
NPLs	Non-Performing Loans
NPS	National Payment Systems
NTBs	Non-Tariff Barriers
ODCs	Other Depository Corporations
OECD	Organisation for Economic Co-operation and Development
OMFIF	Official Monetary and Financial Institutions Forum
ONFCs	Other Nonfinancial Corporations
OPEC	Organisation of the Petroleum Exporting Countries
PLACH	Port Louis Automated Clearing House
PLR	Prime Lending Rate
PMI	Purchasing Managers' Index
POS	Point-of-Sale
PTA	Preferential Trade Agreement
RAMP	Reserve Advisory & Management Partnership
RBS	Risk-Based Supervision
RCG	Regional Consultative Group
REER	Real Effective Exchange Rate
REPSS	Regional Payment and Settlement System
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement
RSAs	Regulatory and Supervisory Authorities
RWAs	Risk-Weighted Assets
SAA	Strategic Asset Allocation
SADC	Southern African Development Community
SDR	Savings Deposit Rate
SEM	Stock Exchange of Mauritius
SEMDEX	Stock Exchange of Mauritius Index
SMEs	Small and Medium Enterprises
SPPI	Solely Payments of Principle & Interest

LIST OF ACRONYMS

SSA	Sub-Saharan Africa
SWIFT	Society for Worldwide Interbank Financial Telecommunication
ToT	Terms of Trade
UN	United Nations
US Fed	US Federal Reserve
VPN	Virtual Private Network
WEO	World Economic Outlook
WESP	World Economic Situation and Prospects
WRI	Wage Rate Index
Y-o-y	Year-on-year

The banknotes 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 2020.

BANK OF MAURITIUS

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