CONTENTS

Letter of Transmittal

45 YEARS OF CENTRAL BANKING

The Governor

Bank of Mauritius

Port Louis

30 October 2012

The Honourable Charles Gaëtan Xavier-Luc Duval, G.C.S.K.

Vice-Prime Minister

Minister of Finance and Economic Development

Government House

Port Louis

Dear Vice-Prime Minister, Minister of Finance and Economic Development

Annual Report and Audited Accounts 2011-12

In accordance with the provision of Section 32 (3) of the Bank of Mauritius Act 2004, I transmit herewith the forty-fifth Annual Report of the Bank, which also contains the audited Accounts of the Bank for the year ended 30 June 2012.

Yours sincerely

Rundheersing Bheenick, G.O.S.K.

Statement from the Governor

This year, the Bank celebrates its 45th year in the service of the country, which itself prepares to celebrate the 45th anniversary of its accession to independence in March 2013. Looking back over these eventful 45 years, I can see a country that has radically transformed itself and its economy, with the Bank of Mauritius (BoM) having continuously reinvented itself to be part of this change process. At the Bank's foundation in 1967, there was one major industry, sugar. Today, the economy is well-diversified, with many pillars of growth. We have lived through times when the import cover was less than a week, unemployment hovered around 20 per cent, and our countrymen were emigrating in large numbers in search of jobs, and inflation reached 42 per cent. Today, our reserves represent 5 months of import cover; we have an unemployment rate of around 8 per cent, with 23,000 migrant workers in our country; inflation has declined to less than 5 per cent today.

At the time of independence, the rupee was tied to the British pound at a fixed parity under the "Sterling Exchange Standard". It was then pegged, first to the IMF's Special Drawing Rights, and subsequently to a basket of currencies reflecting the trade pattern of the country, before moving to a floating regime. Prior to the late 1980's, monetary policy was implemented through reserve requirements, ceilings on commercial bank credit and administered interest rates. Today, after a free float for nearly two years, we have a managed float, with BoM interventions limited to smoothing excess volatility of the rupee and, since June 2012, also combating unwarranted currency appreciation. The Monetary Policy Committee (MPC), set up in 2007, formulates and determines our hybrid inflation-targeting monetary policy. Our financial sector was underdeveloped at the time of independence when we had only five banks. Today, our banking sector has 21 banks and 216 bank branches, eight non-bank deposit taking institutions, ten money–changers and six foreign exchange dealers. We now have a radically different financial landscape, with parallel changes in the supervisory, regulatory and oversight functions of the Bank of Mauritius.

Let me come back to the present day and to the year under review. This is the fifth year of my governorship. I cannot help wonder by what twist of fate I found myself entrusted with the exalted responsibility of steering the Central Bank at such a defining moment in its history. My five years as Governor have coincided with the global financial and economic crisis. They have been five challenging years which have tested my mettle relentlessly. Alas, no *dénouement* to this crisis is in sight. The crisis will last a while and will continue to pose considerable challenges for the Bank for quite some time.

The unending saga of the euro debt crisis, and the spreading distress beyond the Eurozone periphery, heightens the risk of a second European recession in three years. The succession of temporary and temporizing solutions which we have seen, fail to come to grips with the underlying problems. Markets are unimpressed. I am convinced that, in the absence of an agreed long-term vision for the area with a full fiscal union, the Eurozone will hurtle from crisis to crisis. Economic activity lost momentum in many advanced and emerging market economies and their growth forecasts have been consistently revised downwards. The effects were also felt in the foreign exchange markets, leading the US dollar, with its safe-haven status, to appreciate against the euro. The weak outlook for global economic activity quelled inflationary pressures. Unemployment was at exceptionally high levels in the US and worsened in Europe. Against this background, most major central banks continued to implement expansionary monetary policies and breached the limits of monetary policy.

The unpredictable conditions prevailing in the global environment led the Bank to experiment with innovative policies within our mandates of price stability and financial stability. Of particular concern to us was the fact that some of our key markets were facing recessionary conditions. We felt it important to step up coordination with the Treasury and we held regular consultations with various stakeholders to ascertain the appropriateness of our responses. This *modus operandi* gave us added flexibility and enabled us to react faster and to act pre-emptively and thus contributed to maintain a fair degree of stability and confidence in the economy.

Our economy grew at a rate of 3.9 per cent in 2011, a commendable performance when viewed in the context of the sharp global economic downturn. Most of the key sectors of the economy recorded positive growth rates. At a time, when most countries have been seeing their ratings downgraded, Moody's Investors Service upgraded Mauritius's foreign- and local-currency government bond ratings to Baa1 from Baa2, with a stable rating outlook in June 2012. Inflation was on a declining trend and the rate of unemployment remained virtually unchanged. Our public sector debt to GDP ratio has hovered below 60 per cent over recent years. This is no mean feat for a small open island economy like ours.

The banking sector continued to expand and recorded solid profits in spite of the difficult global conditions. In the financial year ended 30 June 2012, profits after tax increased to Rs12.6 billion from Rs11.9 billion in the previous financial year. Banks held high levels of capital — the capital adequacy ratio of the banking sector stood at 15.9 per cent at end-June 2012. The ratio of non-performing loans to total loans (NPL) for domestic assets increased from 4.3 per cent at end-June 2011 to 5.1 per cent at end-June 2012. The NPL for overseas assets of the banking sector moved from 0.6 per cent to 1.5 per cent. The overall NPL ratio stood at 3.1 per cent at end-June 2012, up from 2.3 per cent at end-June 2011.

In the following paragraphs, I will review the main policy actions taken over the period.

- After four years of operating experience, we reviewed the functioning of the MPC. We enhanced transparency with the publication of the minutes of the MPC meetings and the pattern of individual votes beginning with the MPC meeting of December 2011. Legislative amendments severed the formal links of the MPC with the Bank's Board of Directors. The MPC was reconstituted in March 2012, with four members from the Bank and five external to the Bank, including two foreigners.

The focus of monetary policy continued to be the maintenance of price stability while ensuring a balanced and orderly economic development. I maintained a regular dialogue with stakeholders, as much to gain deeper understanding of the domestic economic outlook as to foster better understanding of the Bank's policy stance. Our monetary policy framework has gained in credibility and we have been successful in anchoring inflation expectations.

During the year under review, the year-on-year and headline inflation measures showed signs of moderation, at 3.9 per cent and 5.1 per cent, respectively, as at June 2012. The monetary policy stance was eased as from the second semester of 2011 on concerns over the intensification of the euro debt crisis and its implications for the domestic economy.

- The Bank introduced two bold measures in June 2012, in close coordination with the Treasury, to minimize the fallout from the euro debt crisis and the global economic downturn on the domestic economy. The measures targeted the sectors particularly vulnerable to the declining external demand in key markets.

We embarked on a programme to build up our foreign exchange reserves, the Operation Reserves Reconstitution. This also helped us to reduce the growing misalignment of the rupee in relation to fundamentals, as confirmed by the studies conducted by the IMF. It resulted in an increase of our gross official reserves from Rs81.5 billion at the end of June 2011 to Rs86.7 billion at the end of June 2012, thereby raising our import cover from 4.6 months to 4.9 months. As this report goes to the press, an adjustment of around 4 to 5 per cent would have been noted in the exchange rate of the rupee as measured by $MERI_1$. And we are well on the way to achieve the target of 6 months of import cover that we have set ourselves.

The second measure was the Special Line of Credit in Foreign Currency. It was a path-breaking move for a small, but innovative, central bank, prepared to use its own balance sheet in a pre-emptive bid to bail out exposed sectors ahead of troubled times. Through this measure, the Bank went to the rescue of economic operators which were directly affected by the mismatch between the currencies in which their earnings were denominated, mostly euros, and their outstanding debt in rupees. We were giving to highly-leveraged operators a unique tool to restructure their debt so that they would end up with healthier balance sheets. We were particularly concerned by the impact of euro-generated debt-servicing difficulties of operators on the balance sheets of banks.

Since the project was launched, the terms and conditions of the line of credit have been reviewed to enhance their flexibility. We have lengthened the maturity and increased the margin to make it more attractive for the intermediary banks. However, there has been a slow take-up; out of the amount of EUR600 million earmarked for this project, only an amount of EUR8.9 million has been utilized so far.

- We launched the Cheque Truncation System, which provides for the Bulk Clearing System for low-value electronic transactions, in September 2011. The next step in the modernization of the payments system will be the implementation of a National Switch on which work is proceeding.

- In April 2012, we introduced the depository system for Government securities that provides for a strict deliver-versus-payment mechanism for the issue of such securities. This mechanism is aimed at eliminating settlement risks and is in accordance with the recommendations of the Bank for International Settlements for securities settlement.

- We broadened the coverage of the Mauritius Credit Information Bureau to include insurance companies, non-bank deposit taking institutions, and utility providers, as well as the Central Bank itself. Thus, a comprehensive picture of the aggregate indebtedness of the prospective borrowers is now available, and this should, under normal circumstances, curb the level of non-performing loans in the system.

- We increased the efficiency of the financial markets through the conduct of single-maturity auctions of Treasury Bills and by holding frequent auctions during the week. We eliminated paper bids at auctions and moved to a platform where participants can submit their bids online.

  We enlarged the spectrum of instruments by introducing a 273-Day Treasury Bill as from October 2011. We introduced single-maturity auctions as from November 2011 to enable the Government to determine its debt profile. New benchmark securities — 3-Year Treasury Notes and 5-Year Bonds — were issued to enhance liquidity in the secondary market. We finalized preparations for trading these benchmark securities on the Stock Exchange to create a proper bond market for Mauritius. Concurrently, the issue of 2-Year and 4-Year Treasury Notes was discontinued in 2012.

- The Bank continued its efforts to issue new guidelines and improve existing ones, incorporating the latest developments in international best practices as recommended by international standard-setting bodies such as the Basel Committee on Banking Supervision. The latest guideline to have been issued (August 2012) is the Guideline on Corporate Governance after prolonged consultation with the industry.

- The Bank actively participated in both regional and continental fora such as the COMESA Committee of Central Bank Governors, the Committee of Central Bank Governors of SADC, and the Association of African Central Banks (AACB).

  Since February 2012, the Bank is a member of the Sub-Saharan Regional Consultative Group of the Financial Stability Board, which operates under the aegis of the Bank for International Settlements.

  In 2011, I had the honour to co-chair on behalf of fellow-Governors the two separate inaugural Joint Meetings between Central Bank Governors and Ministers of Finance for both COMESA and SADC. I also co-chaired the first meeting of the SADC Peer Review Panel held in October 2011 in Mauritius.

  The Bank hosted the 34th Committee of Central Bank Governors of SADC in April 2012 and the *19ème Conférence des Gouverneurs des Banques Centrales des Pays Francophones* in May 2012. In August 2012, I acceded to the Vice-Chairmanship of the AACB and the Bank will be hosting the 37th Assembly of Governors in August 2013.

- The Bank of Mauritius is the settlement bank for the Regional Payment and Settlement System (REPSS) of the COMESA. REPSS went live on 3 October 2012. I am delighted that this project in which the Bank has been closely involved since 2007 has finally come to fruition. REPSS is expected to stimulate intra-regional trade. I sincerely hope that it will live up to expectations, and stakeholders and commercial banks will make full use of this system.

- Our financial system continues to grow steadily, with total banking assets (Segment A) representing 107.7 per cent of GDP at end-June 2012. On 6 September 2012, we granted our 21st banking licence. This new addition to our financial landscape demonstrates the continuing interest of new operators in our banking sector.

- In June 2012, we set up a Task Force on Unfair Terms to look into the terms and conditions of financial contracts. We hope to come up with a Public Consultation Document by the end of the year. We are working simultaneously on the simplification of loan agreements. These initiatives of the Bank aim at improving the efficiency of financial services.

- I have on various occasions expressed my concern over the declining saving rate in the country. In an attempt to address the issue, the Bank proposes to provide the public with a new asset class in which to invest. The Gold Bar Project, as the initiative has been named, aims at broadening the range of savings products available to the public while promoting a savings culture. As from November 2012, the Bank will be offering for sale a range of Minted Gold Bars of 10g, 50g and 100g, with or without storage in the Bank's vault. The selling price of these Gold Bars will be set as close as possible to the price of gold on the international market. Investing in these gold bars would be an excellent hedge against inflation.

- In recent years, financial stability has moved to the top of the agenda of central banks. We have fully endorsed this new focus. After an upgrading of our banking supervisory framework which allowed us to implement Basel II as from March 2008, the Bank is now envisaging to implement Basel III. A consultative paper outlining the proposals of the Bank will be issued for consultation by the end of October 2012. Our banks have remained strong during the global financial crisis. The higher capital requirements of the Basel III framework will further enhance their ability to function under conditions of stress and help protect depositors.

- The Deposit Insurance Scheme is currently in its final stages after a lengthy process which involved intensive consultation with the banking industry and study visits by our officers to other jurisdictions. This additional safety-net will reinforce the stability of our financial system.

- Another issue that requires our attention is that of domestic systemically important banks, the so-called D-SIBs. I had drawn attention on several occasions to the fact that at least two of our banks have developed into big complex institutions, with the potential of posing a threat to the financial system in case of failure. We are currently working on a framework for the monitoring of such institutions which will be required to simplify their structures and maintain additional capital, and possibly write living wills. I am very pleased to note that already two banks, as well as one financial conglomerate, have taken the cue and are restructuring their operations so that they end up with leaner structures.

- I am pleased to announce that the net profits of the Bank rose from Rs258.4 million for the financial year ended 30 June 2011 to Rs395.3 million for the current financial year. The sustained improvement in the performance of the Bank was attributable mainly to a combination of operational efficiency and a prudent diversification strategy with respect to reserve management.

  In 2011, there was a noteworthy change in the Bank of Mauritius Act 2004 with significant impact on the accounts of the Bank. This provision allows the Bank to credit to the Special Reserve Fund all unrealized gains, arising from the valuation of investments held by the Bank, instead of treating them as distributable income, which forced the Bank to liquidate portfolio assets, which it would have been more prudent to keep, to distribute as profits.

Words of Appreciation

I am deeply indebted to all those who have supported me during my two tenures of office. I thank Dr The Honourable Navinchandra Ramgoolam, GCSK, FRCP, our Prime Minister, for entrusting me with the responsibility of leading the Central Bank at this fraught period of its history, and for giving me his support all through.

I have had very cordial relations with Honourable Charles Gaëtan Xavier-Luc Duval, GCSK, Vice-Prime Minister and Minister of Finance and Economic Development, and we have been able to join our efforts to keep the economy on an even keel. My appreciation goes to the Honourable Minister and his team.

I thank the Chairmen and the Chief Executive of the Mauritius Bankers Association, the Chief Executives of banks, and all the stakeholders for their active involvement and participation in meetings which helped us develop a fruitful collaboration and mutual understanding on the direction that our financial sector and economy need to take.

I thank my close collaborators, particularly my two Deputy Governors, the Head of the Governor's Office, and the staff of my Policy Unit, for their support all the year through. Last but not least, I thank the Staff of the Bank for their support and dedication, particularly those who have been behind the scene. Without their unflinching support and commitment, I would not have been able to function. To all of them, I dedicate the Award of Central Banker of the Year 2012 – Africa, bestowed upon me by The Banker Magazine, of the British Financial Times newspaper group, at the beginning of the year.

Looking Ahead

Looking ahead, we need to be vigilant against inflation – which is our overriding objective. But the challenging environment compels the Bank to continuously change the way in which it functions. Monetary policy has played its role and will continue to do so. But it has its limitations, and expectations are sometimes beyond what it can possibly achieve. We will pursue on our path of innovative policies. We view our mandate in a wider perspective in which other considerations such as protection of consumer interests, governance, transparency, competition and communication are assuming greater importance. This broader macroprudential focus will enable us to stabilize the economy.

My final message to my compatriots: The time has come for us to change our mindset. As I have said before, a crisis is too good to waste. Our country should dare measure up to more advanced economies. I am pleased to note that the views expressed lately by the Bank on the need for structural reforms has gained consensus. All stakeholders — public, private sector, civil society — should collaborate to move the country forward to new levels of development through more equitable and inclusive growth.

Rundheersing Bheenick
8 October 2012

Governor Rundheersing Bheenick, G.O.S.K., presenting the Prime Minister, Dr The Honourable Navinchandra Ramgoolam, G.C.S.K., F.R.C.P., with the first cheque [a contribution of Rs1 million by the Bank to the Prime Minister's Relief Fund] to be cleared by the Cheque Truncation System, 6 September 2011. Looking on Honourable Charles Gaëtan Xavier-Luc Duval, G.C.S.K., Vice-Prime Minister and Minister of Finance and Economic Development and Mr Ravin Rao Dajee, C.S.K., Managing Director Barclays Bank Plc and Chairman of the Mauritius Bankers Association.

Honourable Charles Gaëtan Xavier-Luc Duval, G.C.S.K., Vice-Prime Minister and Minister of Finance and Economic Development and Dr Min Zhu, Deputy Managing Director of the IMF proceeding with the official launch of the AFRITAC South Office, Bank of Mauritius, 17 October 2011, along with Ms Antoinette Sayeh, Director of the African Department of the IMF, and Governor Rundheersing Bheenick, G.O.S.K.

Governor Rundheersing Bheenick, G.O.S.K., welcomes His Excellency Dr Mallam Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria, at the Annual Dinner of the Bank of Mauritius held in honour of Economic Operators, Pailles, Mauritius, 1 December 2011.

Launch of the third Platinum Coin of the "Father of the Nation" Platinum Series with Le Morne Brabant on the obverse and the effigy of Sir Seewoosagur Ramgoolam on the reverse, 16 December 2011

Heads of Delegation
at the 34th Meeting of the Committee of Central Bank Governors of SADC, Balaclava, Mauritius, 30 April 2012

Heads of Delegation at the 19ème Conférence des Gouverneurs des Banques Centrales des Pays Francophones, Trou aux Biches, Mauritius, 24-25 May 2012

Talk delivered by Mr Laurence Mutkin, Managing Director and Global Head of Morgan Stanley's Interest Rate Strategy Team on "Under the spell of the euro crisis", Bank of Mauritius, 16 February 2012

Staff of Bank of Mauritius Rodrigues branch preparing themselves to perform the typical Rodriguan sega at the staff end-of-year party, Flic en Flac, Mauritius, 17 December 2011

Winners of the 2011 Monetary Policy Challenge at a Prize Giving Ceremony at the Bank of Mauritius, 23 December 2011

Record-setters and champions of the 5th Edition of the Interclub Youth Championship co-sponsored by the Bank of Mauritius and banks, Port Louis, Mauritius, 23 December 2011

1 Core Functions of the Bank

As per section 4 of the Bank of Mauritius Act 2004, the primary object of the Bank is to maintain price stability and to promote orderly and balanced economic development. The other objects of the Bank are:

- 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 of Mauritius; and
- to act as the central bank for Mauritius.

To fulfil its mandate, the Bank performs a number of core functions that are described below.

Monetary Policy

Monetary policy is formulated and determined by the Monetary Policy Committee (MPC) of the Bank, which meets on a quarterly basis to set the Key Repo Rate (KRR) at a level commensurate with price stability and orderly and balanced economic development. The Bank implements monetary policy through open market operations. It also uses other instruments such as the cash reserve ratio to achieve its monetary policy objectives.

Financial Stability

The Bank has the mandate of ensuring the stability and soundness of the financial system. Accordingly, the Bank has put in place a sound regulatory and supervisory framework for banks and non-bank deposit-taking institutions based on best international practice. The Bank monitors financial soundness indicators on an on-going basis and assesses vulnerabilities arising in the financial system.

Regulation and Supervision

The Bank regulates and supervises banks, non-bank deposit-taking institutions and cash dealers and ensures that they comply with governing laws and rules and regulations set by the Bank. Financial institutions are further required to adopt policies and procedures that allow them to assess, manage and mitigate risks effectively. Through regulation and supervision, the Bank safeguards the interests of depositors and promotes fair and competitive practices.

Money and Foreign Exchange Markets

The Bank closely monitors the money and foreign exchange markets and intervenes whenever necessary to ensure that they function smoothly. The Bank promotes and contributes to the development of an efficient financial market and has taken a number of measures in its efforts to develop a secondary market for Government securities. Moreover, the Bank, acting as agent for Government, regularly auctions Government securities.

Currency in Circulation

The Bank has the sole right to issue rupee notes and coins. It ensures that the supply of banknotes and coins is adequate to meet public demand. Soiled banknotes are exchanged and destroyed on a regular basis to ensure that banknotes in circulation are of good quality. The Bank ensures that banknotes incorporate high-level security features that minimise the risk of tampering and fraud.

Payment Systems and MCIB

The Bank manages, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius. The Bank also hosts the Mauritius Credit Information Bureau (MCIB), which collects credit information on borrowers and credit guarantors of banks, non-bank deposit-taking institutions, insurance companies and housing/mortgage companies. The MCIB provides real-time information on the indebtedness of borrowers and issues credit reports whenever such requests are formulated. The MCIB contributes significantly to enhance banks' credit appraisal and assessment and to the overall credit quality in the banking sector.

Foreign Exchange Reserves Management

The Bank manages the foreign exchange reserves of the country. Risk, return and liquidity are among the main considerations that are taken into account when investing foreign exchange reserves.

Compilation and Dissemination of Statistics

By virtue of its activities, the Bank is the official institution responsible for the collection, compilation and dissemination of monetary, banking and balance of payments statistics on a timely basis.

2 Corporate Governance

BOARD OF DIRECTORS

The Board's statutory responsibility is to formulate the general policy of the affairs and business of the Bank other than the formulation and determination of monetary policy. As at 30 June 2012, the Board comprised the Governor as Chairperson, the two Deputy Governors and four other Directors. One Board Director, Mr J.G.A. Lascie, resigned with effect from 9 January 2012.

COMPOSITION OF BOARD OF DIRECTORS AS AT 30 JUNE 2012

Chairman	Mr Rundheersing Bheenick, Governor
Director	Mr Yandraduth Googoolye, First Deputy Governor
Director	Mr Mohammed Iqbal Belath, Second Deputy Governor
Director	Mr Shyam Razkumar Seebun
Director	Mr Jacques Tin Miow Li Wan Po
Director	Mr Kader Bhayat S.C.
Director	Mr Gooroonaden Vydelingum

Twelve meetings of the Board of Directors were held during the period 1 July 2011 to 30 June 2012 as summarised in Table 2.1.

REPORT OF THE AUDIT COMMITTEE TO THE BANK OF MAURITIUS

The Audit Committee for the year ended 30 June 2012 comprised the following members:

Mr G. Vydelingum	Chairman
Mr K. Bhayat	Member
Mr J.T.M. Li Wan Po	Member (w.e.f. 10 April 2012)
Mr S.R. Seebun	Member (w.e.f 10 April 2012)
Mr J.G.A. Lascie*	Member (up to 8 January 2012)

* Mr J.G.A. Lascie resigned as Board Director of the Bank with effect from 9 January 2012.

Table 2.1: Board of Directors Meeting

Board Directors	Date of first appointment	18.07.11	18.08.11	13.09.11	28.10.11	28.11.11	16.12.11	20.01.12	21.02.12	21.03.12	10.04.12	30.05.12	13.06.12
Governor-Mr R.Bheenick (*Chairman*)	14.02.07	√	√	√	√	√	√	√	√	√	√	√	√
First Deputy Governor-Mr Y.Googoolye	13.07.06	√	√	√	√	√	√	√	√	√	√	√	√
Second Deputy Governor-Mr M.I.Belath	01.07.10	√	√	√	√	√	√	√	√	√	√	√	√
Me K.Bhayat	05.09.07	√	√	√	√	√	A	√	A	√	A	√	√
Mr J.Li Wan Po	24.11.05	√	√	√	√	√	√	√	√	A	√	√	A
Mr S.R.Seebun	21.11.05	√	√	√	√	√	A	√	√	√	√	√	√
Mr G.Vydelingum	05.09.07	√	√	√	√	√	√	√	√	√	√	√	√
Mr J.G.A.Lascie *	23.11.05	A	A	√	A	√	√						
Meeting Metrics: Duration (hrs)		0.66	1.33	2.33	1.83	3.66	0.50	1.50	1.00	1.33	1.33	0.66	1.33
Minutes of proceedings (Pages)		5.50	8.00	10.00	5.00	7.00	3.00	6.00	6.00	7.00	6.00	5.00	7.00
* Resigned w.e.f 09 January 2012	A: Absent		√: Attended										

Activities of The Audit Committee

The Committee met on six occasions during the year under review and, in accordance with its terms of reference, undertook a review of the Audit Reports submitted by the Internal Audit Division of the Bank.

The Committee reviewed the Budget for the Financial Year 2012/13.

The Committee also reviewed the Audit Committee Charter and proposed some amendments to the Charter in line with good governance principles. The Committee reviewed the Procurement Policies and Procedures Manual and made recommendations to Management.

(sd) G. Vydelingum	(sd) K. Bhayat S.C	(sd) J.T.M. Li Wan Po	(sd) S.R. Seebun
Chairman	**Member**	**Member**	**Member**

MONETARY POLICY COMMITTEE

The Monetary Policy Committee (MPC) has been established on 23 April 2007 pursuant to sections 54 and 55 of the Bank of Mauritius Act 2004 to formulate and determine the monetary policy to be conducted by the Bank and to maintain price stability, taking into account the orderly and balanced economic development of Mauritius.

The MPC meets on a quarterly basis, but stands ready to meet in between its regular meetings, if the need arises. Four regular meetings were convened during the year ended 30 June 2012.

REVIEW OF THE FUNCTIONING OF THE MPC

Following the recommendations made by Sir Alan Budd, a former Member of the Bank of England MPC, who had been entrusted with a review exercise of the Bank's MPC, several amendments were brought to the Bank of Mauritius Act 2004 in December 2011. These amendments pertained principally to the composition of the MPC, good governance principles, publication of the minutes and the use of teleconferencing facilities.

Composition of the MPC

At its inception in April 2007, the MPC comprised the Governor as Chairperson, the two Deputy Governors, two Board Directors and four external members. The membership of the MPC was reconstituted in March 2012 and comprised the Governor as Chairperson, three senior officers of the Bank appointed by the Governor and five independent members appointed by the Minister of Finance and Economic Development, after consultation with the Governor.

Good Governance

With a view to enhancing good governance, the MPC is now required to publish a Code of Conduct to govern its meetings. The MPC shall also report once a year to the Board of Directors of the Bank regarding its compliance with the Code of Conduct. Furthermore, the Act provides that seven members, including at least 4 out of the 5 members appointed by the Minister, shall constitute a quorum.

Publication of Minutes

After every meeting of the MPC, the Bank publishes on the same day a communiqué that provides the gist of the monetary policy decision. Since December 2011, the minutes of the MPC meeting are published two weeks after the date of the meeting. The minutes contain the main economic developments underlying the monetary policy decision as well as the voting pattern of MPC members.

Participation through Teleconferencing

The legislation now permits the Chairperson of the MPC to authorise a member of the Committee to participate in a meeting through teleconferencing, that is, two-way communication by video, telephone or any other means using modern technology, if, prior to the meeting, the member has, by notification to the Chairperson, requested such an authorisation. A member who participates in a meeting through teleconferencing shall be treated as being present at the meeting and shall be entitled to vote.

COMPOSITION OF THE MPC AS AT 30 JUNE 2012

Members

Mr Rundheersing Bheenick, G.O.S.K., Governor and Chairperson

Mr Yandraduth Googoolye, First Deputy Governor

Mr Mohammed Iqbal Belath, Second Deputy Governor

Mr Jitendra Nathsingh Bissessur, Head-Financial Markets Analysis Division, Bank of Mauritius

Mr Nishan Degnarain, External Member
Consultant

Mr Pierre Dinan, C.S.K., G.O.S.K., External Member
Consultant

Mr Rajkamal Taposeea, External Member
Chairman, Air Mauritius

Mr Alain Madelin, External Member
Former Minister of Economy and Finance of France

Ms Silvana Tenreyro, External Member
Reader in Economics, London School of Economics

Observers

Mr Neetyanand Kowlessur, Chief-Governor's Office, Bank of Mauritius

Dr Streevarsen Narrainen, Senior Economic Adviser, Ministry of Finance and Economic Development

Table 2.2 provides details on the composition of the MPC (former and new), meetings, attendance, remuneration of members and other associated costs incurred as well as changes in the Key Repo Rate.

Table 2.2: Monetary Policy Committee Meetings

		Meetings attended	12.09.11 Quarterly meeting	5.12.11 Quarterly meeting	19.03.12 Quarterly meeting	11.06.12 Quarterly meeting	Total Fees Rs	Other associated costs[3] Rs
Chairperson								
Mr Rundheersing Bheenick	Governor, Chairman	4	√	√	√	√	0	0
Senior Officers								
Mr Yandraduth Googoolye	First Deputy Governor	4	√	√	√	√	0	0
Mr Mohammed Iqbal Belath	Second Deputy Governor	4	√	√	√	√	0	0
Mr Jitendra Nathsingh Bissessur	Head-Financial Markets Analysis Division	2	-	-	√	√	0	0
Board Directors								
Mr Jacques Tin Miow Li Wan Po	Board Director	2	√	√	-	-	160,000*	0
Mr Shyam Razkumar Seebun	Board Director	2	√	√	-	-	160,000*	0
External Members								
Mr Jagnaden Padiaty Coopamah	External Member	2	√	√	-	-	160,000*	0
Dr Mario I. Blejer [1]	External Member	0	x	-	-	-	0	0
Mr Nishan Degnarain	External Member	2	-	-	√	√	80,000*	0
Mr Rajkamal Taposeea	External Member	2	-	-	√	√	80,000*	0
Mr Alain Madelin	External Member	2	-	-	√	√	193,246	219,397
Ms Silvana Tenreyro	External Member	2	-	-	√	√	193,246	119,385
Mr Pierre Dinan	External Member	4	√	√	√	√	240,000	0
Observers								
Mr Hemraz Oopuddhye Jankee [2]	Observer	1	√	-	-	-	0	0
Dr Streevarsen P. Narrainen	Observer	4	√	√	√	√	0	0
Mr Neetyanand Kowlessur	Observer	2	-	-	√	√	0	0
Decision on the Key Repo Rate			Unchanged	-10 bps	-50 bps	Unchanged		
Key Repo Rate *(per cent per annum)*			5.50	5.40	4.90	4.90		

[1] : Dr Mario Blejer resigned from the MPC prior to the December 2011 MPC Meeting.
[2] : Mr Hemraz Oopuddhye Jankee retired from the service of the Bank on 27 September 2011 and no longer acted as observer to the MPC, effective that date.
[3] : Other associated costs comprise travel and accommodation expenses.
√ : Attended. x : Not attended.
bps: basis points
** : Mauritian External MPC Members receive a monthly fee*

MONETARY POLICY COMMITTEE MEMBERS AS AT 30 JUNE 2012

From left to right: Mr Yandraduth Googoolye, *First Deputy Governor;* Mr Jitendra Nathsingh Bissessur, *Head – Financial Markets Analysis Division;* Mr Alain Madelin, *External Member;* Mr Rundheersing Bheenick, *Governor and Chairperson;* Mr Nishan Degnarain, *External Member;* Ms Silvana Tenreyro, *External Member;* Mr Rajkamal Taposeea, *External Member;* Mr Pierre Dinan, *External Member;* Mr Mohammed Iqbal Belath, *Second Deputy Governor.*

3 Corporate Services

The Corporate Services Division, which was set up in October 2007, plays a pivotal role in ensuring the smooth running of the Bank's activities. The Division also provides logistical support in the organisation of events and functions hosted by the Bank.

The following units fall under the umbrella of the Corporate Services Division:

(a) Human Resource Unit, (b) Facilities Management Unit, (c) Information Technology Unit, (d) Knowledge Management Centre, and (e) Security Services Unit.

HUMAN RESOURCES

The Human Resources unit provides a range of services to attract, hire and retain staff required to meet the Bank's objectives. These include the policies covering employment conditions, staff remuneration, staff training and development. As at 30 June 2012, there were 232 staff members at the Bank.

During 2011-12, the Bank introduced a new system to appraise the performance of staff. The system, which was run on a pilot basis, assesses the strengths and weaknesses of staff. With a view to ensuring fairness and objectivity, the appraisee is allowed to take cognizance of the report on his/her performance. As it was a major departure from the prior system of performance appraisal, the Human Resources section carried out several working sessions with the staff to explain the rationale and philosophy behind the new system, which will pave the way for the introduction of a performance-based system of remuneration at the Bank.

FACILITIES MANAGEMENT

The Facilities Management Unit manages, *inter alia*, the Bank's premises and ensures that they are maintained in good working conditions. Moreover, it is responsible for the procurement of goods and services as and when needed by the Bank.

The Facilities Management Unit also provides logistical support in the organization of functions and events hosted by the Bank. During 2011-12, the Unit was involved in the organization of a number of events, including the organization of the 34th Meeting of the Committee of the SADC Central Bank Governors and the 19th Conference of Governors from Francophone Central Banks held in April and May 2012, respectively.

Renovation of Old Building

The Bank is in the process of renovation of its old building situated at Sir William Newton Street. In this respect, a Project Team comprising a Project Manager, a Structural Engineer, an Architect, an Interior Designer and a Building Services Engineer have been appointed to finalise the concept and development of the design and preparation of tender documents. Renovation works are expected to start before the end of 2012.

New Office Building and Staff Quarters at Rodrigues Office

The Bank has initiated preliminary works for the construction of a new office building at Camp du Roi and staff quarters at Jen Tac, Rodrigues. It is expected that the projects will be completed by December 2013.

IT SUPPORT AND FACILITIES

The Bank continued to keep pace with the developments taking place in the Information Technology area. Apart from core IT services, the Bank's ICT infrastructure caters for the local Real-Time Gross Settlement System, the Bulk Clearing System, the COMESA Clearing and Settlement System, the Online Auctioning System and other internal core banking systems.

Secure Wireless Network

The Secure Wireless Network provides an electronic link between banking institutions participating in cheque clearing in Mauritius. This network has been in operation since 2011. It provides high bandwidth and is instrumental in transferring cheque images for the Cheque Truncation System.

Due to the increasing use of the network and the fact that many banks have relocated their headquarters at Ebène, the Bank will upgrade the network link between Port Louis and Ebène. The Secure Wireless Network is fully owned and operated by the Bank.

KNOWLEDGE MANAGEMENT CENTRE

This unit was set up in February 2008. Its main objective is to capture, transfer, create and disseminate critical knowledge among staff of the Bank.

SECURITY SERVICES

This unit has the responsibility to maintain overall security at the Bank, including security at all access points at the Bank's premises. It also ensures appropriate security arrangements for all functions organised by the Bank.

COMMUNICATION

The Bank regularly releases information and data on the Mauritian economy and the banking and financial sectors through various Reports and a Statistical Bulletin. In addition, transparency about the Bank's views and actions is upheld through the publication of the Minutes of the MPC meetings, an annual Letter to Stakeholders, speeches of the Governor and Deputy Governors and press conferences.

Annual Report

The Annual Report of the Bank contains the audited accounts of the Bank and a report on the Bank's operations during the financial year, which are required to be submitted to the Minister under Section 32(3) of the Bank of Mauritius Act 2004. In addition, the Annual Report provides an overview of the Bank's organisational structure and corporate governance. It also highlights major economic developments and reviews the performance of banks, non-bank deposit-taking institutions and cash dealers during the year.

Inflation Report and Financial Stability Report

The Bank publishes bi-annual Inflation and Financial Stability Reports in line with section 33 of Bank of Mauritius Act 2004. The Inflation Report provides an analysis of domestic and international economic developments and an outlook for growth and inflation. The Financial Stability Report assesses key risks in the financial sector, with a focus on the stability and soundness of the banking sector.

Monthly Statistical Bulletin

The Monthly Statistical Bulletin is released on the Bank's website around the 20th of each month and disseminates economic, banking, balance of payments and financial statistics.

Monetary Policy

A communiqué announcing the gist of the MPC decision is released at 18.00 hrs on the day of the MPC meeting. The Govenor, as Chairperson of the MPC, holds a press conference on the following day to explain the decision of the MPC. Since December 2011, the minutes of MPC meetings are published two weeks after the MPC. This practice enhances transparency and accountability in the decision-making process of the MPC and aligns the Bank with the standard adopted by many central banks worldwide. The minutes contain information about global and domestic economic developments since the previous MPC meeting as well as an assessment of risks to the growth and inflation outlook. It reveals MPC members' perspectives and concerns on specific issues, thus indicating the main factors underlying the MPC's decision on the KRR. Moreover, the voting pattern of MPC members is also made public.

End-of-Year Letter to Stakeholders

Since 2008, the Bank has been publishing the Governor's End-of-Year Letter to Stakeholders. This Letter informs stakeholders about economic and financial developments during the year as well as the actions taken by the Bank to support price stability and economic development, improve the functioning of the domestic money and financial markets and enhance regulation and supervision, amongst others. It also provides an outlook for the year ahead and a direction of future policy.

Financial Literacy and Other Outreach Programmes

Countries worldwide have recognised that changes in the financial system, including the increasing complexity and diversity of financial products, are creating an urgent need for financial literacy. In this perspective, the Bank introduced a Financial Literacy Programme (FLP) in November 2007, which is aimed at raising awareness among the public on issues relating to economics, banking and finance. The FLP has been a regular feature of the communication strategy of the Bank since then. The programme comprised activities such as a monetary policy challenge, essay-writing competition, talks on the radio and television and distribution of pamphlets to educate consumers on various topics.

Website of the Bank of Mauritius

The Bank maintains an informative website (*https://www.bom.mu*) to promote greater transparency about its policies and operations.

CORPORATE SOCIAL RESPONSIBILITY

Bamboo Garden

Work on the Bamboo Garden Project, initiated by the Bank as part of its Corporate Social Responsibility, progressed in 2011-12. The Garden, which will be located at Dubreuil, Midlands, covers a plot of land of around 10 acres. The Bank has enlisted the services of the Agricultural Research and Extension Unit, Ministry of Agro-Industry, Food Production & Security, for its implementation and has set up an Advisory Panel to make appropriate recommendations for the developement of the project. A Landscape Achitect will be appointed for the design of the garden.

There will be initially 120 varieties of bamboo from both local and imported sources in the garden. Additional varieties will be introduced subsequently. In addition to bamboo plants, the project will also include a bamboo museum, an administrative unit and a restaurant. The Project, which is in line with the 'Maurice Ile Durable' concept, is expected to attract local and foreign visitors.

Sponsorship of Sports Activities

Since 2007, the Bank has been sponsoring the annual Inter-Club National Youth Championship in Mauritius and Rodrigues. In 2011, the Championship in Mauritius was held at Germain Commarmond Stadium, Bambous, on 24 and 25 September 2011, while the Championship in Rodrigues was held at Camp du Roi Stadium, on 10 September 2011. The 16 best athletes from Rodrigues were invited to participate at national level in Mauritius. Cash prizes were given to the 26 athletes who established new records at the national level. Several banks co-sponsored the events in Mauritius and Rodrigues. The Bank has also initiated a scheme to sponsor eight young athletes in the field of sports and education.

Internship Programme

The Bank has introduced an internship programme for university students and graduates. The interns are posted in various Divisions of the Bank for a period of four to twelve weeks. In 2011, the University of Mauritius and the University of Technology, Mauritius were invited to submit a list of names of potential candidates. Subsequently, the Bank, in 2012, invited applications from students of recognised Mauritian and overseas universities. During 2011-12, nine students benefited from the internship programme.

4 Review of The Economy: 2011-12

The global economy weakened during 2011-12 as the euro area crisis deepened. Growth slowed markedly in advanced economies and moderated in a number of major emerging market economies. In the July 2012 World Economic Outlook Update, the IMF revised down its forecast of global growth to 3.5 per cent for 2012.

The domestic economy remained broadly resilient throughout 2011-12, although a slowdown in economic activity was noted. The Mauritian economy grew by 3.9 per cent in 2011, with most key sectors recording positive growth rates. Labour market conditions were rather stable, with a slight increase in the unemployment rate from 7.8 per cent in 2010 to 7.9 per cent in 2011.

Domestic inflation in 2011-12 was influenced by international commodity prices, exchange rate developments and administrative measures. Headline inflation, which was on an uptrend during most of 2011, started easing in December 2011 and trended downwards in 2012H1 to reach 5.1 per cent in June 2012, reflecting subdued externally-generated inflationary pressures. Y-o-y inflation followed a similar trend and stood at 3.9 per cent as at end-June 2012.

During the year under review, monetary policy remained accommodative against the backdrop of weak global economic conditions and deepening euro area crisis. The MPC held four regular meetings during 2011-12 and cut the KRR on two occasions by a cumulative total of 60 basis points such that it stood at 4.90 per cent as at end-June 2012.

The pace of monetary expansion accelerated in 2011-12. Broad Money Liabilities (BML) grew at an annual rate of 6.8 per cent as at end-June 2012, compared to 5.9 per cent in the previous year. Credit extended by banks to the private sector expanded by 10.7 per cent as at end-June 2012, compared to 9.5 per cent as at end-June 2011.

The current account deficit widened to 12.1 per cent of GDP at market prices in 2011-12, reflecting the impact of continuing global uncertainties as well as increasing imports. Gross official international reserves, based on the value of imports of goods and non-factor services for the year 2011, represented 4.9 months of imports as at end-June 2012 compared to 4.6 months as at end-June 2011.

On 9 June 2012, the Bank embarked on the ‘Operation Reserves Reconstitution’ programme with the objective to reach six months of import cover.

During 2011-12, the Bank continued to monitor developments in the money and foreign exchange markets to ensure their efficient functioning. The Bank intervened on the money market to mop up excess liquidity through the issue of its own instruments while foreign exchange intervention was aimed at reducing undue volatility of the rupee.

The exchange rate of the rupee reflected international exchange rate movements as well as demand and supply conditions on the domestic foreign exchange market. On a point-to-point consolidated indicative selling basis, between end-June 2011 and end-June 2012, the rupee depreciated against the US dollar, Pound sterling and Japanese yen by 8.3 per cent, 5.2 per cent and 9.5 per cent, respectively, but appreciated vis-à-vis the euro by 5.8 per cent.

Risks to the financial sector were assessed to be broadly contained during 2011-12. The banking sector, which is the largest component of the financial sector, remained sound and profitable. The Bank continued to strengthen the regulatory framework, in particular through mesures to improve the governance structure and risk management framework of financial institutions falling under its purview. It also issued new guidelines and reviewed existing ones to take on board developments in best practice, as recommended by international standard-setting bodies such as the Basel Committee on Banking Supervision (BCBS).

The foregoing economic and financial developments during 2011-12 are reviewed in greater detail in the Report, which covers official data up to 28 September 2012.

INTERNATIONAL OVERVIEW

The global economy slowed in 2011-12 as the euro area crisis intensified and the effects of fiscal austerity measures in a number of advanced economies started to filter through. Advanced economies registered dismal growth, while emerging market economies' growth rates moderated, reflecting weaker external demand. In the euro area, the repeated attempts by the authorities for a meaningful solution to the crisis were inconclusive. Global financial market stress remained elevated. Looking ahead, downside risks to global growth are expected to persist. In the July 2012 World Economic Outlook Update, the IMF revised down its forecast of global growth to 3.5 per cent for 2012.

Global inflation rates, which had emerged as a key concern at the start of 2011 fuelled by high commodity prices and the strong pace of economic growth in emerging economies, showed some signs of slowing down in several economies as global demand and economic activity eased in 2011-12. Inflation remained subdued in most advanced OECD countries and moderated in some emerging market economies. The Food Price Index of the Food and Agriculture Organisation, which declined from an all-time high of 237.9 in February 2011 to 231.2 in July 2011, rebounded in 2012H1 on higher prices of sugar, most cereals and meat. Over the period under review, the average price per barrel of NYMEX WTI rose by 6.3 per cent to US$95.1 while that of ICE Brent futures increased by 15.9 per cent to US$112.1. During 2011-12, central banks in many advanced and emerging market economies halted or reversed the tightening of policy rates that had taken place during 2011H1 on account of weaker global economic conditions.

During the period under review, the US dollar benefited from its safe-haven status amidst bearish investor sentiment. At the start of 2011-12, the euro rallied against a broadly weaker US dollar to hit an intra-year high of US$1.4534 towards the end of August 2011. The single currency, thereafter, came under pressure following the downgrade by rating agencies of several euro area countries and rising peripheral bond yields. The euro eventually hit an intra-year low of US$1.2364 at the start of June 2012 before closing 2011-12 at around US$1.2580. The Pound sterling, which was trading at around US$1.6068 in July 2011, appreciated to reach an intra-year high of US$1.6529 by mid-August 2011, mainly due to a credible austerity package implemented in the UK. Thereafter, the uncertain outlook in Europe coupled with adverse UK economic data in 2011Q4 and 2012Q1 weighed on the British currency, which hit an intra-year low of US$1.5310 in mid-January 2012 before closing 2011-12 at US$1.5606.

Global equity markets maintained a downward trend in 2011H2. Major stock markets suffered heavy losses in 2011Q3 on fears of a recession in the US and worries over the debt crisis in the euro area. The potential impact of the debt crisis on the world economy and the global banking system coupled with political instability in Greece and Italy also adversely impacted on global stock markets. Global equity markets rallied in 2012Q1 on an improving US economic outlook and measures initiated by the ECB to ease funding pressure in the euro area. They lost ground, however, in 2012Q2 on mixed economic data indicating the persistence of downside risks to global growth and heightened concerns about the euro area debt crisis.

DOMESTIC DEVELOPMENTS

REAL SECTOR DEVELOPMENTS

The Mauritian economy grew by 3.9 per cent in 2011 compared to 4.2 per cent in 2010. Annualised q-o-q data showed that the economy grew at 4.0 per cent in 2011Q3 and slowed down to 2.2 per cent in 2011Q4. In 2012Q1, the economy picked up by 3.0 per cent before slowing to 2.7 per cent in 2012Q2. Seasonally-adjusted q-o-q data showed a deceleration in growth dynamics, from 1.2 per cent in 2011Q3 to 0.3 per cent in 2011Q4. The growth momentum remained flat in 2012Q1, before picking up to 1.3 per cent in 2012Q2.

In nominal terms, GDP at market prices increased by 8.1 per cent to Rs322,993 million in 2011 compared to a growth of 5.8 per cent in 2010. Per capita GNI at market prices increased by 7.2 per cent, from Rs236,057 in 2010 to Rs252,973 in 2011.

In 2011, final consumption expenditure grew by 2.5 per cent compared to 2.7 per cent in 2010 as a result of a slowdown in both household and government consumption expenditure. Household consumption expenditure, which represented 84.5 per cent of total consumption expenditure, grew by 2.5 per cent, slightly lower than the rate of 2.6 per cent recorded in 2010. Growth in general government consumption expenditure slowed to 2.3 per cent in 2011, from 3.4 per cent in 2010. Growth of final consumption expenditure is forecast at 2.6 per cent in 2012.

Gross Domestic Fixed Capital Formation (GDFCF) grew by 0.3 per cent in 2011, after contracting by 0.7 per cent in 2010. GDFCF is projected to record negative growth of 0.7 per cent in 2012 as a decline of 3.3 per cent in private sector investment is projected to offset growth of 7.7 per cent in public sector investment.

Table 4.1: Expenditure on GDP-Growth Rates (y-o-y)

	2009	2010	2011 [1]	2012 [2]
1. Final consumption expenditure	**+2.4**	**+2.7**	**+2.5**	**+2.6**
Households	+2.1	+2.6	+2.5	+2.5
General government	+5.1	+3.4	+2.3	+2.8
Individual	*+3.4*	*+4.0*	*+2.5*	*+3.0*
Collective	*+6.3*	*+3.0*	*+2.1*	*+2.7*
2. Gross domestic fixed capital formation	**+8.9**	**-0.7**	**+0.3**	**-0.7**
Private sector	-1.3	+0.0	+1.9	-3.3
Public sector	+59.5	-2.8	-4.7	+7.7
3. Gross domestic fixed capital formation exclusive of aircraft and marine vessel	**+5.5**	**+3.7**	**+0.3**	**-0.7**
Private sector	-0.3	+0.0	+1.9	-3.3
Public sector	+33.4	+18.9	-4.7	+7.7
4. Exports of goods & services	**-3.4**	**+14.1**	**+6.7**	**+4.4**
Goods *(f.o.b)*	-9.3	+16.6	+5.3	+2.9
Services	+1.7	+12.1	+7.8	+5.5
5. Less Imports of goods & services	**-10.7**	**+9.5**	**+6.4**	**+2.7**
Goods *(f.o.b)*	-8.9	+7.1	+4.3	+2.1
Services	-14.4	+14.4	+10.7	+3.9

[1] Revised. [2] Forecast.
Source: Statistics Mauritius.

Exports of goods and services grew by 6.7 per cent in 2011, following growth of 14.1 per cent in 2010, mainly as a result of a slowdown in external demand. The growth of imports of goods and services fell to 6.4 per cent in 2011, from 9.5 per cent in 2010.

Key sectors of the economy, with the exception of the *Construction* sector, recorded positive growth rates in 2011 against the backdrop of a deteriorating global economic environment.

The agricultural sector grew at 3.4 per cent in 2011, following a contraction of 1.3 per cent in 2010. The *Manufacturing* sector grew by 2.2 per cent compared to 2.1 per cent in the previous year. Within that sector, *'Textile'* registered growth of 8.0 per cent compared to zero growth in 2010. The *Financial Intermediation* sector posted a higher growth of 5.5 per cent compared to 4.3 per cent in the previous year, mainly driven by relatively high growth rate in *'Banks'*. The *Hotels and Restaurants*, *Wholesale and distributive trade* and *Transport, storage and communications* sectors recorded positive, albeit lower growth rates in 2011 compared to 2010. Both *Hotels and Restaurants* and *Wholesale and distributive trade* sectors grew at 3.5 per cent in 2011, following growth rates of 6.0 per cent and 4.3 per cent, respectively, in 2010. The *Transport, storage and communications* sector grew by 4.9 per cent in 2011 compared to 5.4 per cent in 2010 while growth in *Real estate, renting and business activities* was unchanged at 6.3 per cent in 2011. The *Construction* sector contracted by 2.0 per cent in 2011, in contrast to growth of 4.2 per cent in the previous year, as a result of the completion of major projects.

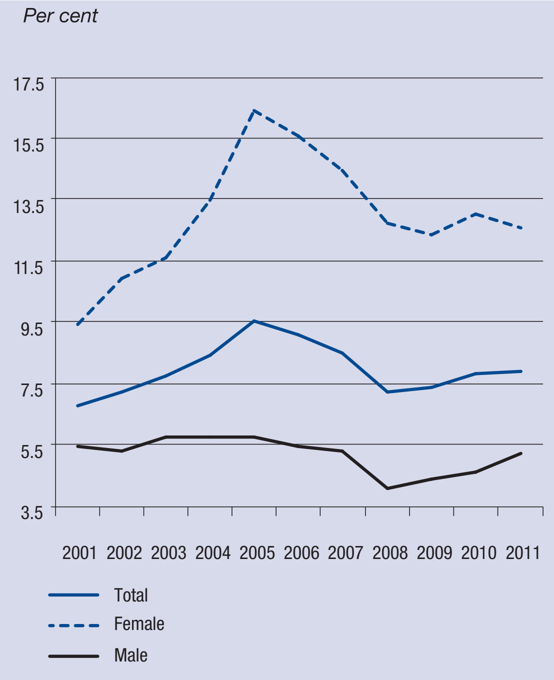
The domestic economy remains vulnerable to global economic and financial developments. According to the forecasts made by Statistics Mauritius in September 2012, the economy is expected to grow by 3.2 per cent in 2012.

LABOUR MARKET

Labour market conditions were broadly unchanged in 2011-12 compared to the previous year. The labour force in Mauritius increased from 577,600 in 2011Q2 to 597,200 in 2012Q2. Employment followed a similar pattern, increasing from 531,400 in 2011Q2 to 548,300 in 2012Q2. The unemployment rate rose from 8.0 per cent in 2011Q2 to 8.2 per cent in 2012Q2. On a seasonally-adjusted basis, the unemployment rate stood at 7.7 per cent in 2012Q2 compared to 7.5 per cent in 2011Q2.

Male unemployment rate increased from 4.6 per cent in 2010 to 5.2 per cent in 2011 while female unemployment rate fell from 13.0 per cent to 12.5 per cent over the same period. Chart 4.1 shows the unemployment rate from 2001 to 2011.

Chart 4.1: Unemployment Rate



Source: Statistics Mauritius

Unemployment in Mauritius is mainly of structural nature, with persistent skills mismatch, and is currently characterised by: (i) relatively higher female unemployment; (ii) a high proportion of youth unemployment, in particular those aged less than 25 years; (iii) a high proportion of the unemployed without the Certificate of Primary Education, vocational or technical training.

Table 4.2: Main Labour Market Indicators

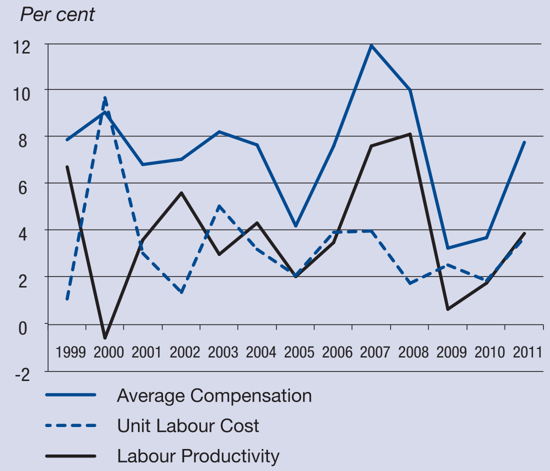
	2011Q2	2012Q2[1]	Change
Labour force	577,600	597,200	19,600
Employment	531,400	548,300	16,900
Unemployment	46,200	48,900	2,700
Unemployment rate (%)	8.0	8.2	0.2
Seasonally adjusted Unemployment rate (%)	7.5	7.7	0.2

[1] *Provisional*
Source: Statistics Mauritius

Unit Labour Cost and Productivity

In 2011, the unit labour cost for the whole economy increased by 3.9 per cent compared to an increase of 1.8 per cent in 2010. The average wage rate index in 2011 increased by 4.4 points to 144.5 compared to an increase of 8.1 points in 2010. Wage rates increased across major industry groups. Labour productivity, defined as the ratio of real output to labour input, grew by 3.7 per cent in 2011 compared to 1.9 per cent in 2010. Capital productivity, defined as the ratio of real output to the stock of fixed capital used in the production process, contracted by 0.8 per cent in both 2010 and 2011. Multifactor productivity grew by a marginal 0.1 per cent in 2011 as against zero growth recorded in 2010. Chart 4.2 shows the growth rates of average compensation, unit labour cost and labour productivity for the total economy for the years 1999 through 2011.

Chart 4.2: Growth Rates of Average Compensation, Unit Labour Cost and Labour Productivity – Total Economy



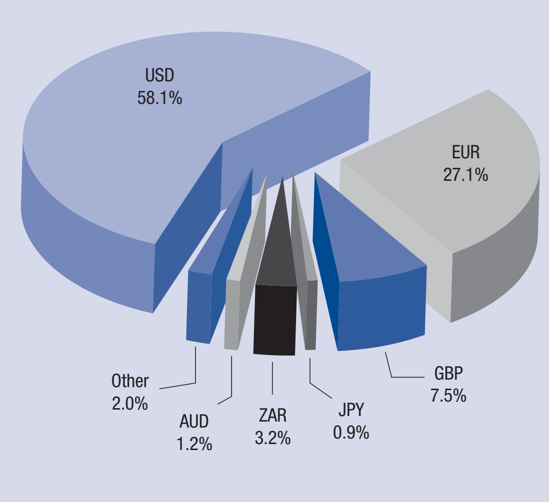
Source: Statistics Mauritius

FINANCIAL MARKETS DEVELOPMENTS

Domestic Foreign Exchange Market

Turnover on the domestic interbank foreign exchange market (comprising spot and forward transactions but excluding transactions with the Bank of Mauritius) increased by 16.4 per cent, from an equivalent of US$6,450 million in 2010-11 to an equivalent of US$7,506 million in 2011-12. Transactions of US$30,000 and above, or their equivalent in other foreign currencies (termed Dealt Transactions) accounted for 85 per cent of total turnover and increased by 14.5 per cent, from US$5,567 million to US$6,376 million, over the same period. Chart 4.3 shows the currency composition for dealt spot transactions in 2011-12.

Chart 4.3: Banks' Dealt Transactions: Turnover by Currency



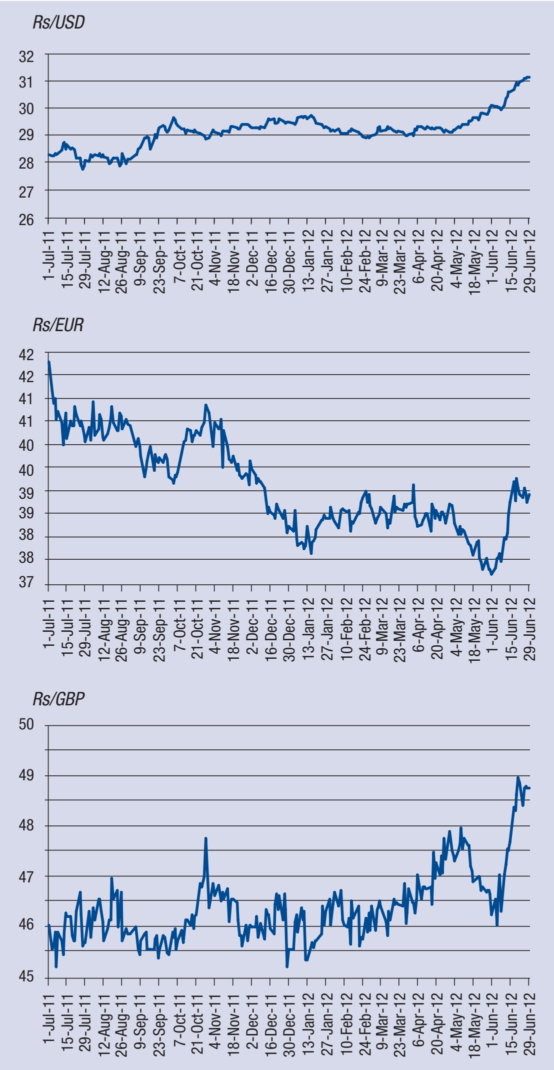
Source: Financial Markets Analysis Division.

The exchange rate of the rupee reflected international exchange rate movements as well as demand and supply conditions on the domestic foreign exchange market. On a point-to-point consolidated indicative selling basis, between end-June 2011 and end-June 2012, the rupee depreciated against the US dollar, Pound sterling and Japanese yen by 8.3 per cent, 5.2 per cent and 9.5 per cent, respectively, but appreciated vis-à-vis the euro by 5.8 per cent.

On a nominal effective basis, the rupee depreciated between end-June 2011 and end-June 2012. MERI1, which uses the currency distribution of trade as weights, depreciated by 2.6 per cent while MERI2, which uses the currency distribution of trade combined with the currency distribution of tourism receipts as weights, posted a depreciation of 2.1 per cent.

Chart 4.4 shows the evolution of the weighted average daily dealt ask rates of the rupee against major currencies in 2011-12 while Table 4.3 shows the exchange rate of the Mauritian rupee vis-à-vis major trading partner currencies.

Chart 4.4: Weighted Average Daily Dealt Ask Rates of the Rupee against Major Currencies



Source: Financial Markets Analysis Division.

Table 4.3: Exchange Rate of the Rupee vis-à-vis Major Trading Partner Currencies

Indicative Selling Rates	Average for 12 Months ended June 2011 [1]	Average for 12 Months ended June 2012 [2]	Appreciation/ (Depreciation) of Rupee between [1] & [2] *Per cent*
Australian dollar	30.125	30.732	(2.0)
Hong Kong dollar	3.926	3.833	2.4
Indian rupee (100)	67.347	59.809	12.6
Japanese yen (100)	36.712	37.933	(3.2)
Kenya shilling (100)	37.486	34.007	10.2
New Zealand dollar	23.039	23.876	(3.5)
Singapore dollar	23.577	23.667	(0.4)
South African rand	4.378	3.868	13.2
Swiss franc	31.915	33.130	(3.7)
US dollar	30.370	29.673	2.3
Pound sterling	48.251	46.975	2.7
Euro	41.337	39.718	4.1

Note: The daily average exchange rate of the Rupee is based on the consolidated indicative selling rates for T.T. & D.D. of banks.
Source: Financial Markets Analysis Division.

Local Stock Market

During the year ended 30 June 2012, the stock market posted significant losses, with the SEMDEX, SEMTRI (Rs) and SEM-7 hitting 17-month lows towards the end of 2012Q1.

The number of domestic listed companies on the Official Market of the stock exchange totalled 38 as at end-June 2012 compared to 36 as at end-June 2011. Of these, 27 were local equities and the remaining, investment companies. On the Development and Enterprise Market (DEM), the number of listed companies stood at 49 as at end-June 2012 compared to 50 a year earlier.

Market capitalisation on the Official Market stood at Rs167.9 billion as at end-June 2012 compared to Rs190.1 billion as at end-June 2011. The aggregate value of transactions in 2011-12 amounted to Rs11.5 billion for a volume of 176.7 million shares traded, compared to an aggregate value of Rs10.3 billion for a volume of 152.3 million shares traded a year earlier.

During 2011-12, foreign investors disinvested from the local stock market to the tune of Rs704 million. On the Official Market, purchases by foreign investors amounted to Rs5,777.6 million while sales amounted to Rs6,508.0 million, resulting in a net disinvestment of Rs730.4 million, compared to net investment of Rs909.5 million in 2010-11. On the DEM, foreigners purchased and sold Rs125.6 million and Rs99.8 million, respectively, that is, a net investment of Rs25.8 million compared to net investment of Rs44.0 million in 2010-11.

PRICE DEVELOPMENTS

The course of domestic inflation in 2011-12 was influenced by international commodity prices, exchange rate developments and administrative measures. After increasing at a sustained pace since July 2010, headline inflation - measured by the change in the average Consumer Price Index (CPI) over a twelve-month period compared with the corresponding previous twelve-month period - turned around in December 2011 as base effects dropped out. Headline inflation maintained its downward momentum in 2012H1 to reach 5.1 per cent in June 2012, reflecting subdued externally-generated inflationary pressures. Y-o-y inflation, defined as the change in the CPI for a given month compared with the corresponding month of the preceding year, eased to 6.0 per cent in October 2011 before surging to 7.0 per cent in November 2011 on account of the one-off increase in excise duties on alcoholic beverages and cigarettes. However, y-o-y inflation receded to 4.8 per cent in December 2011 as base effects faded and remained at moderate levels in the 2012H1. Y-o-y inflation stood at 3.9 per cent as at end-June 2012.

Overall, the CPI increased by 5.0 points, or 3.9 per cent, from 127.8 in June 2011 to 132.8 in June 2012. The main contributors to the CPI increase were ‘Alcoholic beverages and tobacco’ (2.1 index points), followed by ‘Food and non-alcoholic beverages’ (0.9 index point), ‘Housing, water, electricity, gas and other fuels’ (0.7 index point), ‘Restaurants and hotels’ (0.4 index point), ‘Clothing and footwear’ (0.3 index point), ‘Furnishings, household equipment and routine household maintenance (0.3 index point), ‘Recreation and Culture’ (0.2 index point), ‘Health’ (0.1 index point), ‘Education’ (0.1 index point) and ‘Miscellaneous goods and services’ (0.1 point). These increases were partially offset by a decline of 0.1 index point in both the ‘Transport’ and ‘Communication’ divisions.

Core Inflation

The underlying measures of inflation, CORE1[1], CORE2[2] and TRIM10[3], also continued to gain some momentum before subsiding as from December 2011. CORE1 inflation rose from 4.8 per cent in June 2011 to peak at 6.1 per cent in November 2011 before edging down to 6.0 per cent in December 2011 and further to 4.4 per cent in June 2012. CORE2 inflation rose from 4.3 per cent in June 2011 to a high of 4.9 per cent in November 2011 and declined subsequently to 3.6 per cent in June 2012. TRIM10 inflation increased from 4.7 per cent in June 2011 to 5.5 per cent in November 2011 before trending downwards to reach 3.6 per cent in June 2012.

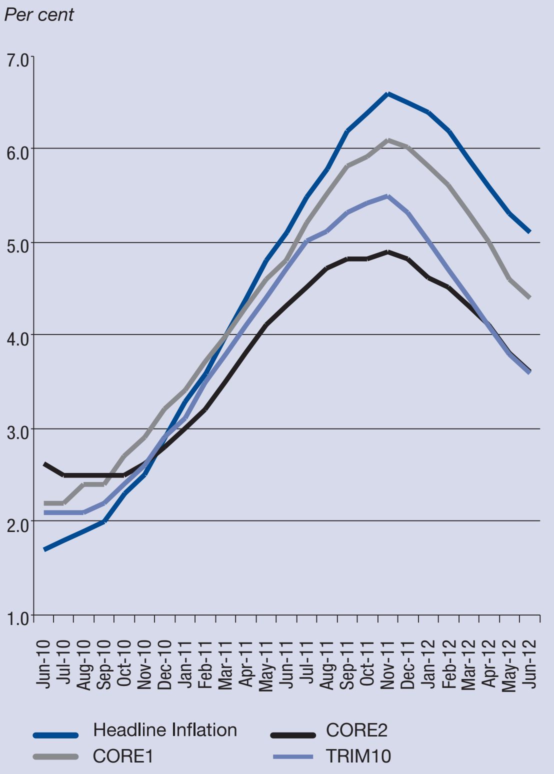
On a y-o-y basis, CORE1 inflation fell from 5.9 per cent in June 2011 to 3.8 per cent in December 2011 and further to 3.1 per cent in June 2012. CORE2 inflation also moderated from 5.3 per cent to 2.7 per cent over the same period.

Chart 4.5 shows the movements of headline inflation and the three measures of core inflation over the period June 2010 through June 2012. Chart 4.6 shows the y-o-y movements of CPI inflation and core inflation rates over the period June 2010 through June 2012.

---

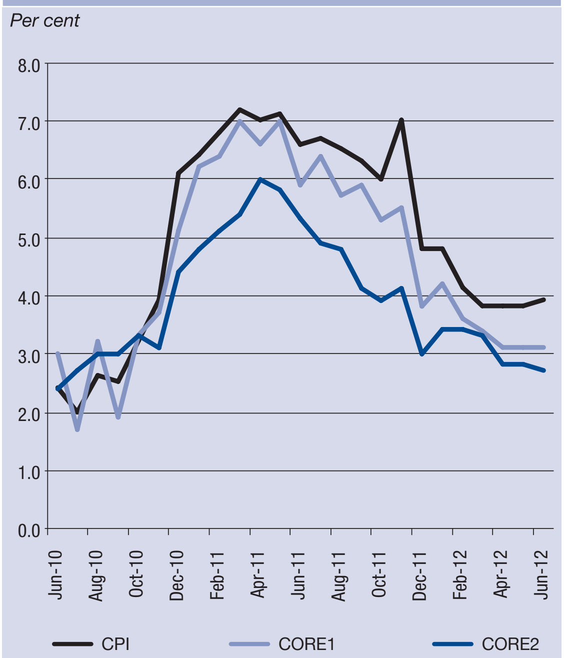
[1] *CORE1 excludes “Food, Beverages and Tobacco” components and mortgage interest on housing loan from the CPI basket.*
[2] *CORE2 excludes Food, Beverages, Tobacco, mortgage interest, energy prices and administered prices from the CPI basket.*
[3] *TRIM10 truncates 5 per cent of each tail of the distribution of price changes.*

Chart 4.5: Headline and Core Inflation



Source: Statistics Mauritius and Statistics Division, Bank of Mauritius.

Chart 4.6: CPI and Core Inflation based on Y-o-y Methodology



Source: Statistics Mauritius and Statistics Division, Bank of Mauritius.

Inflation Outlook

The risks around the most likely path for inflation reflect to some extent the risks around the global recovery, commodity price dynamics, exchange rate adjustments and demand-side pressures with the forthcoming PRB award to the public sector.

MONETARY AGGREGATES

Depository Corporations Survey

The Depository Corporations Survey (DCS) consolidates the balance sheets of the Bank of Mauritius and Other Depository Corporations (ODCs), which comprised 20 banks and 8 non-bank deposit-taking institutions as at end-June 2012.

Net foreign assets of depository corporations contracted by 10.2 per cent, from Rs394,927 million as at end-June 2011 to Rs354,770 million as at end-June 2012, as against a growth of 2.5 per cent recorded in the preceding financial year.

Domestic claims of depository corporations, including claims on Global Business Licence (GBL) holders, increased by 13.5 per cent, from Rs333,439 million as at end-June 2011 to Rs378,455 million as at end-June 2012, higher than the 6.2 per cent growth recorded in 2010-11. Net claims on budgetary Central Government contracted by 3.7 per cent, from Rs47,809 million as at end-June 2011 to Rs46,057 million as at end-June 2012, lower than the drop of 8.5 per cent recorded in 2010-11. The growth of claims on other sectors, including claims on GBL holders, accelerated to 16.4 per cent in 2011-12 compared to 9.1 per cent in the preceding financial year.

Broad Money Liabilities (BML) went up by 6.8 per cent, from Rs320,818 million as at end-June 2011 to Rs342,702 million as at end-June 2012, compared to an increase of 5.9 per cent in the preceding financial year. Among the components of BML, currency with public went up by 8.5 per cent in 2011-12, lower than the increase of 10.1 per cent registered in 2010-11; transferable deposits recorded an increase of

Table 4.4: Depository Corporations Survey

	Jun-10 (1) (Rs Mn)	Jun-11 (2) (Rs Mn)	Jun-12 (3) (Rs Mn)	Change Between (1) and (2) (Rs Mn)	(Per cent)	Change Between (2) and (3) (Rs Mn)	(Per cent)
1. Net Foreign Assets [1]	**385,176**	**394,927**	**354,770**	**9,751**	**2.5**	**-40,157**	**-10.2**
Bank of Mauritius	65,005	76,240	81,313	11,236	17.3	5,073	6.7
Other Depository Corporations	320,171	318,687	273,457	-1,484	-0.5	-45,230	-14.2
2. Domestic Claims [2]	**313,963**	**333,439**	**378,455**	**19,476**	**6.2**	**45,016**	**13.5**
A. Net Claims on Central Government	***52,272***	***47,809***	***46,057***	**-4,463**	**-8.5**	**-1,752**	**-3.7**
Bank of Mauritius	-8,507	-4,415	-5,263	4,092	-48.1	-848	19.2
Other Depository Corporations	60,778	52,223	51,319	-8,555	-14.1	-904	-1.7
B. Claims on Other Sectors [2]	***261,691***	***285,630***	***332,398***	**23,939**	**9.1**	**46,768**	**16.4**
Bank of Mauritius	133	130	118	-3	-2.2	-12	-9.1
Other Depository Corporations	261,558	285,500	332,280	23,942	9.2	46,779	16.4
3. ASSETS = LIABILITIES	**699,139**	**728,366**	**733,225**	**29,227**	**4.2**	**4,859**	**0.7**
4. Broad Money Liabilities	**302,944**	**320,818**	**342,702**	**17,874**	**5.9**	**21,884**	**6.8**
A. Currency with Public	***15,905***	***17,517***	***19,014***	**1,612**	**10.1**	**1,497**	**8.5**
B. Transferable Deposits	***72,695***	***69,323***	***74,161***	**-3,372**	**-4.6**	**4,839**	**7.0**
Bank of Mauritius	123	113	115	-10	-7.8	2	1.5
Other Depository Corporations	72,572	69,209	74,046	-3,363	-4.6	4,837	7.0
C. Savings Deposits	***92,471***	***110,211***	***119,952***	**17,740**	**19.2**	**9,741**	**8.8**
Bank of Mauritius	0	0	0	0	0.0	0	0.0
Other Depository Corporations	92,471	110,211	119,952	17,740	19.2	9,741	8.8
D. Time Deposits	***121,031***	***119,724***	***125,665***	**-1,308**	**-1.1**	**5,941**	**5.0**
Bank of Mauritius	420	216	178	-204	-48.5	-39	-17.9
Other Depository Corporations	120,611	119,507	125,487	-1,104	-0.9	5,980	5.0
E. Securities other than Shares	***842***	***4,045***	***3,910***	**3,203**	**380.5**	**-134**	**-3.3**
Bank of Mauritius	0	3,093	2,864	3,093	100.0	-229	100.0
Other Depository Corporations	842	952	1,046	110	13.0	95	10.0
5. Other	**396,195**	**407,548**	**390,523**	**11,353**	**2.9**	**-17,025**	**-4.2**

Figures may not add up to totals due to rounding.
[1] With effect from January 2010, net foreign assets of other depository corporations (ODCs) are no longer adjusted for foreign currency deposits of global business entities.
For further information, please refer to the methodological note that has been released on the Bank's website in its March 2012 Monthly Statistical Bulletin Issue.
[2] With effect from January 2010, domestic credit is no longer adjusted for claims on GBL holders.
Source: Statistics Division.

7.0 per cent as against a contraction of 4.6 per cent in 2010-11; savings deposits increased by 8.8 per cent, lower than the growth of 19.2 per cent registered in the preceding year; time deposits went up by 5.0 per cent as against a contraction of 1.1 per cent in 2010-11; and securities other than shares included in broad money fell by Rs134 million compared to an increase of Rs3,203 million in 2010-11. Table 4.4 shows the Depository Corporations Survey as at end-June 2010, 2011 and 2012.

Central Bank Survey

The Central Bank Survey (CBS) shows the components of the monetary base, which comprises the central bank liabilities that support the expansion of broad money and credit.

The monetary base increased by 8.7 per cent, from Rs42,341 million as at end-June 2011 to Rs46,016 million as at end-June 2012, compared to an expansion of 18.4 per cent in

2010-11. This expansion was mainly on account of a net redemption of Government securities in banks' portfolio and the Bank's intervention on the foreign exchange market. Of the major components of the monetary base, currency in circulation rose by 6.3 per cent, lower than the rise of 9.7 per cent recorded in 2010-11, while banks' deposits with the Bank of Mauritius increased by 11.2 per cent compared to an increase of 30.2 per cent in 2010-11.

On the sources side of the monetary base, net foreign assets of the Bank increased by 6.7 per cent, from Rs76,240 million as at end-June 2011 to Rs81,313 million as at end-June 2012, compared to a significant increase of 17.3 per cent in the previous year. Domestic claims by the Bank fell by 16.2 per cent as against a rise of 48.9 per cent in 2010-11. Net claims on Government declined, reflecting mainly the rise in Government deposits at the Bank.

Sector-wise Distribution of Banks' Credit

Credit extended by banks to the private sector grew by 10.7 per cent, from Rs216,575 million as at end-June 2011 to Rs239,760 million as at end-June 2012, compared to an increase of 9.5 per cent registered over the corresponding period of the preceding year. Average private sector credit as a percentage of GDP at market prices went up from 66.3 per cent in 2010-11 to 68.3 per cent in 2011-12. The additional credit was mainly directed towards *Construction* and *Traders*, which accounted for 52.5 per cent and 15.2 per cent of the rise in credit in 2011-12. The *Agriculture & Fishing*, *Transport*, *Personal* and *Tourism* sectors were the other major recipients of additional credit, with around 28.9 per cent of the increase channelled to them. Chart 4.7 shows the sector-wise contribution to the increase in credit to the private sector by banks in 2011-12.

Maintenance of Cash Ratio

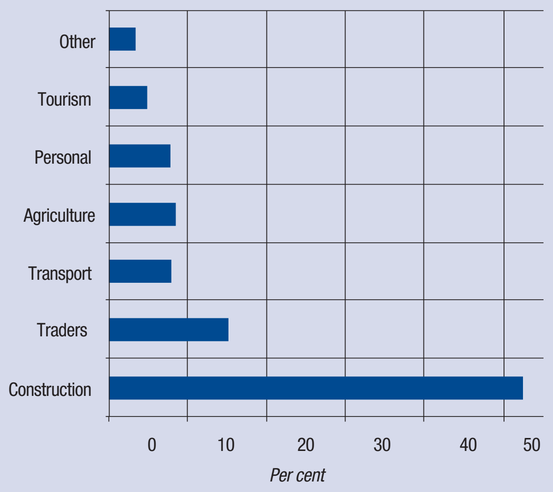
The average cash balances held by banks at the Bank of Mauritius ranged between Rs20.8-25.8 billion in 2011-12, higher than the range of Rs17.8-24.3 billion in 2010-11. The average excess reserves held by banks were in a lower range of Rs0.8-4.8 billion in 2011-12 compared to Rs1.8-6.9 billion in 2010-11. The average cash ratio fluctuated between 7.29-8.59 per cent in 2011-12 compared to 6.42-8.47 per cent in the corresponding period of the preceding year.

Table 4.5: Central Bank Survey

	Jun-10 (1) (Rs Mn)	Jun-11 (2) (Rs Mn)	Jun-12 (3) (Rs Mn)	Change Between (1) and (2) (Rs Mn)	(Per cent)	Change Between (2) and (3) (Rs Mn)	(Per cent)
1. Net Foreign Assets	**65,004.5**	**76,240.3**	**81,313.4**	**11,235.8**	**17.3**	**5,073.1**	**6.7**
Claims on Non-residents	69,064.7	80,413.9	85,262.9	11,349.2	16.4	4,849.0	6.0
Liabilities to Non-residents	4,060.2	4,173.6	3,949.5	113.4	2.8	-224.1	-5.4
2. Domestic Claims	**-7,926.6**	**-4,052.5**	**-4,708.8**	**3,874.1**	**48.9**	**-656.3**	**-16.2**
A. Net Claims on Budgetary Central Government	-8,506.6	-4,414.9	-5,262.7	4,091.7	48.1	-847.8	-19.2
B. Claims on Other Sectors	133.1	130.3	118.4	-2.8	-2.1	-11.9	-9.1
C. Claims on Other Depository Corporations	446.9	232.1	435.5	-214.8	-48.1	203.4	87.6
3. ASSETS = LIABILITIES	**57,077.9**	**72,187.8**	**76,604.6**	**15,109.9**	**26.5**	**4,416.8**	**6.1**
4. Monetary Base	**35,751.6**	**42,340.9**	**46,015.6**	**6,589.3**	**18.4**	**3,674.7**	**8.7**
A. Currency in Circulation	18,649.4	20,453.8	21,745.5	1,804.4	9.7	1,291.7	6.3
B. Liabilities to Other Depository Corporations	16,559.3	21,557.3	23,977.4	4,998.0	30.2	2,420.1	11.2
C. Deposits Included in Broad Money	542.9	329.8	292.7	-213.1	-39.3	-37.1	-11.2
5. Securities other than Shares Included in Broad Money	**0.0**	**3,093.0**	**2,863.7**	**3,093.0**	**0.0**	**-229.3**	**-7.4**
6. Other	**21,326.3**	**26,753.9**	**27,725.3**	**5,427.6**	**25.5**	**971.4**	**3.6**

Figures may not add up to totals due to rounding.
Source: Statistics Division.

Chart 4.7: Distribution of the Increase in Bank Credit to the Private Sector in 2011-12



Source: Statistics Division.

Interest Rates

During 2011-12, all banks in general adjusted their deposit and lending rates in line with the changes in the KRR, which was reduced by 10 basis points and 50 basis points, respectively, on 5 December 2011 and 19 March 2012.

In 2011-12, the savings deposits rate and Prime Lending Rate were within a range of 3.00-4.25 per cent and 7.00-9.00 per cent, respectively, compared to a range of 3.00-4.75 per cent and 7.05-9.00 per cent in the preceding financial year.

The weighted average lending rate of banks dropped from a peak of 9.66 per cent as at end-August 2011 to reach 8.57 per cent as at end-April 2012 before closing at 8.53 per cent as at end-June 2012. Table 4.6 shows the movements of interest rates during 2011-12.

EXTERNAL TRADE AND BALANCE OF PAYMENTS

The current account deficit widened in 2011-12, reflecting the impact of the global economic slowdown as well as domestic factors. Inclusive of cross-border transactions of GBC1s, the current account posted a deficit of Rs40,065 million compared to a shortfall of Rs31,187 million in 2010-11. The current account deficit represented 12.1 per cent of GDP at market prices in 2011-12 compared to 10.0 per cent in 2010-11.

Table 4.6: Other Interest Rates

(Per cent per annum)

	Prime Lending Rate	Interest Rate on Rupee Savings Deposits with Banks	Interest Rate on Rupee Term Deposits with Banks	Interest Rate on Rupee Loans and Advances by Banks	Weighted Average Rupee Deposits Rate of Banks	Weighted Average Rupee Lending Rate of Banks
2011						
Jul	7.50-9.00	3.50-4.25	3.00-16.50	4.70-19.75	4.37	9.65
Aug	7.50-9.00	3.50-4.25	3.00-16.50	4.00-19.75	4.33	9.66
Sep	7.50-9.00	3.50-4.25	3.00-16.50	4.00-19.75	4.34	9.33
Oct	7.50-9.00	3.50-4.25	3.00-16.50	4.00-19.75	4.34	9.32
Nov	7.50-9.00	3.50-4.25	3.00-16.50	4.00-19.55	4.32	9.27
Dec	7.50-9.00	3.50-4.25	3.00-16.50	4.00-19.57	4.29	9.20
2012						
Jan	7.50-9.00	3.50-4.25	3.00-16.50	4.00-19.57	4.15	9.09
Feb	7.50-9.00	3.50-4.25	3.00-16.50	4.00-19.57	4.13	9.06
Mar	7.40-9.00	3.00-4.15	2.40-16.55	3.65-19.35	3.86	8.96
Apr	7.00-9.00	3.00-3.65	2.25-16.55	3.65-19.25	3.80	8.57
May	7.00-8.50	3.00-3.65	2.25-16.55	3.55-19.25	3.82	8.59
Jun	7.00-8.50	3.00-3.65	2.00-16.55	3.65-19.25	3.66	8.53

Source: Statistics Division.

The merchandise trade deficit deteriorated considerably during 2011-12 to reach Rs71,297 million, owing to higher imports coupled with subdued export growth against the background of a slowdown in global demand. Imports *f.o.b* rose by 10.9 per cent to Rs149,457 million while exports *f.o.b* increased by 5.7 per cent to Rs78,160 million in 2011-12.

Services, Income and Current Transfers

Despite the challenges in global market conditions, services exports - in particular net travel receipts - sustained their growth momentum in 2011-12. Net services exports earnings stood at Rs27,453 million in 2011-12, representing an increase of 18.9 per cent y-o-y. This higher surplus reflected mainly a rise in gross tourism receipts of 9.8 per cent, from Rs40,951 million in 2010-11 to Rs44,961 million in 2011-12.

The income account, inclusive of cross-border transactions of GBC1s, witnessed a turnaround in 2011-12 and posted net inflows of Rs148 million. The rise in net inflows of portfolio investment income in 2011-12, which offset the increase in net outflows of direct investment income and other investment income, contributed to the improvement in the income account. The surplus on current transfers account fell to Rs3,631 million in 2011-12 as a result of the lower net inflows on private transfers.

Capital and Financial Account

The capital and financial account, inclusive of reserve assets, posted lower net inflows of Rs39,793 million in 2011-12 compared to Rs55,619 million recorded in the prevoius year.

Direct investment, inclusive of GBC1s cross-border transactions, recorded net inflows of Rs429,996 million in 2011-12. Excluding cross-border transactions of GBC1s, non-residents' direct investment in Mauritius, net of repatriation, amounted to Rs6,939 million in 2011-12 compared to Rs10,005 million in 2010-11. Residents' direct investment abroad, net of repatriation, and excluding cross-border transactions of GBC1s, increased to Rs2,713 million in 2011-12 compared to Rs2,589 million in 2010-11.

On a gross basis, Mauritius attracted Rs8,636 million by way of foreign direct investment in 2011-12, lower than the figure of Rs10,599 million recorded in the preceding year. Foreign direct investment was mainly channelled into the '*Real Estate activities*' sector to the tune of Rs4,704 million, of which *IRS/RES/IHS* accounted for Rs3,783 million. The financial and insurance activities sector attracted foreign direct investment of Rs1,478 million.

Portfolio investment, inclusive of GBC1s cross-border transactions, posted higher net outflows of Rs401,384 million in 2011-12 compared to Rs292,232 million registered in 2010-11. On the assets side, excluding GBC1s, there were net outflows of Rs363 million as against net inflows of Rs5,167 million in the previous year. The rise in portfolio assets, mainly in the form of equity, can be explained by the increasing interest of residents to invest abroad. On the liabilities side, net inflows of Rs5,551 million were recorded, indicating purchase of equities by foreigners on the Stock Exchange of Mauritius.

'Other investment' account recorded net inflows of Rs14,014 million in 2011-12 as against net outflows of Rs92,497 million in 2010-11. The Government sector registered net inflows of Rs2,392 million in 2011-12 on account of external long-term debt disbursements of Rs3,189 million and capital repayments of Rs796 million. This compares to net inflows of Rs9,249 million in 2010-11. Loan disbursements to public corporations amounted to Rs4,486 million while capital repayments totalled Rs1,165 million, thus resulting in net inflows of Rs3,321 million in 2011-12 as against net outflows of Rs580 million during 2010-11. 'Private long-term capital' recorded net outflows of Rs1,607 million in 2011-12 as against net inflows of Rs1,968 million during the preceding year.

Table 4.7: Balance of Payments Summary

	2006-07	2007-08	2008-09	2009-10	2010-11 [1]	2011-12 [2]
	(Rs million)					
Current Account	**-17,415**	**-22,232**	**-24,771**	**-24,655**	**-31,187**	**-40,065**
Goods	**-38,008**	**-55,313**	**-48,633**	**-55,600**	**-60,863**	**-71,297**
Exports *f.o.b.*	72,840	67,673	66,926	64,469	73,943	78,160
Imports *f.o.b.*	110,848	122,986	115,559	120,069	134,806	149,457
Imports *c.i.f.*	117,797	130,671	123,300	127,417	141,641	156,231
Services	**14,069**	**20,626**	**17,000**	**22,031**	**23,090**	**27,453**
Income	**3,499**	**8,340**	**689**	**2,328**	**-151**	**148**
Current Transfers	**3,025**	**4,115**	**6,173**	**6,586**	**6,737**	**3,631**
Capital and Financial Account	**13,727**	**12,813**	**14,397**	**12,706**	**55,619**	**39,793**
Capital Account	**-50**	**-49**	**-16**	**-169**	**-58**	**-141**
Financial Account	**13,777**	**12,862**	**14,413**	**12,875**	**55,677**	**39,934**
Direct Investment	7,084	6,243	10,730	7,863	448,805	429,996
Portfolio Investment	2,949	-3,219	-4,662	-4,672	-292,232	-401,384
Other Investment	10,347	18,947	10,829	19,378	-92,497	14,014
Reserve Assets	-6,603	-9,110	-2,484	-9,694	-8,399	-2,692
Net Errors and Omissions	**3,688**	**9,419**	**10,374**	**11,949**	**-24,432**	**272**
	(US$ million)					
Current Account	**-536**	**-773**	**-788**	**-797**	**-1,055**	**-1,379**
Goods	**-1,170**	**-1,922**	**-1,548**	**-1,797**	**-2,060**	**-2,455**
Exports *f.o.b.*	2,241	2,352	2,130	2,083	2,502	2,691
Imports *f.o.b.*	3,411	4,274	3,678	3,880	4,562	5,146
Imports *c.i.f.*	3,625	4,541	3,924	4,117	4,793	5,379
Services	**433**	**717**	**541**	**712**	**781**	**945**
Income	**108**	**290**	**22**	**75**	**-5**	**5**
Current Transfers	**93**	**143**	**196**	**213**	**228**	**125**
Capital and Financial Account	**422**	**445**	**458**	**411**	**1,882**	**1,370**
Capital Account	**-2**	**-2**	**-1**	**-5**	**-2**	**-5**
Financial Account	**424**	**447**	**459**	**416**	**1,884**	**1,375**
Direct Investment	218	217	341	254	15,187	14,804
Portfolio Investment	91	-112	-148	-151	-9,889	-13,819
Other Investment	318	659	345	626	-3,130	482
Reserve Assets	-203	-317	-79	-313	-284	-93
Net Errors and Omissions	**113**	**327**	**330**	**386**	**-827**	**9**

1 Provisional [2] Estimates.

Notes : (a) Import data for 2006-07 are inclusive of import of aircrafts (Rs6,700 million).
(b) Export data for 2006-07 are inclusive of sale of aircraft (Rs465 million).
(c) Import data for 2007-08 are inclusive of import of aircrafts (Rs3,700 million).
(d) Import data for 2008-09 are inclusive of import of ships (Rs583 million).
(e) Import data for 2009-10 are inclusive of import of aircrafts (Rs2,862 million).
(f) As from 2005-06, income data include interest income of banks.
(g) As from calendar year 2010, balance of payments includes cross-border transactions of GBC1s and are not strictly comparable with prior data.

Source: Statistics Division

Gross Official International Reserves

The gross official international reserves of the country, made up of the gross foreign assets of the Bank, the foreign assets of the Government and the country's Reserve Position in the IMF, increased from Rs81,507 million as at end-June 2011 to Rs86,671 million as at end-June 2012. The gross foreign assets of the Bank increased from Rs80,254 million as at end-June 2011 to Rs85,089 million as at end-June 2012 while the reserve position in the Fund went up by Rs329 million to Rs1,582 million as at end-June 2012. Based on the value of imports of goods, *f.o.b.*, and non-factor services for the year 2011, the level of gross official international reserves as at end-June 2012 represented 4.9 months of imports compared to 4.6 months as at end-June 2011.

Table 4.8 shows the monthly level of gross official international reserves of the country during 2011-12.

Table 4.8: Gross Official International Reserves

(Rs million)

	Bank of Mauritius Gross Foreign Assets	Foreign Assets of the Government	Reserve Position in the IMF	Gross Official International Reserves
2011				
July	79,048	0.1	1,268	80,316
Aug	79,496	0.2	1,282	80,778
Sep	78,694	0.1	1,366	80,060
Oct	81,231	0.1	1,375	82,606
Nov	77,630	0.2	1,369	78,999
Dec	80,054	0.2	1,420	81,474
2012				
Jan	79,997	0.2	1,425	81,422
Feb	79,906	0.2	1,443	81,349
Mar	79,369	0.1	1,452	80,821
Apr	78,995	0.1	1,462	80,457
May	78,081	0.2	1,463	79,544
Jun	85,089	0.1	1,582	86,671

Source: Statistics Division

GOVERNMENT FINANCE

Revenue and Expense of the budgetary central Government amounted to Rs69,223.2 million and Rs70,937.5 million, respectively, in 2011. The gross operating deficit, defined as Revenue minus Expense other than consumption of fixed capital, stood at Rs1,714.3 million. The budget deficit for 2011 amounted to Rs10,346.8 million, representing 3.2 per cent of GDP at market prices, unchanged from the previous year.

Government Revenue and Expense

Revenue totalled Rs69,223.2 million in 2011 and, as a percentage of GDP at market prices, stood at 21.4 per cent compared to 21.9 per cent in 2010. The share of Taxes, which amounted to Rs59,180.3 million, in Revenue was 85.5 per cent. 'Other Revenue', amounting to Rs6,678.0 million, was the second major source of revenue. The other components of Revenue were Grants (Rs2,344.5 million) and Social Contributions (Rs1,020.4 million).

Table 4.9: Government Revenue and Expense

(Rs million)

	2010	2011	2012[1]
Revenue	65,479.5	69,223.2	76,880.0
Taxes	55,209.1	59,180.3	64,836.0
Social Contributions	1,008.2	1,020.4	1,100.0
Grants	1,991.0	2,344.5	3,408.0
Other Revenue	7,271.2	6,678.0	7,536.0
Expense	66,983.2	70,937.5	76,126.0
Compensation of Employees	17,541.0	18,001.4	19,809.0
Use of Goods and Services	6,149.6	6,194.6	7,616.0
Interest	10,261.9	9,629.2	11,440.0
Internal	9,898.6	9,192.7	10,650.0
External	363.3	436.5	790.0
Subsidies	979.1	1,141.9	1,265.0
Grants	15,428.7	19,284.2	15,626.0
Social Benefits	13,539.8	14,364.4	15,885.0
Other Expense	3,083.0	2,321.8	3,185.0
Contingencies	0.0	0.0	1,300.0

[1] As per PBB Estimates 2012.
Notes: (i) The figures have been compiled using the IMF's GFS Manual 2001.
(ii) Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

Expense totalled Rs70,937.5 million in 2011, representing 21.9 per cent of GDP at market prices compared to 22.4 per cent in 2010. Grants amounted to Rs19,284.2 million and accounted for the largest share of Expense (27.2 per cent).

Table 4.9 gives details on Government Revenue and Expense for the years 2010, 2011 and 2012.

Budgetary Central Government Operations

Budgetary central Government gross operating deficit, which represents the shortfall of Revenue relative to Expense, stood at Rs1,714.3 million in 2011. The budget deficit amounted to Rs10,346.8 million, corresponding to 3.2 per cent of GDP at market prices, unchanged from the previous year. Government borrowing requirement amounted to Rs13,147.7 million in 2011, representing 4.1 per cent of GDP at market prices. It was financed by external borrowing to the tune of Rs5,564.2 million while domestic financing amounted to Rs7,583.5 million.

Table 4.10 provides details about budgetary central Government operations for the years 2010, 2011 and 2012.

2012 Budget

The 2012 Budget highlighted four main objectives namely: (i) setting the basis for strong growth; (ii) riding out the crisis; (iii) improving social protection; and (iv) fiscal reform. For the first time, a timetable for the implementation of the measures announced in the budget was published, with the aim of having a better and more effective public administration. The budget deficit was projected at Rs13,591 million in 2012 (representing 3.8 per cent of GDP at market prices) while the borrowing requirement of Government would amount to Rs15,622 million.

Public Sector Debt

Public sector debt increased by 9.8 per cent, from Rs173,681 million as at end-June 2011 to Rs190,650 million as at end-June 2012.

Table 4.10: Statement of Budgetary Central Government Operations

(Rs million)

		2010	2011	2012[1]
1.	Revenue	65,479.5	69,223.2	76,880.0
2.	Expense	66,983.2	70,937.5	76,126.0
3.	Gross Operating Balance (1-2)	-1,503.7	-1,714.3	754.0
4.	Net Acquisition of Non-Financial Assets	8,076.1	8,632.5	14,345.0
5.	Net Lending (+)/ Borrowing (-): Budget Balance	-9,579.8	-10,346.8	-13,591.0
6.	*Net Lending (+)/ Borrowing (-) as a % of GDP*	*-3.2%*	*-3.2%*	*-3.8%*
7.	Net Acquisition of Financial Assets	558.3	2,992.1	2,901.0
8.	Net Incurrence of Liabilities	10,138.1	13,338.9	16,492.0
9.	Adjustment for difference in cash and accrual	449.8	191.2	870.0
10.	Borrowing Requirements	9,688.3	13,147.7	15,622.0
	Borrowing Requirements as a % of GDP	*3.2%*	*4.1%*	*4.4%*
	Domestic	4,252.3	7,583.5	8,315.0
	Foreign	5,436.0	5,564.2	7,307.0
	Memo item:			
	Primary Balance	682.1	-717.6	-2,151.0
	Primary Balance as a % of GDP	*0.2%*	*-0.2%*	*-0.6%*

[1] As per PBB Estimates 2012.
Notes: (i) The figures have been compiled using the IMF's GFS Manual 2001.
(ii) Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

As a percentage of GDP at market prices, total public sector debt increased by 1.6 percentage points to 57.2 per cent. Table 4.11 provides details on public sector debt.

Budgetary Central Government Debt

As at end-June 2012, total budgetary central Government debt stood at Rs169,397.0 million, representing an increase of 9.0 per cent from its end-June 2011 level. As a percentage of GDP at market prices, central Government debt went up from 49.8 per cent as at end-June

2011 to 50.9 per cent as at end-December 2011 before declining to 50.8 per cent as at end-June 2012.

Government Domestic Debt

Budgetary central Government domestic debt increased by Rs9,934 million, or 7.7 per cent, from Rs129,803 million as at end-June 2011 to Rs139,737 million as at end-June 2012. The share of short-term domestic debt (by original maturity) to total Government domestic debt decreased from 26.0 per cent to 22.8 per cent, while the share of medium- and long-term domestic debt increased from 74.0 per cent to 77.2 per cent over the same period. Table 4.12 shows the evolution of budgetary central Government domestic debt by obligation.

Government External Debt

Budgetary central government external debt went up from Rs25,344 million as at end-June 2011 to Rs29,370 million as at end-June 2012. As a percentage of GDP at market prices, Government external debt increased from 8.1

Table 4.11: Public Sector Debt *(Rs million)*

		Dec-10	Jun-11	Dec-11	Jun-12 *Provisional*
1.	**Short-term Domestic Obligations [1]**	**33,909**	**33,753**	**36,067**	**31,835**
	o/w: Treasury Bills	31,809	31,453	31,820	31,835
2.	**Medium-term Domestic Obligations [1]**	**44,049**	**41,973**	**42,632**	**43,637**
	o/w: Treasury Notes	44,023	41,943	42,611	43,616
3.	**Long-term Domestic Obligations [1]**	**50,599**	**54,077**	**58,519**	**64,264**
	o/w: MDLS/Government of Mauritius Bonds	29,631	31,337	34,565	36,590
	Five-Year Government of Mauritius Bonds	20,967	22,740	23,954	27,674
4.	**Domestic Central Government Debt (1+2+3)**	**128,557**	**129,803**	**131,049**	**133,541**
		(43.0)	*(41.5)*	*(42.5)*	*(41.9)*
5.	**External Central Government Debt**	**22,287**	**25,344**	**26,992**	**29,370**
		(7.5)	*(8.1)*	*(8.4)*	*(8.8)*
	(a) Foreign Loans	22,181	25,323	26,709	28,525
	(b) Foreign Investment in Government Securities	106	21	283	845
6.	**Extra Budgetary Unit Domestic Debt**	**109**	**108**	**105**	**105**
7.	**Extra Budgetary Unit External Debt**	**225**	**208**	**191**	**185**
8.	**Local Government Domestic Debt**	**4**	**4**	**3**	**2**
9.	**Public Enterprise Domestic Debt**	**11,639**	**10,682**	**9,609**	**10,374**
10.	**Public Enterprise External Debt**	**8,691**	**7,533**	**11,173**	**10,877**
11.	**Domestic Public Sector Debt**	**140,308**	**140,596**	**146,936**	**150,218**
		(47.0)	*(45.0)*	*(45.5)*	*(45.1)*
12.	**External Public Sector Debt**	**31,203**	**33,085**	**38,356**	**40,432**
		(10.6)	*(11.9)*	*(12.1)*	*(10.8)*
13.	**Total Public Sector Debt (11+12)**	**171,511**	**173,681**	**185,292**	**190,650**
		(57.4)	(55.6)	(57.3)	(57.2)

[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.

Source: Financial Markets Analysis Division, Bank of Mauritius; Ministry of Finance and Economic Development, Government of Mauritius.

Table 4.12: Budgetary Central Government Domestic Debt by Obligation					*(Rs million)*
	Dec-10	**Jun-11**	**Dec-11**	**Jun-12**	**Change Between End-Jun-11 & End-Jun-12**
Short-term Obligations (1)	**33,909**	**33,753**	**36,067**	**31,835**	**(1,918)**
Treasury Bills	31,809	31,453	31,820	31,835	382
Other	2,100	2,300	4,246	0	(2,300)
Medium- and Long-term Obligations (2)	**94,648**	**96,050**	**101,152**	**107,901**	**11,852**
MDLS/GoM Bonds	29,631	31,337	34,565	36,590	5,253
Five-Year GoM Bonds	20,967	22,740	23,954	27,674	4,934
Treasury Notes	44,023	41,943	42,611	43,616	1,673
Other	27	30	21	21	(9)
Central Government Domestic Debt (1+2)	**128,557**	**129,803**	**137,218**	**139,737**	**9,934**

Figures may not add up to totals due to rounding.
Source: Financial Markets Analysis Division, Bank of Mauritius; Ministry of Finance and Economic Development, Government of Mauritius.

per cent to 8.8 per cent over the same period. Tables 4.13 and 4.14 show the evolution of budgetary central Government external debt by original maturity and by interest rate structure, respectively.

The currency composition of Government external debt as at end-June 2012 remained dominated by the US dollar and euro, with respective shares of 41.9 per cent and 35.3 per cent.

Table 4.13: Government External Debt by Original Maturity				*(Rs million)*
	Dec-10	Jun-11	Dec-11	Jun-12 *Provisional*
External Government Debt	22,287	25,344	26,992	29,370
Short- and medium-term	106	15	273	820
Long-term	22,181	25,329	26,719	28,550

Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

Table 4.14: Government External Debt by Interest Rate Structure					*(Per cent)*
	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12 *Provisional*
Fixed Rate	44.4	34.1	29.2	27.6	28.3
Floating Rate	50.6	62.3	65.8	67.6	66.8
Interest-Free	5.0	3.6	5.1	4.8	4.8

Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

MONETARY POLICY

At its September 2011 meeting, the MPC noted that global economic activity had deteriorated and global output growth was expected to recover more slowly than had previously been anticipated due to increased uncertainty. The growth forecast of major advanced economies was also trimmed down. Meanwhile, global commodity prices had eased to more reasonable levels since the June 2011 MPC meeting. In Mauritius, the underlying growth momentum had remained broadly positive, with a notable improvement registered in *Manufacturing* growth, which was led by strong activity in the '*Textile*' and

'Other manufacturing' sub-sectors. Household consumption expenditure growth had decelerated, underlining the loss in output growth momentum. Gross domestic fixed capital formation had declined as a result of a significant fall in '*Building and construction work'*, reflecting mainly weakening non-residential investment.

The risks to the growth outlook were seen to have increased in light of developments in the global economy. In contrast, the risks associated with the inflation outlook had evolved slightly more favourably, reflecting a gradual moderation in global commodity prices. However, underlying inflationary pressures still persisted. The MPC, considering it important to anchor inflation expectations and minimise the risk of second-round effects, unanimously voted to keep the KRR unchanged at 5.50 per cent.

At its meeting on 5 December 2011, the MPC observed that the euro area sovereign debt crisis had intensified since its previous meeting, raising fears of recession in the euro area and amplifying the downside risks to global growth. On the domestic front, available data at the time of the MPC meeting suggested that domestic economic activity had been relatively resilient. However, the outlook was increasingly clouded by growing global uncertainty. MPC members expressed concerns about the decline in business and consumer confidence and observed that household consumption growth had waned, while private investment growth had stagnated. With regard to inflation, the MPC noted a decline in externally-generated inflationary pressures. The negative output gap was expected to close at a slower pace than previously estimated because of the adverse developments in the global economy. This, coupled with tame monetary aggregates, supported the view that inflation risks emanating from domestic demand would remain relatively muted. Weighing the balance of risks, the MPC unanimously voted to cut the KRR by 10 basis points to 5.40 per cent.

At the MPC meeting on 19 March 2012, much of the funding pressure experienced by banks in Europe had been alleviated by the introduction of the ECB's Long-Term Refinancing Operations. Furthermore, data releases in the US had pointed towards some improvement in the economy. Although the global economy remained weak, commodity prices had stabilised amidst expectations that they might rise again. The domestic economy had appeared resilient. The MPC observed that the global backdrop had reduced the risks to the domestic growth outlook although they remained skewed to the downside. Inflationary pressures had receded but the MPC acknowledged increased upside risks to the inflation outlook from rising commodity prices. The MPC concurred that a cut in the KRR was warranted, but was divided with regard to the magnitude of the decrease. After a second round of voting, the Committee voted with a majority of 5-4 to cut the KRR by 50 basis points to 4.90 per cent.

The last MPC meeting for the financial year 2011-12 was held on 11 June 2012. The MPC noted that since its March 2012 meeting, risks to the global growth outlook had intensified amid growing uncertainty about the deepening euro area crisis. Along with advanced economies, major emerging economies were also slowing down. Concurrently, global inflation had eased. Demand and supply conditions suggested that global commodity price pressures were most likely to remain contained. The MPC discussed factors affecting the competitiveness of the country and took note of the non-standard measures adopted by the Bank prior to the meeting, namely, the 'Operation Reserves Reconstitution' and the introduction of a Special Foreign Currency Line of Credit. Considering the high uncertainty surrounding the global landscape and the potential pass-through of the measures initiated by the Bank to inflation, the MPC unanimously decided to leave the KRR unchanged at 4.90 per cent.

FINANCIAL STABILITY

Risks to the domestic financial sector remained contained in 2011-12. The banking sector, the largest component of the domestic financial sector, continued to be sound and profitable, as reflected by financial soundness indicators. In June 2012, Moody's upgraded the sovereign debt rating of Mauritius and the long-term foreign currency deposit rating of two domestically-owned banks. In addition, the payment systems infrastructure was extended to include bulk clearing and truncation of cheques. The payment systems did not encounter any major disruptions during 2011-12.

In the financial year ended March 2012, banks continued to be profitable. The surge in profits of domestically-owned banks, which account for more than 50 per cent of the banking sector's total pre-tax profits, was underpinned by elevated net interest income and fees and commission income. The capital adequacy ratio of banks, assessed on the basis of Tier 1 capital as a ratio of risk-weighted assets, stood comfortably above the minimum regulatory requirement of 10 per cent.

The non-performing loans (NPLs) ratio, that is the share of non-performing loans in total banking sector loans, remained at relatively low levels, reflecting sound asset quality. As at end-March 2012, the level of NPLs as a percentage of credit extended in Mauritius hovered below 5 per cent while the ratio of non-performing loans extended to borrowers outside Mauritius remained close to 1 per cent.

Depositors' confidence was maintained during the year and funding risk was considered as moderate. Banks relied on deposits from customers rather than on short-term wholesale funding to finance their core lending business. Growth of total deposits decelerated in late 2011 driven to a large extent by a fall in Segment B deposits. A reverse stress test carried out using end-March 2012 data showed that most banks were well equipped to sustain a drawdown of more than 15 per cent in demand and savings deposits without infringing the minimum statutory cash ratio requirements and without having recourse to other liquidity instruments issued by the Bank.

5 Regulation and Supervision

The banking sector remained resilient during 2011-12, with total assets of banks expanding at a faster pace than in the preceding year. Banks' balance sheets stayed robust and profits continued to grow. The Bank pursued its efforts to enhance the soundness of the financial sector. It continued to strengthen the regulatory framework, in particular, by improving the governance structure and risk management framework of financial institutions falling under its purview. The Bank improved existing guidelines to take on board developments in best practices as recommended by international standard-setting bodies such as the Basel Committee on Banking Supervision (BCBS). The Bank maintained a consultative approach in the preparation of the guidelines to obtain and incorporate the views of regulatees throughout the process.

GUIDELINES

Guideline On Control Of Advertisement

The Guideline on Control of Advertisement has been amended to require disclaimers that appear on advertisements of banks and non-bank deposit-taking institutions to be displayed in prominent characters and in such a position that they will not escape public attention. Financial institutions that offer their card-holders negotiated discounts from specific merchants or service providers are now required to ensure, while entering into contracts or making arrangements with those merchants or service providers, that the goods and services are provided to the card-holders as advertised. Financial institutions are required to inform customers about the specific terms and conditions which may apply at the time the promotional products are being offered to them. Financial institutions are not allowed to conduct advertising campaigns of financial structured products that do not target the general public in the press or on billboards. The specific niche market or population targeted, whether corporate or otherwise, should be specified.

Guideline on Corporate Governance

The Bank has issued a revised Guideline on Corporate Governance on 2 August 2012. As per established practice, a participative approach with stakeholders, including the Mauritius Bankers Association (MBA) Ltd, was adopted before isssuing of the guideline.

Guidelines on Section 46(2) of the Banking Act 2004 - Appointment or Reappointment of Senior Officers

Amendments have been brought to the Guidelines on Section 46(2) of the Banking Act 2004 - Appointment or Reappointment of Senior Officers - in the wake of practical difficulties encountered by financial institutions in implementing some of the provisions of the guideline.

Guideline on Credit Concentration Risk

In light of representations made by the MBA Ltd regarding a provision on a group of closely-related customers, the Guideline on Credit Concentration Risk has been amended to provide for two companies to be considered as a group of closely-related customers where the director/s of a company has/have a *de facto* controlling interest in the other company. The amended guideline has also clarified certain ambiguities that existed in the previous one.

Draft Guideline on Information Technology Risk Management

A Draft Guideline on Information Technology Risk Management was prepared with a view to dealing with all security and risk management aspects of Information Technology within banks in Mauritius. The draft guideline has been circulated to stakeholders and the MBA Ltd for views and comments. Thereafter, a working group comprising members of the banking sector, the MBA Ltd and the Bank would be set up to discuss and amend the draft guideline. Upon finilisation, the new Guideline will replace the existing Guideline on Internet Banking.

Draft Guideline on Mobile Banking

Mobile banking (m-banking) and mobile payments (m-payments) services offered by banks and network operators enable bank customers to carry out a broad range of banking transactions through the use of mobile phones. M-banking services include, among others, account balances, updates and history, account alerts, security alerts and reminders, bill payment services, fund transfers, transaction verification, while m-payments provide an alternative payment method. The use of electronic delivery channels such as the mobile phone to carry out banking transactions is fraught with risks. The Bank has prepared a draft Guideline on Mobile Banking and Payments to address potential risks in this area. The Guideline, which focuses on both bank-based and non-bank based mobile payments and services, would be issued to the banking industry for comments soon.

DEPOSIT INSURANCE SCHEME

The Bank is pursuing its efforts towards the establishment of a Deposit Insurance Scheme in Mauritius with a view to introducing an additional safety-net in the financial system and reinforcing financial stability in the country.

The Bank benefited from the technical assistance of the International Monetary Fund (IMF) on the Mauritian Deposit Insurance Project and during its April/May 2012 visit, the Mission reviewed the Deposit Insurance Framework established by the Joint Bank of Mauritius/Mauritius Bankers Association Working Group, and the Deposit Insurance Bill.

PERFORMANCE OF THE BANKING SECTOR

OVERVIEW

At end-June 2012, the banking sector comprised 20 banks licensed to carry on banking business in Mauritius, of which 8 were local banks, 7 were subsidiaries of foreign-owned banks and 5 were branches of international banks. These 20 banks operated a total of 219 branches, 8 counters, 1 mobile van and 430 Automated Teller Machines (ATMs), and employed 7,263 persons as at 30 June 2012. Besides traditional banking facilities, 17 banks offered card-based payment services such as credit and debit cards and Internet banking.

During 2011-12, the banking sector grew at a slightly faster pace than in the preceding financial year. The on-balance sheet assets of banks expanded by 4.0 per cent compared to 3.8 per cent in the preceding financial year. However, during the same period, off-balance sheet assets declined by 1.6 per cent compared to a drop of 0.9 per cent in the previous financial year.

During the year under review, the growth in assets of banks was mainly sustained by borrowings from banks abroad, which expanded by 46.9 per cent. Deposits contracted by 3.2 per cent, largely due to a decline in Segment B deposits which was partly offset by an expansion in Segment A deposits. The additional resources were chiefly deployed towards advances, which rose by 14.7 per cent. Placements with banks declined by 24.1 per cent.

CAMEL RATING

The CAMEL rating framework is the standard bank-rating system that supervisory authorities use to rate financial institutions based on to five key components: *Capital Adequacy*, *Asset Quality*, *Management*, *Earnings* and *Liquidity*. In March 2011, the Bank of Mauritius, after consultation with banks, disclosed of the composite CAMEL rating for individual banks, an initiative aimed at encouraging banks to improve their performance. A rating ranging from 1 to 5 (1 for 'Strong'; 2+ and 2- for 'Satisfactory'; 3+ and 3- for 'Fair'; 4 for 'Marginal' and 5 for 'Unsatisfactory') is assigned to banks and constitute an expression of opinion on their overall financial condition at a specific point in time.

The ratings of individual banks for the quarters ended June 2011 and December 2011 were released in December 2011 and June 2012, respectively. As shown in Table 5.1, fifteen out of the nineteen banks were assigned a 'Satisfactory' rating for June 2011, while in December 2011, fourteen out of the twenty banks were awarded a similar rating. In June 2011, the rating of one bank was not disclosed as it had started operations in March 2011.

Table 5.1: CAMEL Ratings of Banks

Composite CAMEL rating	Number of banks	
	Jun-11	Dec-11
2+	11	11
2-	4	3
3+	4	6

Source: Off-site and Licensing Division, Supervision.

Capital Adequacy

In Mauritius, banks are required to maintain, at all times, a minimum capital adequacy ratio of 10 per cent. Branches of foreign-owned banks are, however, exempted from this requirement for their operations conducted outside Mauritius.

The capital adequacy ratio measures the adequacy of a bank's capital resources in relation to its risk-weighted assets. The on- and off-balance sheet exposures are weighed according to their perceived level of risks in order to derive the aggregate risk-weighted assets. The capital base is then evaluated against the risk-weighted assets. A strong capital reduces the risk of failure because it provides cushion to protect depositors' against potential losses interest in the financial system.

Capital Base

Banks' aggregate capital base increased by Rs9,917 million or 13.8 per cent, to Rs81,794 million at end-June 2012. Tier 1 capital rose by Rs13,912 million or 21.5 per cent, from Rs64,635 million to Rs78,547 million as at end-June 2011, and represented 87.5 per cent of gross capital at end-June 2012. The increase was mainly due to the fact that banks retained a higher proportion of their profits (retained earnings) to sustain their operations.

Tier 2 capital decreased by 7.5 per cent, from Rs12,078 million at end-June 2011 to Rs11,177 million at end-June 2012, and represented 12.5 per cent of gross capital. Subordinated debt comprised Rs4,425 million of the total tier 2 capital at end-June 2012.

Table 5.2 shows the risk-weighted capital adequacy ratio maintained by banks from end-June 2011 through end-June 2012 together with the components of capital and risk-weighted assets.

Table 5.2: Risk-Weighted Capital Adequacy Ratio *(Rs million)*

As at end of period	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12
Tier 1 capital	64,635	67,556	70,180	74,281	78,547
Tier 2 capital	12,078	12,172	11,136	11,179	11,177
Total Gross Capital	**76,713**	**79,728**	**81,316**	**85,460**	**89,724**
Capital Deductions	4,836	5,664	5,522	7,189	7,930
Total Net Capital (A)	**71,877**	**74,064**	**75,794**	**78,271**	**81,794**
Total Risk-Weighted Assets (B)	**443,433**	**469,275**	**485,744**	**489,364**	**513,195**
Total on-balance sheet risk-weighted credit exposures	*376,737*	*400,031*	*412,681*	*419,142*	*434,334*
Total non-market-related off-balance sheet risk-weighted credit exposures	*29,244*	*32,468*	*32,757*	*33,102*	*38,525*
Total market-related off-balance sheet risk-weighted credit exposures	*6,144*	*5,195*	*6,477*	*3,219*	*4,877*
Total foreign currency exposures	*955*	*872*	*1,296*	*2,097*	*2,800*
Total risk-weighted assets for operational risk	*30,353*	*30,709*	*32,533*	*31,804*	*32,659*
Capital Adequacy Ratio (A/B)	**16.2%**	**15.8%**	**15.6%**	**16.0%**	**15.9%**

Source: Off-site and Licensing Division, Supervision.

Table 5.3: Comparative Change in the Riskiness of Banks' Portfolios of On-Balance Sheet Assets				
Risk Weights (%)	On-balance sheet assets *(Rs million)*	Percentage to total on-balance sheet assets	On-balance sheet assets *(Rs million)*	Percentage to total on-balance sheet assets
	End-Jun-2011		End-Jun-2012	
0	132,103	17.2	140,639	17.3
20	166,369	21.7	105,850	13.0
35	24,867	3.2	29,552	3.6
50	82,002	10.7	83,813	10.3
75	28,207	3.7	31,542	3.9
100	324,857	42.3	407,688	50.1
150	9,437	1.2	14,692	1.8
	767,842	**100.0**	**813,776**	**100.0**

Source: Off-site and Licensing Division, Supervision.

Risk Profile of On- and Off-Balance Sheet Assets

Total on-balance sheet assets of banks increased by 6.0 per cent, from Rs767,842 million at end-June 2011 to Rs813,776 million at end-June 2012. The corresponding total risk-weighted on-balance sheet assets grew by 14.9 per cent, from Rs376,737 million to Rs434,334 million, over the same period largely due to an increase in advances.

The three largest risk-weight buckets were 100 per cent, 0 per cent and 20 per cent with 50.1 per cent, 17.3 per cent and 13.0 per cent of total on-balance sheet assets at end-June 2012, respectively compared to 42.3 per cent, 17.2 per cent and 21.7 per cent at end-June 2011, respectively. Table 5.3 compares the movements in the riskiness of banks' total on-balance sheet assets at end-June 2011 and end-June 2012.

Table 5.4 provides details of the total on- and off-balance sheet assets of banks with corresponding risk-weighted values and average combined risk weighting over the periods ended June 2011 and June 2012.

The average combined risk weighting ratio edged up from 37.3 per cent at end-June 2011 to 37.4 per cent at end-June 2012, as the growth of 15.7 per cent in total risk-weighted assets due to risk diversification outweighed the growth of 15.5 per cent in on- and off-balance sheet assets.

Asset Quality

Banks are required to maintain robust asset quality, as this impacts on many facets of their operations and is a critical factor in the assessment of their soundness. Good asset quality is generally reflected in liquidity, profitability and overall financial strength of a bank.

Total assets of banks went up by 4.0 per cent to Rs910,300 million at end-June 2012, from Rs875,093 million at end-June 2011. Five banks registered reduction in assets ranging

Table 5.4: Total On- and Off-Balance Sheet Assets, Equivalent Risk-Weighted Assets and Average Combined Risk Weighting			
		End-June 2011	End-June 2012
A	Total On-Balance Sheet Assets (Rs million)	767,842	813,776
B	Total Off-Balance Sheet Assets (Rs million)	421,191	559,905
C	Total On- and Off-Balance Sheet Assets (A + B) (Rs million)	1,189,033	1,373,681
D	Total Risk-Weighted Assets (Rs million)	443,433	513,195
E	Average Combined Risk Weighting (D/C) (Per cent)	**37.3**	**37.4**

Source: Off-site and Licensing Division, Supervision.

from 4.8 per cent to 30.2 per cent in their total assets in 2011-12, while the remaining 15 banks recorded growth ranging from 1.2 per cent to 56.0 per cent.

Acceptances, guarantees and documentary credits, which which are part of off-balance sheet assets, dropped by 1.6 per cent to Rs77,117 million at end-June 2012, from Rs78,346 million at end-June 2011.

Advances

Total advances inclusive of debentures and fixed-dated securities, rose by 14.7 per cent in 2011-12 to Rs596,730 million compared to an increase of 6.2 per cent in the preceding financial year. At end-June 2012, total advances represented 96.2 per cent and 65.6 per cent of total deposits and total assets, respectively. The corresponding ratios for June 2011 were 81.1 per cent and 59.4 per cent, respectively.

Loans and overdrafts in Mauritian rupees amounted to Rs196,038 million or 32.9 per cent of total advances, while loans and other financing in foreign currencies in Mauritius amounted to Rs56,625 million, or 9.5 per cent of total advances. Loans and other financing in foreign currencies outside Mauritius stood at Rs266,278 million at end-June 2012, representing 44.6 per cent of total advances. The remaining facilities consisted of foreign bills purchased and discounted and other fixed-dated securities.

Concentration of Risks

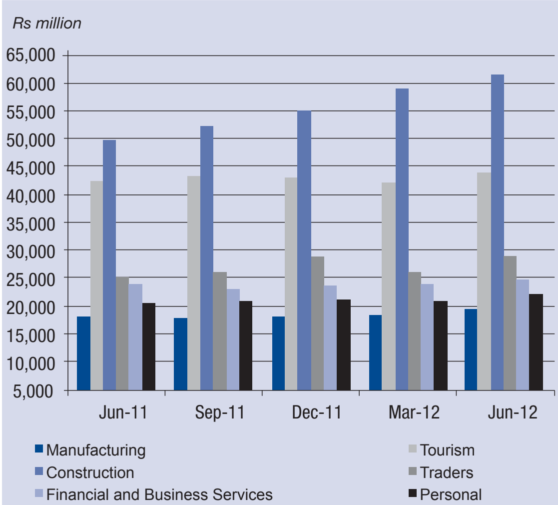
Credit risk concentration, one of the major risks faced by banks in Mauritius, refers to the risk of loss attributed to the magnitude of a bank's exposure to a single entity and its related parties, sectors of the economy and entities dependent on single commodities.

Large exposure in the banking sector, that is, exposure above 15 per cent of a financial institution's capital base, amounted to Rs187,446 million, representing 28.1 per cent of the total fund and non-fund based facilities extended at end-June 2012. The aggregate large exposure to borrowers represented 229.2 per cent of the capital base of banks at end-June 2012 compared to 227.5 per cent at end-June 2011.

Sectorwise Distribution of Credit to the Private Sector in Mauritius

Banks are also exposed to credit concentration in certain sectors of the economy. The *Construction* sector accounted for 23.2 per cent of total credit to the private sector at end-June 2012, followed by *Tourism* (16.2 per cent). The comparative figures at end-June 2011 were 20.9 per cent and 17.7 per cent, respectively. As a share of total credit to the private sector, the exposure of banks to the *Personal* and *Traders* sectors stood at 8.3 per cent and 10.7 per cent, respectively, at end-June 2012 compared to 8.6 per cent and 10.6 per cent in the preceeding financial year. Chart 5.1 shows the sectorwise distribution of credit to the private sector from June 2011 through June 2012.

Chart 5.1: Sectorwise Distribution of Credit to Private Sector



Source: Off-site and Licensing Division, Supervision.

Non-Performing Advances and Provisioning

Total non-performing advances of banks rose by Rs6,462 million, or 54.2 per cent, from Rs11,928 million at end-June 2011 to Rs18,390 million at end-June 2012. Consequently, the ratio of non-performing advances to total advances deteriorated from 2.3 per cent to 3.1 per cent. Impaired credit on facilities extended in and outside Mauritius went up by 33.3 per cent to Rs13,558 million and by 174.7 per cent to Rs 4,832 million, respectively, in 2011-12.

Specific provisions for loan losses made by banks increased by Rs920 million, or 18.4 per cent, from Rs5,007 million at end-June 2011 to Rs5,927 million at end-June 2012. Specific provisions made on the impaired accounts on the facilities extended in and outside Mauritius increased by Rs693 million and Rs227 million, respectively. The ratio of specific provisions to non-performing advances (cover ratio) declined from 42.0 per cent at end-June 2011 to 32.2 per cent at end-June 2012.

Deposits

Deposits continued to be the principal source of funding and constituted the highest share of total liabilities of banks. The share of deposits in total liabilities decreased from 73.3 per cent at end-June 2011 to 68.2 per cent at end-June 2012. Total deposits decreased by 3.2 per cent to Rs620,575 million at end-June 2012, from Rs641,102 million at end-June 2011. The fall in the deposit base of the banking sector was largely driven by the decline in Segment B deposits of 9.5 per cent, which offset the expansion of 4.7 per cent in Segment A deposits.

The share of foreign currency deposits to total deposits fell to 59.6 per cent at end-June 2012, from 64.1 per cent at end-June 2011. Demand, savings and time deposits accounted for 32.9 per cent, 22.9 per cent and 44.2 per cent of the total deposits, respectively. The corresponding ratios for 2011 were 34.9 per cent, 20.7 per cent and 44.4 per cent, respectively.

The advances-to-deposits ratio, which indicates the extent to which funds mobilised by way of deposits have been utilised to finance lending activities, went up from 81.1 per cent at end-June 2011 to 96.2 per cent at end-June 2012. This ratio stood at 78.9 per cent for Segment A activities and 112.0 per cent for Segment B activities at end-June 2012 compared to 73.1 per cent and 87.6 per cent, respectively, at end-June 2011.

Profitability

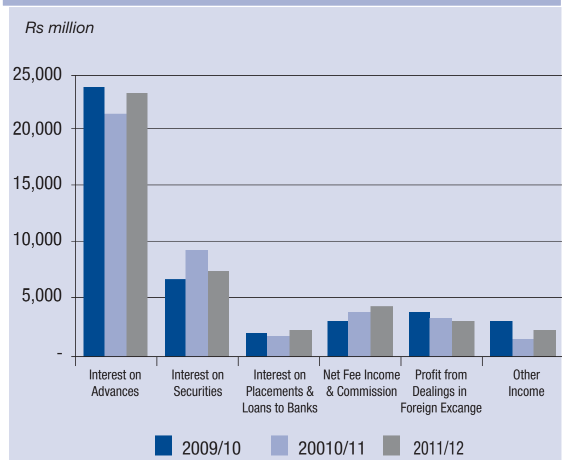
All banks operating in Mauritius during 2011/12 realised profit after tax, with the exception of two banks which incurred losses as they had started operations in 2010 and 2011 and had to meet initial operational expenses.

The consolidated profit figures are based on audited results of banks operating during 2011/12 and cover the financial years ended 30 June, 31 December and 31 March. Aggregate pre-tax profit of banks rose to Rs14,357 million in 2011/12, from Rs13,283 million in 2010/11. Table 5.5 shows the consolidated income statements of the banking sector for the past three years.

Components of Income

Total income of banks increased by 4.0 per cent, from Rs40,531 million in 2010/11 to Rs42,139 million in 2011/12, mainly on account of the growth of non-interest income. Chart 5.2 shows the movements of the components of income of banks from 2009/10 through 2011/12.

Chart 5.2: Components of Income of Banks



Source: Off-site and Licensing Division, Supervision.

Table 5.5: Consolidated Income Statements of Banks			(Rs million)
	2009/10	2010/11	2011/12
Interest Income	**32,559**	**32,567**	**32,776**
Interest on Advances	*23,722*	*21,375*	*23,171*
Interest on Securities	*6,536*	*9,243*	*7,456*
Interest on Placements and Loans to banks	*1,854*	*1,584*	*1,896*
Other Interest Income	*447*	*365*	*253*
Interest Expense	**17,310**	**15,270**	**15,221**
Interest on Deposits	*13,437*	*11,306*	*10,922*
Interest on Borrowings from banks	*3,424*	*3,579*	*3,896*
Other Interest Expenses	*449*	*385*	*403*
Net Interest Income	**15,249**	**17,297**	**17,555**
Non-Interest Income	**9,323**	**7,964**	**9,363**
Net Fee Income and Commission	*3,033*	*3,663*	*4,233*
Profit from Dealings in Foreign Currencies	*3,665*	*3,215*	*2,904*
Other Non-Interest Income	*2,625*	*1,086*	*2,226*
Operating Income	**24,572**	**25,261**	**26,918**
Non-Interest Expense	**9,170**	**9,967**	**10,758**
Staff Costs	*4,699*	*5,379*	*5,767*
Other Operating Expenses	*4,471*	*4,588*	*4,991*
Operating Profit before Provisions	**15,402**	**15,294**	**16,160**
Provision and Adjustments to Income from Credit Losses	*1,524*	*2,070*	*1,777*
Operating Profit after Provisions	**13,878**	**13,224**	**14,383**
Exceptional Items	*-*	*59*	*(26)*
Profit before Tax	**13,878**	**13,283**	**14,357**
Provision for Income Taxes	*1,511*	*1,365*	*1,729*
Profit after Tax	**12,367**	**11,918**	**12,628**

Source: Off-site and Licensing Division, Supervision.

Interest Income

Interest income rose by 0.6 per cent or Rs209 million to Rs32,776 million in 2011/12, compared to an increase of Rs8 million in 2010/11. Interest earned from advances, representing 70.7 per cent of total interest income, increased by 8.4 per cent to Rs23,171 million in 2011/12. Interest received from placements and loans to banks went up by 19.7 per cent to Rs1,896 million in 2011/12. In contrast, interest earned on securities decreased by 19.3 per cent to Rs7,456 million in 2011/12 mainly due to reduction in interest rates and also reduced holdings.

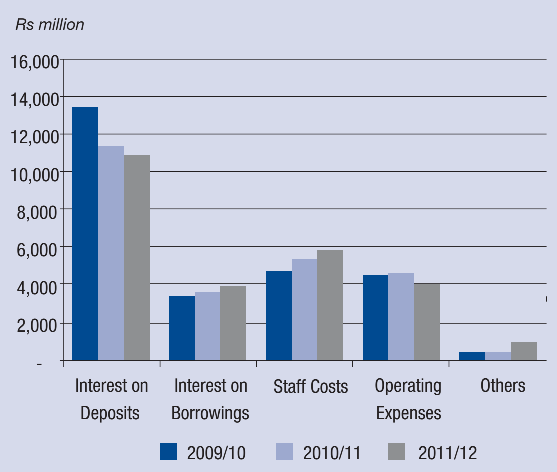
Non-Interest Income

Non-interest income, which is an important source of banks' revenue, rose by Rs1,399 million from Rs7,964 million in 2010/11 to Rs9,363 million in 2011/12. Fee-related income grew by 15.6 per cent, while profit arising from dealings in foreign currencies declined by 9.7 per cent. Together, they accounted for 76.2 per cent of total non-interest income in 2011/12 compared to 86.4 per cent in 2010/11.

Components of Expense

Total interest expense fell by Rs49 million to Rs15,221 million in 2011/12. The drop was mainly driven by a decrease of Rs384 million in interest paid on customers' deposits, partly offset by an increase of Rs317 million in interest paid on deposits and borrowings from banks during 2011/12. Other components of interest expense rose by Rs18 million. Chart 5.3 shows the evolution of the components of expense of banks from 2009/10 through 2011/12.

Chart 5.3: Components of Banks' Expense



Source: Off-site and Licensing Division, Supervision.

Non-Interest Expense

Non-interest expense, comprising staff costs and other operating expense, grew by 7.9 per cent, from Rs9,967 million in 2010/11 to Rs10,758 million in 2011/12 compared to an increase of 8.7 per cent recorded in the preceeding financial year. The workforce in the banking sector expanded from 6,913 to 7,073, while staff costs rose by 7.2 per cent during the period under review.

Overall, the cost-to-income ratio of banks stood at 40.0 per cent in 2011/12, up from 39.5 per cent in 2010/11.

Operating Profit

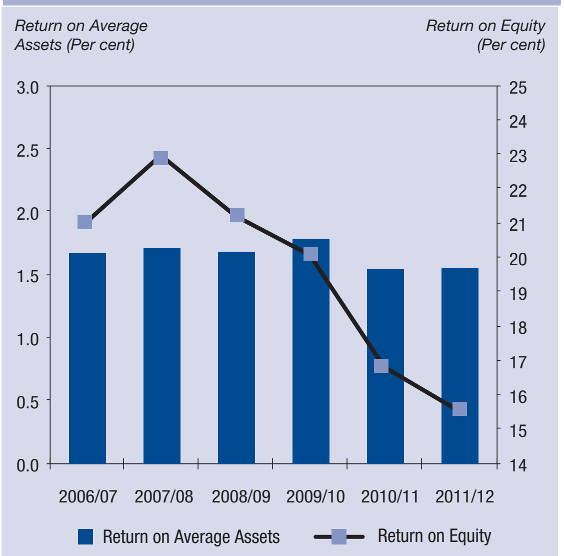
Banks' operating profit before provision for credit losses increased from Rs15,294 million in 2010/11 to Rs16,160 million in 2011/2012. Concurrently, post-tax profits rose by 6.0 per cent to Rs12,628 million in 2011/12 compared to a drop of 3.6 per cent in the preceding year.

Returns on Average Assets and Equity

The pre-tax return on average assets of banks increased marginally by 0.1 percentage point to 1.6 per cent in 2011/12. For individual banks, the pre-tax return on average assets ranged from negative 15.2 per cent to positive 2.6 per cent, with four banks achieving a return of above 2.0 per cent.

Post-tax return on equity of banks, which has been on a downtrend since 2007/08, dropped further from 16.8 per cent in 2010/11 to 15.5 per cent in 2011/12. The post-tax return on equity ranged from negative 16.6 per cent to positive 22.7 per cent in 2011/12. Chart 5.4 depicts the return on average assets and equity of banks from 2006/07 through 2011/12.

Chart 5.4: Returns on Average Assets and Equity of Banks



Source: Off-site and Licensing Division, Supervision.

Interest Rate Spread

Interest earned per Rs100 of advances and the cost per Rs100 of deposits of banks, decreased by 12 bps and 20 bps, respectively in 2011-12. The overall impact was an expansion of 8 bps in interest spread, from Rs2.68 in 2010/11 to Rs2.76 in 2011/12. Table 5.6 provides information on interest rate spread for 2010/11 and 2011/12.

Table 5.6: Interest Spread of Banks

		Rupees
	2010-11	**2011-12**
Interest Earned per Rs100 of Advances	4.68	4.57
Cost per Rs100 of Deposits	2.00	1.80
Interest Spread	2.68	2.77

Source: Off-site and Licensing Division, Supervision.

Table 5.7: Electronic Banking Transactions

	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12
Number of ATMs in operation at end of quarter	416	421	428	432	430
Monthly average number of transactions for the quarter ended	4,338,380	4,416,455	5,002,204	4,631,921	4,700,339
Monthly average value of transactions[1] for the quarter ended *(Rs million)*	8,374	8,526	10,555	9,313	9,087
Number of Credit Cards in circulation at end of period	210,572	213,247	217,135	220,363	226,293
Number of Debit & Other Cards in circulation at end of period	1,065,766	1,089,251	1,117,370	1,125,547	1,152,561
Total number of cards in circulation at end of period	1,276,338	1,302,498	1,334,505	1,345,910	1,378,854
Outstanding advances on credit cards at end of period *(Rs million)*	1,673	1,757	1,868	1,783	2,058

[1] Involving the use of Credit Cards at ATMs and Merchant Points of Sale.
Source: Off-site and Licensing Division, Supervision.

Electronic Banking

Fourteen banks were providing electronic banking services at end-June 2012 compared to thirteen at end-June 2011. The monthly average number of electronic banking transactions increased from 4.3 million in 2010-11 to 4.7 million in 2011-12, while the number of credit and debit cards in circulation increased from 1,276,338 at end-June 2011 to 1,378,854 at end-June 2012.

The number of ATMs in operation in Mauritius and Rodrigues has increased from 416 at end-June 2011 to 430 at end-June 2012, increasing access to electronic banking services.

The value of transactions resulting from the use of credit and debit cards at ATMs and Merchant Points of Sale increased from a monthly average of Rs8,441 million in 2010-11 to Rs9,370 million in 2011-12, or by 11.0 per cent. Outstanding advances granted on credit cards stood at Rs2,058 million at end-June 2012, with a monthly average outstanding credit per card of Rs7,860 in 2011-12 compared to Rs7,573 in 2010-11. Table 5.7 summarises electronic banking transactions during the period under review.

Internet Banking

The number of Internet banking users increased from 176,553 at end-June 2011 to 235,129 at end-June 2012. Banks are encouraging more customers to use Internet banking by providing an increasing range of services via the internet. Concurrently, the number of Internet banking transactions have increased from 192,964 at end-June 2011 to 266,059 at end-June 2012, while the value of Internet banking transactions went up from Rs60,237 million in June 2011 to Rs69,887 million in June 2012.

PERFORMANCE OF NON-BANK DEPOSIT-TAKING INSTITUTIONS

During the year ended 30 June 2012, the total number of NBDTIs in operation declined from eleven to eight. One NBDTI surrendered its deposit-taking business licence in November 2011. One NBDTI merged with its parent bank in December 2011 while another NBDTI amalgamated with a bank forming part of the same corporate group in May 2012.

Four were involved in leasing activities only, two in lending business only and the remaining two in both leasing and lending operations. Four of the NBDTIs were subsidiaries/related companies of banking institutions or insurance companies.

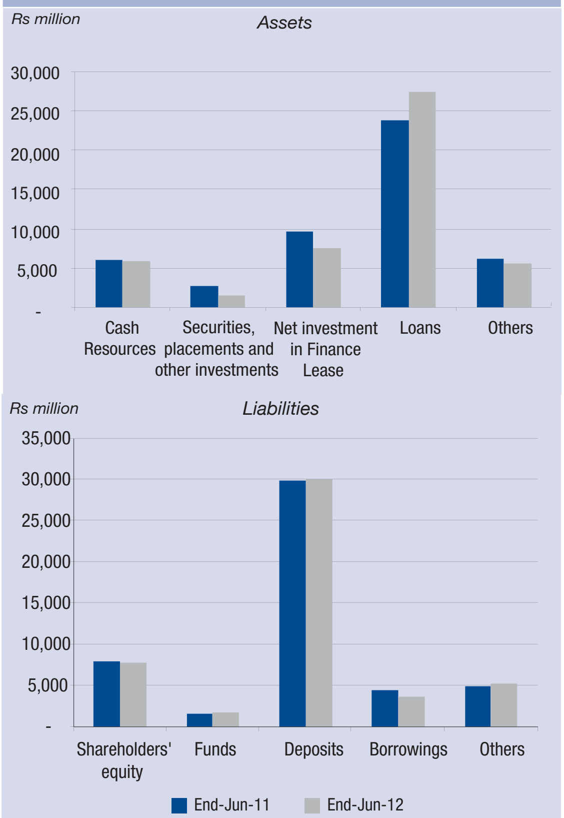
As at end-June 2012, all NBDTIs were maintaining the minimum required capital of Rs200 million. In addition, they are required to observe a Capital Adequacy Ratio of 10 per cent as per the Guideline on Capital Adequacy Ratio for Non-Bank Deposit-Taking Institutions and to comply with the Guidelines on Credit Concentration of Risk and Related Party Transactions.

Balance Sheet Structure

The assets of NBDTIs declined by 0.7 per cent, from Rs48,841 million at end-June 2011 to Rs48,507 million at end-June 2012. The share of loans in total assets rose from 48.9 per cent in 2011 to 56.7 per cent in 2012, while the share of investment in finance leases to total assets contracted by 4.2 per cent, from 20.0 per cent in 2011 to 15.8 per cent in 2012.

Deposits went up marginally by 0.3 per cent, from Rs29,984 million as at end-June 2011 to Rs30,070 million as at end-June 2012. Deposits remained the main source of funding, accounting for 61.4 per cent of NBDTIs' liabilities as at end-June 2011 and 62.0 per cent as at end-June 2012. Chart 5.5 illustrates the composition of assets and liabilities of NBDTIs at end-June 2011 and end-June 2012.

Chart 5.5: Balance Sheet Structure of NBDTIs



Source: Off-site and Licensing Division, Supervision.

The advances (leases and loans) to deposits ratio remained high for NBDTIs. It went up from 112.2 per cent at end-June 2011 to 117.0 per cent at end-June 2012.

Leases to deposits ratio (based on deposits held by companies involved in leasing activities) declined from 67.4 per cent at end-June 2011 to 65.3 per cent at end-June 2012.

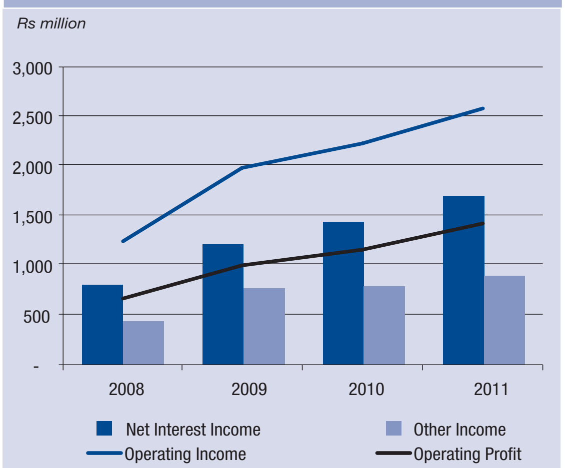
Capital Adequacy

NBDTIs are required to maintain a minimum capital adequacy ratio of 10 per cent. The capital adequacy ratio improved slightly from 22.0 per cent at end-June 2011 to 22.6 per cent at end-June 2012 as a result of a lower decline of 0.6 per cent in aggregate capital base of the sector as opposed to a 3.0 per cent reduction in the total risk-weighted assets. At end-June 2012, the capital adequacy ratio maintained by NBDTIs ranged from 12.2 per cent to 49.2 per cent.

Profitability

The consolidated profitability figures for NBDTIs are based on the audited results covering financial years ended 30 June, 30 September and 31 December 2011. In 2011, all NBDTIs, except for one, recorded profits. Aggregate profit before tax grew by 22.0 per

Chart 5.6: Net Interest Income, Non-Interest Income, Operating Income and Operating Profit of NBDTIs



Source: Off-site and Licensing Division, Supervision.

Table 5.8: Consolidated Statement of Income of NBDTIs

(Rs million)

	2009	2010	2011
Interest Income	4,075	4,026	4,167
Interest Expense	2,872	2,590	2,471
Net Interest Income	1,203	1,436	1,696
Non-Interest Income	769	787	886
Operating Income	1,972	2,223	2,582
Non-Interest Expense	974	1,066	1,159
Operating Profit	998	1,157	1,423
Other Non-Operating Profit	11	10	19
Profit before Provision & Adjustment for credit losses	**1,009**	**1,167**	**1,442**
Provision & Adjustment for credit losses	*211*	*117*	*161*
Profit before tax	**798**	**1,050**	**1,281**
Income Tax expense	*62*	*57*	*66*
Profit after tax	**736**	**993**	**1,215**

Source: Off-site and Licensing Division, Supervision.

cent, from Rs1,050 million in 2010 to Rs1,281 million, in 2011. Table 5.8 summarises the performance of the NBDTIs over the last three financial years. Chart 5.6 shows the evolution of net interest income, other income, operating income and operating profit over the years 2008-11.

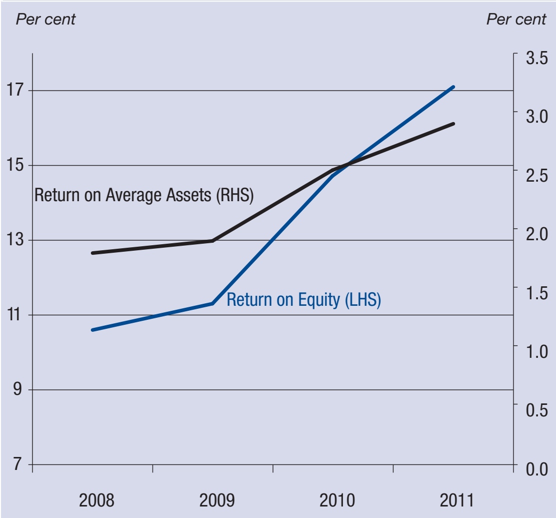
Interest earned per Rs100 of loans and leases declined by Re0.12 while interest paid on each Rs100 of deposits contracted by Re0.50 in 2011. As a result, the interest spread (deposits/loans and leases) expanded from Rs1.81 to Rs2.20 in 2011.

Returns on Average Assets and on Equity

The pre-tax return on average assets improved from 2.5 per cent in 2010 to 2.9 per cent in 2011. Individual NBDTIs posted pre-tax return on average assets in the range of negative 2.5 per cent to 4.9 per cent in 2011. One NBDTI posted a negative return on average assets in 2011 compared to three in 2010.

The post-tax return on equity increased from 14.7 per cent in 2010 to 17.1 per cent in 2011 and varied between negative 21.6 per cent and 32.8 per cent in 2011. Chart 5.7 shows the returns on average assets and on equity for the years 2008 to 2011.

Chart 5.7: Returns on Average Assets and on Equity of NBDTIs



Source: Off-site and Licensing Division, Supervision.

Liquidity

As at 30 June 2012, liquid assets held by NBDTIs amounted to Rs6,425 million, higher than the required minimum ratio of 10 per cent of deposit liabilities of Rs30,070 million. The liquidity ratio ranged from 20.7 per cent to 24.2 per cent between July 2011 and June 2012.

CASH DEALERS

As at 30 June 2012, there were 10 money changers and 6 foreign exchange dealers, collectively known as cash dealers, in operation. Unlike money changers which deal principally in the exchange of foreign currency notes and coins, foreign exchange dealers are authorised to carry out other activities in addition to the money changing business.

Total assets of cash dealers amounted to Rs613 million as at 30 June 2012, with assets of foreign exchange dealers totalling Rs520 million. The bulk of the assets consisted of cash in hand and balances with banks (48%), investment in Government Securities (17%) and foreign currencies (13%).

During the year ended 30 June 2012, cash dealers sold foreign currencies for a total amount of Rs17,834 million. Operating expenses incurred by cash dealers amounted to Rs238 million during the period under review, of which staff costs amounted to Rs120 million.

The Economic and Financial Measures (Miscellaneous Provisions) Act 2011

The Economic and Financial Measures (Miscellaneous Provisions) Act 2011, which was enacted in July 2011, brought amendments to, *inter-alia* , the Bank of Mauritius Act 2004 and the Banking Act 2004 as follows:

I. Bank of Mauritius Act 2004

1. *Section 26 - Confidentiality*

   Section 26 of the Bank of Mauritius Act was amended to allow the Bank of Mauritius to disclose information to the Director of Statistics Mauritius to enable him to discharge his functions under the Statistics Act 2000.

2. *Section 52 - Establishment of a Credit Information Bureau (MCIB)*

   With a view to ensuring the operation of a sound credit information system in Mauritius, Section 52 of the Bank of Mauritius Act was amended to include leasing companies, hire purchase companies and utility bodies as participating institutions in the MCIB. In the same vein, Section 52 of the Bank of Mauritius Act was also amended to allow the Bank of Mauritius to participate in the MCIB by furnishing to it, at such time and in such manner as may be required by the Credit Information Bureau, such credit information on credit facilities granted to members of the staff of the Bank.

II. Banking Act 2004

1. *Section 59 – Abandoned Funds*

   Section 33 of the Banking Act provides that banks should maintain records of transactions for a period of at least 7 years. Under Section 59 of the Banking Act, funds were considered to be abandoned where same have been left untouched and not reclaimed by customers for a period of 10 years or more. With a view to ensuring consistency between the two sections of the Banking Act, Section 59 of the Banking Act was amended to state that funds are to be considered as abandoned if they have been left untouched and not reclaimed by customers for a period of 7 years or more.

2. *Sections 64 – Banking Act*

   Section 64 of the Banking Act was amended to enable the Bank of Mauritius to share information with the Director of Statistics Mauritius for the purpose of assisting him in the discharge of his functions under the Statistics Act 2000.

The Economic and Financial Measures (Miscellaneous Provisions) (No. 2) Act 2011

The Economic and Financial Measures (Miscellaneous Provisions) (No.2) Act 2011 which was enacted in December 2011 brought amendments to, inter-alia, the Bank of Mauritius Act 2004 and the Banking Act 2004 as follows:

I. Bank of Mauritius Act 2004

1. Section 6 – Powers of the Bank

Section 6(1) of the Bank of Mauritius Act was amended to provide the Bank with additional powers as follows:-

(i) by inserting, after paragraph (a), the following new paragraphs –

(aa) set up a development fund for the benefit of small and medium enterprises and require a bank that fails to meet agreed lending targets to small and medium enterprises to contribute to the development fund by depositing, with the Bank at no interest, the difference between its actual lending and the agreed target;

(ab) where any amount has been deposited in accordance with paragraph (aa), direct that it shall be on lent to a commercial bank that has met its target on such terms and conditions as may be prescribed by regulations made by the Minister, after consultation with the Governor;

(ii) by inserting, after paragraph (f), the following new paragraph –

(fa) issue a gold certificate in such form and subject to such conditions as may be determined by the Bank, to represent a certificate of ownership of any gold bar held in custody by the Bank in favour of the person who has purchased it;

2 Section 26 - Confidentiality

Section 26 of the Bank of Mauritius Act was amended to allow for the sharing of information as may be required by the Financial Services Commission for the purposes of assisting it in the discharge of its functions.

3. Section 36 – Printing of bank notes and minting of coins

Section 36 of the Bank of Mauritius Act was amended as follows:

in subsection (1)(a)(ii), by inserting, after the word “paper”, the words “or material”;

in subsection (2)(c), by inserting, after the word “paper,”, the word “material,”;

4. Section 47 – Special Reserve Fund

A new sub-section (1A) was added in section 47 as follows:

(1A) 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.

5. Section 54 – Monetary Policy Committee

Major amendments have been brought to the composition of the Monetary Policy Committee. Section 54 of the Bank of Mauritius Act now provides as follows:

54. Monetary Policy Committee

(1) There is set up for the purposes of section 5(1)(a) and (2)(a) a Monetary Policy Committee which shall consist of –

(a) the Governor, who shall be the Chairperson of the Committee

(b) 3 senior officers of the Bank appointed by the Governor, of whom –

(i) one shall be a person who has senior management responsibility within the Bank for economic research;

(ii) one shall be a person who has senior management responsibility within the Bank for monetary policy operations; and

(iii) one shall be a person who has senior management responsibility for the day to day administration of the Bank;

(c) 5 other persons, not being Directors or employees of the Bank, having recognised experience in the field of economics, banking or finance, appointed by the Minister, after consultation with the Governor.

(2) The persons referred to in subsection (1)(c) shall –

(a) not be actively engaged in any political activity; and

(b) be appointed on such terms and conditions as the Minister may determine.

(2A) The Committee shall publish a Code of Conduct to govern its meetings and report once a year to the Board regarding its compliance with the Code of Conduct.

(2B) At a meeting of the Committee, 7 members, including at least 4 from members appointed under subsection (1)(c), shall constitute a quorum.

(2C) (a) The Chairperson of the Committee may authorise a member of the Committee to participate in a meeting of the Committee through teleconferencing where, prior to the meeting, the member has, by notification to the Chairperson, requested such an authorisation.

(b) A member who participates in a meeting through teleconferencing shall be treated as being present at the meeting and shall be entitled to vote.

(c) For the purpose of this subsection, “teleconferencing” means two-way communication by video, telephone or any other means using modern technology.

(3) The Committee shall, subject to this section, regulate its meetings and proceedings in such manner as it thinks fit.

6. Section 55 – Functions of Committee

Section 55 has also been amended and now reads as follows:-

55. Functions of Committee

(1) The functions of the Committee shall be to formulate and determine the monetary policy to be conducted by the Bank in order to implement section 5(2) and to maintain price stability, taking into account the orderly and balanced economic development of Mauritius.

(2) (a) The Bank shall, after every meeting of the Committee, publish in such manner as it thinks fit -as soon as practicable, the gist of the monetary policy to be conducted by the Bank; and the minutes of the meeting, not later than 2 weeks after the date of the meeting.

(b) The minutes published under paragraph (a)(ii) shall record, in relation to any decision of the Committee, the voting preference of the members who took part in the vote on the decision.

(3) In the discharge of its functions, the Committee shall not be subject to the direction or control of any other person or authority.

II. Banking Act 2004

1. *Section 34 – Financial Statements*

   Financial institutions were required to cause to be published in the Government Gazette and post on their website not later than 3 months after the end of the financial year the full or abridged version of their latest audited balance sheet, income statement, statement of changes in equity, cash flow statement and the auditor's report. The law has been amended to allow those financial institutions which do not have a website to publish the full or abridged version of their latest audited balance sheet, income statement, statement of changes in equity, cash flow statement and the auditor's report in 3 daily newspapers approved by the Bank.

2. *Section 37 – Disclosure of information*

   In terms of section 37, financial institutions are now required to provide borrowers and their guarantors with a statement of account in written or electronic form on a half yearly basis stating the following information:-

   the amounts outstanding, as principal and interest, at the beginning and at the end of the 6-month period;

   the payments received, as principal and interest, during the 6-month period; and

   the annual rate of interest applicable during the 6-month period.

3. *Section 39 - Appointment, powers and duties of auditors*

   There was some confusion with regard to the appointment of auditors by financial institutions. In that respect, the law has been amended to require financial institutions to appoint one or more firm of auditors at each Annual General Meeting subject to prior approval of the Bank.

4. *Section 57 - Bank's obligations towards customers*

   Section 57(5) has been amended by inserting after the word "destroyed", the words, "presented for payment by electronic means under section 44A of the Bills of Exchange Act".

   Section 57(5) now provides as follows:-

   Where a bank has paid a cheque, the customer drawing the cheque may request the bank to return him the cheque and the bank shall provide within a reasonable time either the cheque or, where the cheque has been destroyed, presented for payment by electronic means under section 44A of the Bills of Exchange Act or is not otherwise obtainable, a legible copy of the cheque at a charge that shall not exceed the maximum charge determined by the central bank.

5. *Section 60(A) - Certificate of senior officer of financial institution as evidence*

   A new section 60 (A) has been added in the Banking Act as follows:-

   "In any proceedings before any Court, or before any person authorised by law or by consent of parties to hear, receive and examine evidence, a certificate under the hand of a senior officer of a financial institution shall be sufficient evidence of a fact stated in it without proof of the handwriting of such officer, unless the Court or the person is of opinion that the officer's attendance is necessary".

6. *Section 64 – Confidentiality*

   (i) *A new sub section has been added to Section 64 of the Banking Act with regard to the taking of oath of confidentiality by service providers as follows:-*

   "(aa) Paragraph (a) shall not apply where a service provider provides a financial institution with a written undertaking signed by its officer in charge and all its employees to the effect that they shall not, during and after their relationship with the financial institution, disclose, directly or indirectly to any person, any information relating to the affairs of any of its customers, including any deposits, borrowings, or transactions or other personal, financial or business affairs, without the written consent of the customer or his personal representative, and the financial institution requires the officer in charge of the service provider to make, on behalf of the service provider and all its employees, the declaration of confidentiality in the form set out in the Second Schedule"

   (ii) *Section 64(9) of the Banking Act was amended to include The Enforcement Authority set up under the Asset Recovery Act 2011 as an institution which may apply to a Judge in Chambers for an order of disclosure with regard to the transactions and accounts of any person.*

7. *Section 97 - Offences and penalties*

   Under section 97(9) of the Banking Act only banks were liable for breach of section 23(2) of the Banking Act. Section 97(9) was amended to include non-bank deposit-taking institution as well.

6 Review of Operations: 2011-12

FINANCIAL MARKETS OPERATIONS

MONEY MARKET ACTIVITY

The Bank monitors developments in the money and foreign exchange markets to ensure that they function efficiently. Several innovations were brought about in the auctioning process of Government securities during 2011-12: single-maturity auctioning, the issue of a new instrument, that of 273-Day Treasury Bills and an on-line auctioning process.

During 2011-12, the Bank intervened to mop up excess liquidity on the money market through the issue of its own instruments. The Bank kept open the option of a buy-back for Bank of Mauritius Notes due to sporadic shortages in rupee liquidity. No bank availed of this offer, however. The overall excess liquidity position of banks averaged Rs2.5 billion daily during 2011-12 compared to Rs4.2 billion in 2010-11.

The successive cuts of 10 basis points and 50 basis points in the Key Repo Rate (KRR) on 5 December 2011 and 19 March 2012, respectively, were reflected in the movements of short-term money market rates.

Primary Auctions of Government of Mauritius Treasury Bills

The Bank, in collaboration with the Ministry of Finance and Economic Development (MOFED), continued the smoothing exercise in determining the weekly amount of Government of Mauritius Treasury Bills to be put on tender with a view to mitigating volatility. The market was informed of the range of weekly issues of Treasury Bills before the start of each month.

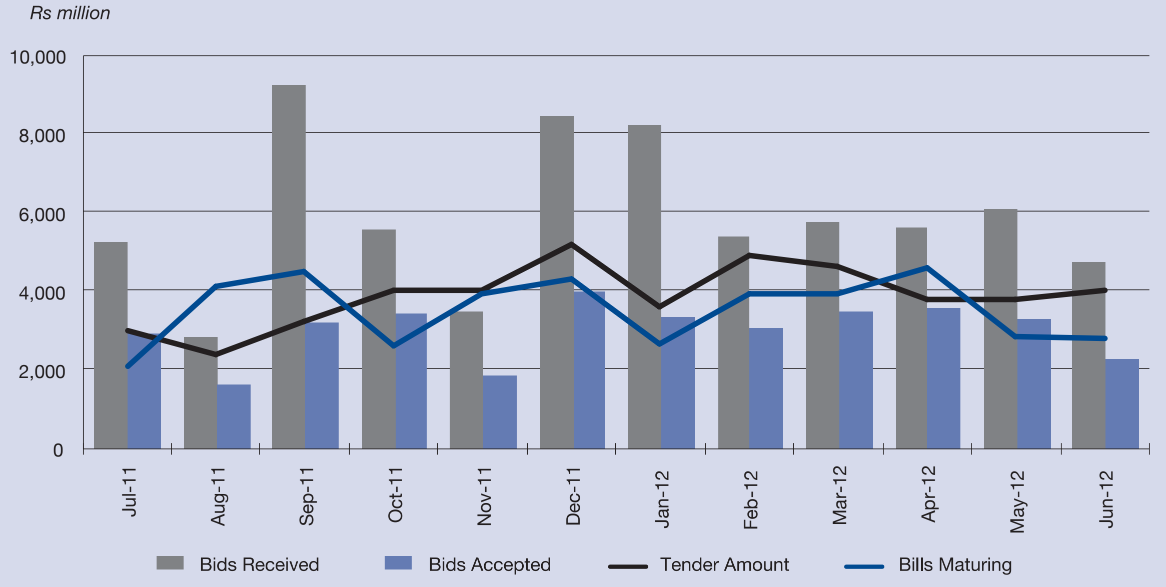
A wider spectrum of Government of Mauritius Treasury Bills (GMTB) was made available to investors in 2011-12, with the issue of 273-Day Treasury Bill on 7 October 2011. Furthermore, the Bank started conducting single maturity auctions of Treasury Bills as from 18 November 2011.

During 2011-12, bids totalling Rs70,664 million were received and the value of bids accepted amounted to Rs36,049 million. Maturing Treasury Bills stood at Rs42,420 million during the financial year. The bid-cover ratio varied between 0.33 and 4.38 in 2011-12 compared to a range of 1.34 to 6.80 in 2010-11. The total amount of bids accepted represented 77.5 per cent of the total tender amount and 51.0 per cent of the total value of bids received compared to 94.6 per cent and 35.8 per cent, respectively, in the preceding financial year. The shares of banks and non-banks in total bids received were 93.5 per cent and 7.0 per cent, respectively, in 2011-12 compared to 89.4 per cent and 10.6 per cent in 2010-11.

During 2011-12, the weighted average yields on Treasury Bills trended downwards in line with the successive cuts in the KRR. The weighted yields for the 91-Day, 182-Day and 364-Day tenors decreased from 4.15 per cent, 4.40 per cent and 4.74 per cent in July 2011 to 3.04 per cent, 3.41 per cent and 3.81 per cent, respectively, as at end-June 2012. The weighted average yield on the 273-Day Treasury Bill, declined from 4.32 per cent at its issue in October 2011 to 3.51 per cent in June 2012. The overall weighted average yield dropped by 96 basis points, from 4.40 per cent in July 2011 to 3.44 per cent in June 2012.

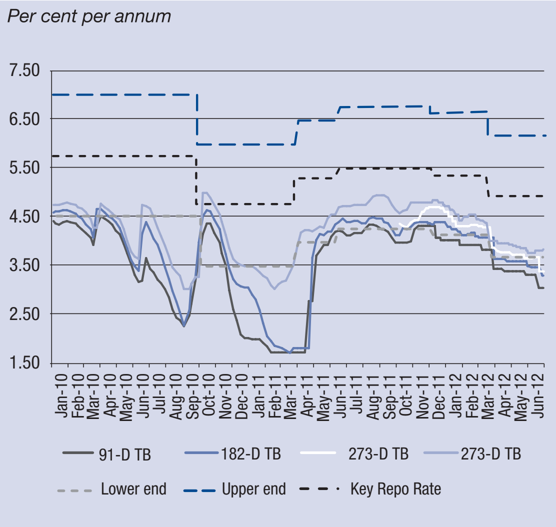
Charts 6.1 and 6.2 provide information on the auctioning of Treasury Bills in 2011-12.

Chart 6.1: Auctioning of Treasury Bills



Source: Financial Markets Operations Division.

Chart 6.2: Yields on Government of Mauritius Treasury Bills at Primary Auctions



Source: Financial Markets Operations Division.

Treasury Notes

During 2011H2, the Bank continued the monthly auctions of 2-Year, 3-Year and 4-Year Treasury Notes. However, as from January 2012, only the 3-Year Treasury Note is being issued. The objective of issuing a single Treasury Note is to enable Government to determine its debt profile and develop the secondary market for this paper.

During 2011H2, the coupon rates on the three types of Treasury Notes were fixed at 5.25, 5.50 and 5.75 per cent per annum, respectively, for the five monthly issues from July to November 2011. Following the cut in the KRR by 10 basis points in December 2011, the coupon rates on the Treasury Notes were brought down to 5.15, 5.40 and 5.65 per cent per annum for the 2-Year, 3-Year and 4-Year maturities, respectively.

The 3-Year Treasury Note issued on 21 October 2011 was subsequently re-opened on 13 January 2012, 16 March 2012 and 25 May 2012. Weighted yields stood at 5.69 per cent, 5.68 per cent and 5.01 per cent, respectively. In February 2012, a new issue of a 3-Year Treasury Note was carried out, with the coupon rate set at 5.40 per cent. The weighted yield on bids accepted stood at 5.73 per cent.

Following the decrease of 50 basis points in the KRR on 19 March 2012, the coupon rate on a 3-Year Treasury Note issued on 6 April 2012 was set at 4.90 per cent while the weighted yield stood at 5.14 per cent. In June 2012, a new issue of a 4.90% 3-Year Treasury Note was carried out at a weighted yield of 5.01 per cent.

Long Term Government of Mauritius Bonds

Between end-June 2011 and end-June 2012, the Government raised a total amount of Rs10,206.6 million through the net issue of medium-term and long-term Government of Mauritius Bonds.

During 2011-12, six auctions of 5-Year Government of Mauritius Bonds were carried out. The first issue of a 6.75% 5-Year Government of Mauritius Bond due on 19 August 2016 was carried out on 19 August 2011. With a view to providing liquidity and creating conditions conducive to the development of the secondary market for Government papers, the issue was re-opened on 14 October 2011, 24 February 2012 and 30 March 2012. On 20 April 2012, a new issue of a 6.00% 5-Year Government of Mauritius Bond was carried out. The issue was re-opened on 22 June 2012.

The bid-cover ratio for the six auctions of 5-Year Government of Mauritius Bonds held in 2011-12 was in the range of 1.1 to 2.4. The total value of bids received amounted to Rs14,670.7 million compared to a total tender amount of Rs9,000 million, thus resulting in total oversubscription of Rs5,670.7 million. The total nominal value of bids accepted stood at Rs7,934.4 million.

Table 6.1 provides details of the six auctions of 5-Year Government of Mauritius Bonds held in 2011-12.

Table 6.1: Auction of 5-Year Government of Mauritius Bonds

	Auction held on					
	19-Aug-11	14-Oct-11[1]	24-Feb-12[1]	30- Mar-12[1]	20-Apr-12	22-Jun-12[2]
1. Amount of Bonds put on Tender (Rs mn)	1,800.0	1,800.0	1,500.0	1,000.0	1,400.0	1,500.0
2. Value of Bids Received (Rs mn)	2,264.1	3,652.7	1,693.1	2,393.8	2,130.0	2,537.0
3. Value of Bids Accepted (Rs mn)	902.4	1,800.0	1,020.0	1,000.0	1,400.0	1,812.0
4. Interest Rate (% p.a.)	6.75	6.75	6.75	6.75	6.00	6.00
5. Highest Yield Accepted (% p.a.)	7.00	6.85	6.80	6.45	6.35	6.25
6. Weighted Yield on Bids Accepted (% p.a.)	6.95	6.77	6.71	6.32	6.23	6.18
7. Weighted Price of Bids Accepted (%)	99.167	99.907	100.151	101.617	99.025	99.248

[1] Issue of 19 August 2011 (Re-opening). [2] Issue of 20 April 2012 (Re-opening).
Source: Financial Markets Operations Division.

Table 6.2: Auction of 10-Year Government of Mauritius Bonds

	Auction held on		
	14-Sep-11 [1]	18-Nov-11 [2]	27-Jun-12[3]
1. Amount of Bonds put on Tender (Rs mn)	2,000.0	1,000.0	1,000.0
2. Value of Bids Received (Rs mn)	3,485.1	2,256.7	4,579.1
3. Value of Bids Accepted (Rs mn)	1,287.4	1,341.2	1,451.0
4. Interest Rate (% p.a.)	8.00	8.00	7.75
5. Highest Yield Accepted (% p.a.)	9.25	9.00	8.05
6. Weighted Yield on Bids Accepted (% p.a.)	8.86	8.75	7.94
7. Weighted Price of Bids Accepted (%)	94.373	95.103	98.705

* Option to accept higher amounts [1] Issue of 16 September 2011
[2] Issue of 16 September 2011 (Re-Opening) [3] Issue of 29 June 2012
Source: Financial Markets Operations Division.

During 2011-12, the Bank issued new instruments namely, the 10-Year Government of Mauritius Bond, 15-Year Government of Mauritius Bond and the 15-Year Inflation-Indexed Government of Mauritius Bond.

The first auction of the 8.00% 10-Year Government of Mauritius Bond due on 16 September 2022 was held on 16 September 2011. The weighted yield on bids accepted stood at 8.86 per cent. At a re-opening of the issue on 18 November 2011, the weighted yield fell to 8.75 per cent.

A new auction of the 10-Year Government of Mauritius Bond was held in June 2012 with the coupon rate set at 7.75 per cent per annum. The weighted yield stood at 7.94 per cent.

Details of the auctions of 10-Year Government of Mauritius Bonds are given in Table 6.2

For the auction of the 15-Year Government of Mauritius Bond held on 20 January 2012, the weighted yield stood at 9.81 per cent and the coupon rate was set at 9.25 per cent.

Details of the auctions of 15-Year Government of Mauritius Bonds are given in Table 6.3

Table 6.3: Auction of 15 -Year Government of Mauritius Bonds

		18-Jan-12[1]
1.	Amount of Bonds put on Tender (Rs mn)	1,500 *
2.	Value of Bids Received (Rs mn)	3,369.5
3.	Value of Bids Accepted (Rs mn)	1,709.0
4.	Interest Rate (% p.a.)	9.25
5.	Highest Yield Accepted (% p.a.)	10.05
6.	Weighted Yield on Bids Accepted (% p.a.)	9.81
7.	Weighted Price of Bids Accepted (%)	95.649

[1] Issue of 20 January 2012
** Tender Amount was Rs1,500 mn with the option to accept a higher amount*
Source: Financial Markets Operations Division.

A single auction of the Fifteen-Year Inflation-Indexed Government of Mauritius Bond was held on 7 December 2011 for issue on 9 December 2011. This Bond was issued at an annual interest rate based on the weighted accepted bid margin plus the 12-month average inflation rate as published by Statistics Mauritius at the end of July every year. The weighted bid margin accepted was 3.05 per cent.

Details of the auctions of 15-Year Inflation Indexed Government of Mauritius Bonds are given in Table 6.4.

Table 6.4: Auction of 15–Year Inflation Indexed Government of Mauritius Bonds

		7-Dec-11[1]
1.	Amount of Bonds put on Tender (Rs mn)	1,000.0
2.	Value of Bids Received (Rs mn)	1,730.0
3.	Value of Bids Accepted (Rs mn)	1,000.0
4.	Highest Bid Margin Received (% p.a.)	6.00
5.	Lowest Bid Margin Received (% p.a.)	2.25
6.	Weighted Bid Margin Accepted (% p.a.)	2.81

[1] Issue of 9 December 2012
Source: Financial Markets Operations Division.

Bank of Mauritius Securities

To mop up excess liquidity in the banking system, the Bank continued to issue 91-Day, 182-Day, 273 Day and 364-Day Bank of Mauritius Bills and 2-Year, 3-Year, and 4-Year Bank of Mauritius Notes at the same weighted average yields accepted at Government of Mauritius Treasury Bills and Treasury Notes auctions. In 2011-12, Bank of Mauritius Bills and Notes were issued for a total amount of Rs3.0 billion and Rs0.9 billion, compared to Rs7.9 billion and Rs6.0 billion, respectively, in 2010-11.

Interbank Transactions

During 2011-12, total turnover on the interbank money market increased by 52.0 per cent, from Rs190,978 million to Rs290,364 million, or a daily average of Rs842 million compared to Rs549 million in 2010-11.

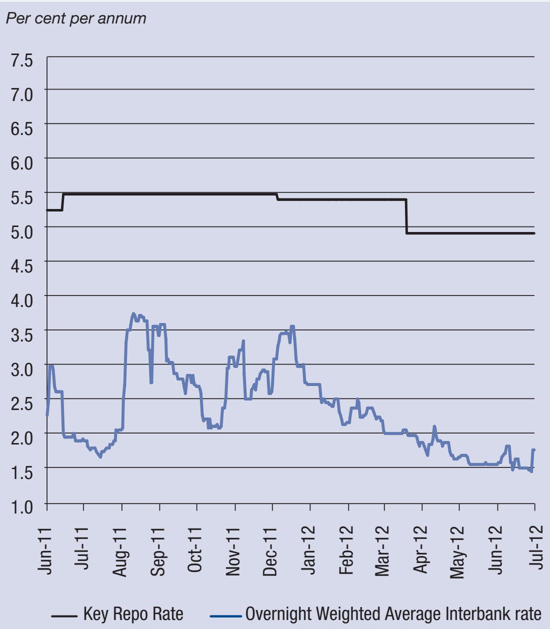
Transactions were mainly carried out in the call money market for a total amount of Rs251,694 million, that is, an increase of 100.4 per cent over the previous year. Daily average transactions amounted to Rs734 million compared to Rs395 million in 2010-11.

Total transactions at short notice on the interbank money market fell by 8.1 per cent, from Rs36,220 million in 2010-11 to Rs33,300 million in 2011-12, and represented a daily average of Rs275 million compared to Rs238 million during 2010-11. Transactions on the term money market totalled Rs5,370 million in 2011-12, or a daily average of Rs85 million compared to Rs222 million during 2010-11.

Interbank interest rates were driven by liquidity conditions in the banking sector. They fluctuated within a range of 1.45-4.15 per cent compared to a range of 1.20-4.00 per cent in 2010-11. Rates on the call money market fluctuated in the range of 1.45-4.15 per cent compared to a range of 1.20-3.75 per cent in 2010-11. The range of interest rates on money at short notice varied between 1.55 and 4.15 per cent in 2011-12 compared to a range of 1.35-4.00 per cent in 2010-11. Interest rates on term transactions were in the range of 2.00-4.15 per cent in 2011-12 compared to a range of 1.65-3.75 per cent in 2010-11.

The average weighted interbank interest rate increased by 66 basis points, from 1.91 per cent in 2010-11 to 2.57 per cent in 2011-12.

Chart 6.3: Overnight Money Market Rates in 2011-12



Source: Financial Markets Operations Division.

SECONDARY MARKET TRADING

Primary Dealer System

Effective 1 February 2002, the Bank of Mauritius established a Primary Dealer System for Mauritius to boost the development of the secondary market for securities. During 2011-12, the Bank has been working towards the enhancement of the Memorandum of Understanding underlying the Primary Dealer System and the setting up of a bond market for the trading of benchmark Bonds and Notes on the Stock Exchange. As at 30 June 2012, twelve banks held a primary dealer status.

During the period under review, transactions for a total nominal amount of Rs4,420.5 million were conducted by primary dealers compared to a total value of Rs2,316.6 million during 2010-11. Transactions carried out with corporates represented 81.1 per cent of the total amount transacted compared to 70.4 per cent in 2010-11. Deals conducted among primary dealer banks accounted for 14.2 per cent while transactions with individuals represented 0.1 per cent. Transactions with non-primary dealer banks accounted for 4.6 per cent of the total amount transacted by primary dealers.

Transactions carried out in Band 4 (91 to 135 days to maturity) represented 36.1 per cent of total transactions, that is, Rs1,597.1 million. In general, yields varied between 2.51 per cent and 4.85 per cent during 2011-12 compared to a range of 1.75 per cent to 4.80 per cent in 2010-11.

LINES OF CREDIT

Special Line of Credit to the Mauritius Sugar Syndicate

In order to accelerate reforms in the sugar industry and protect stakeholders, in particular, small planters, the Bank had made available a Special Line of Credit to the extent of Rs1,500 million to banks for on-lending to the Mauritius Sugar Syndicate (MSS) in June 2011. The purpose of the facility was to enable MSS to pay small and medium planters 80 per cent of the estimated net MSS price upfront as from their first consignment. This measure would facilitate the procurement and use of fertilizers, thereby ensuring the viability of future crops. The total amount disbursed under this scheme, Rs1,014.9 million, was paid back in full by banks by end-May 2012. For the crop year 2012, an amount of Rs1.3 billion has been made available to the MSS.

National Equity Fund

To support the financing of the National Equity Fund that was set up in July 2003, the Bank had made available to the Development Bank of Mauritius Ltd (DBM) a Special Line of Credit of Rs700 million to be drawn down within 2 years of the setting up of the National Equity Fund (NEF). As at 30 June 2012, an amount of Rs15.2 million was outstanding on this facility.

Special Line of Credit to the Sugar Industry

In 2001, the Bank, with a view to enabling banks to support the restructuring of the Sugar Industry in the context of the Sugar Sector Strategic Plan 2001-2005, had introduced a Special Line of Credit for the sugar sector for an initial amount of Rs1.5 billion, which was subsequently increased to Rs2.45 billion. As at 30 June 2012, an amount of Rs46.2 million was outstanding on this facility.

Special Line of Credit in Foreign Currency

To enable export and tourism operators address currency mismatches between their income streams and existing debt-servicing requirements, the Bank introduced a Special Line of Credit in Foreign Currency on 9 June 2012. The Line of Credit for an amount of EUR600 million to be drawn in euros, US dollars or Pound Sterling.

Interbank Foreign Exchange Market

The Bank purchased foreign currencies for an equivalent amount of US$457.3 million and sold the equivalent of US$504.6 million on the interbank foreign exchange market in 2011-12.

Turnover on the interbank foreign exchange market increased significantly to an equivalent amount of US$732.54 million compared to an equivalent amount of US$491.18 million in 2010-11. Purchases of US dollar against the rupee amounted to US$504.70 million compared to US$281.77 million in 2010-11 while purchases of US dollar against other currencies totalled US$153.62 million compared to US$110.94 million in 2010-11. Transactions were carried out at rates ranging between Rs28.0750 and Rs31.2500 per US dollar in 2011-12.

RESERVES MANAGEMENT

Against the backdrop of deepening euro area sovereign debt crisis and low yield environment, the Bank continued its strategy of currency diversification of its foreign exchange reserves. In line with its objective to enhance return, the Bank has also re-started investing part of its reserves with well-rated commercial banks and has increased investment in fixed-income securities. As at 30 June 2012, the Bank's gross foreign assets amounted to Rs85,089 million.

PAYMENT SYSTEMS AND MCIB

To keep pace with developments in global payment systems, the Bank continued to improve the local payment system infrastructure. The Bulk Clearing System (BCS), of which the Cheque Truncation System (CTS) is a component, went live on the 6 September 2011. This system allows the clearing of low-value payments and image-based clearing of cheques. On the regional front, the testing of the Regional Payment and Settlement System (REPSS), which is a cross-border multi-currency system owned by the COMESA Clearing House, was completed. Operational procedures are being finalised so that the REPSS can go live.

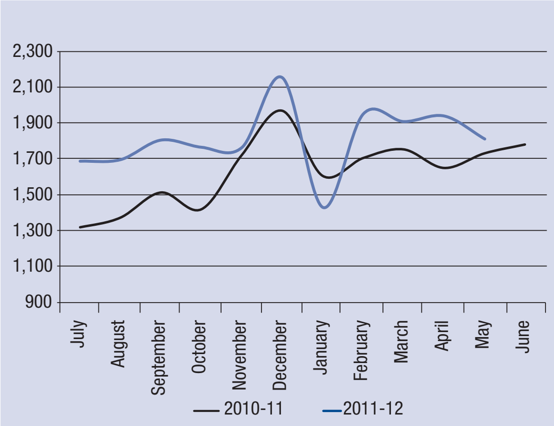
Mauritius Automated Clearing and Settlement System

The Mauritius Automated Clearing and Settlement System (MACSS), which is based on the Real Time Gross Settlement (RTGS) principle, is at the centre of all fund transfers in Mauritius. It is used in the cheque clearing process of the Port Louis Automated Clearing House (PLACH), the final settlements for the accounts of the Mauritius Revenue Authority (MRA) and settlements for the Central Depository System (CDS). Since April 2012, the MACSS is also settling transactions for a non-bank deposit-taking institution. The MACSS multi-currency feature that previously settled transactions in Pound sterling, US dollars and euros, also settled transactions in Swiss francs and South African rands since 5 March 2012. An amount equivalent to US$3.7 billion was processed in 2011-12, representing a significant increase of 95 per cent compared to 2010-11.

Throughput on MACSS, measured in terms of volume and value of transactions, went up by 10 per cent and 9 per cent, respectively. A total number of 450,420 transactions for a total value of Rs2.1 trillion were processed in 2011-12 compared to a total of 411,296 transactions for a total value of Rs1.9 trillion 2010-11.

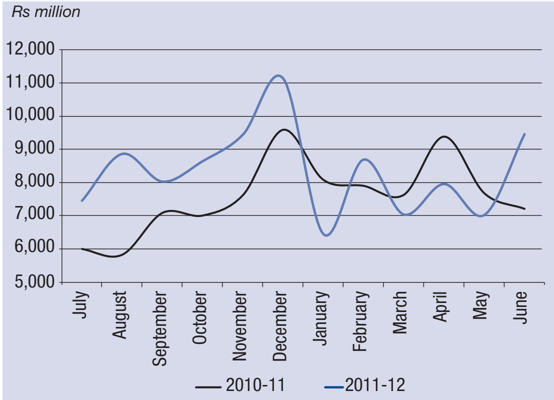
Charts 6.4 and 6.5 show the daily average volume and value of MACSS transactions during 2010-11 and 2011-12.

Chart 6.4: Daily Average Number of MACSS Transactions



Source: Payment Systems and MCIB Division.

Chart 6.5: Daily Average Value of MACSS Transactions



Source: Payment Systems and MCIB Division.

Cheque Clearing

The Cheque Truncation System (CTS), allows cheques to be converted into images that can be transmitted electronically to the clearing house for processing and payment. In the CTS, physical cheques are kept by the collecting bank, which sends scanned copies of the cheques through a secured network to the clearing house and eventually to the paying bank. A Cheque Truncation Awareness campaign was carried out to sensitise cheque users.

The BCS deals with low value, high volume payments such as salary, interest and dividend payments, standing orders and direct debits. The BCS was initially launched with 4 clearing cycles per day: 2 for cheques and 2 for Electronic Funds Transfer (EFT). As from 5 July 2012, the BCS has 4 daily cycles at 10:00, 12:00, 15:00 and 16:00 when both cheques and EFTs can be settled at the same time. Since the BCS went live, a total number of 1,972,572 EFTs for a total value of Rs47.4 billion have been processed. During the period under review, a daily average of 21,287 cheques for a value of Rs1.1 billion were cleared.

On-line Auctioning for Government of Mauritius Securities and Bank of Mauritius Instruments

In line with its objective of modernising the payment systems and mitigating settlement risks, the Bank has revisited the process of auctioning of Government of Mauritius securities. It launched in February 2012 the Depository System for Government of Mauritius Treasury Bills and other Government securities, and Bank of Mauritius instruments with a view to providing a Delivery versus Payment (DVP) mechanism for the sale of such papers. The new system, which is available to participant banks through the MACSS network, allows them to participate in the auction process through an on-line screen at their premises. The auction is carried out instantly and is finalised only if funds are available in the accounts of the participants. The system ensures settlement of transactions through MACSS and generates all relevant documents.

Regional Payment and Settlement System

The Regional Payment and Settlement System (REPSS), which is an initiative of the COMESA Clearing House launched in 2007, enables the cross-border payments between member states of the COMESA region. The Bank of Mauritius is the settlement bank. The REPSS will provide a single gateway for central banks within the COMESA region to effect payment and settlement of trade. While all testing and verification have been completed, a decision by the COMESA Clearing House is being awaited before switching operations live. As the host and settlement bank of REPSS, the Bank organised a Workshop in September 2011 to prepare participants in the system for live operations.

Mauritius Credit Information Bureau (MCIB)

The MCIB started operating in December 2005 with a database containing information from 11 banks. Over time, the coverage of the MCIB has been gradually extended beyond financial institutions regulated by the Bank. It now includes information on debtors from the non-bank financial sector and utility service providers, thus covering practically the entire range of borrowers. The number of participants currently stands at 40, comprising 16 banks, the Bank of Mauritius, 9 leasing companies, 8 insurance companies, the Mauritius Housing Company Ltd, the Development Bank of Mauritius Ltd, the National Housing Development Co Ltd, The Employees Welfare Fund, the Mauritius Civil Service Mutual Aid Association Ltd, the Central Electricity Board and the Central Water Authority. The database also contains information from retailers through the intermediation of one participant which finances credit sales by some retailers through a micro-leasing mechanism.

The broadened participation base enables lenders to carry out borrower creditworthiness assessments more efficiently by facilitating the evaluation of prospective borrowers and reducing the need for more costly and intrusive background checks. By capturing the extent to which borrowers utilise different sections of the credit market, the MCIB contributes towards addressing adverse selection risks by lenders and borrower's moral hazard. More comprehensive credit profile of borrowers provide lenders with a more efficient tool to monitor borrowers' financial standing and take pre-emptive action against potential default. As a result, credit risk cost to the lender has been reduced, while borrowers may also benefit in terms of lower loan price.

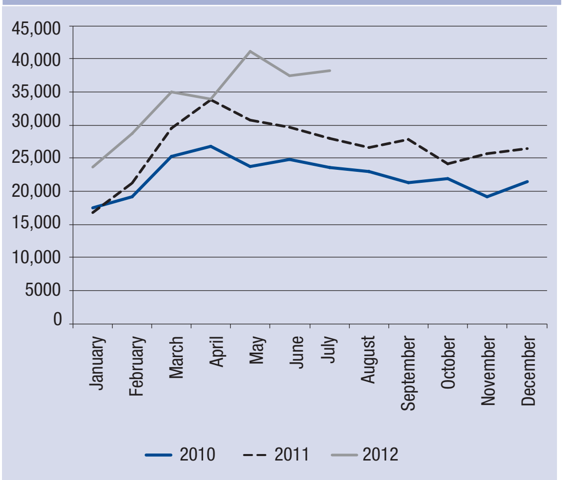
The Bank undertook several other actions towards providing more comprehensive borrower profiles to reduce the asymmetry of information in the credit market. The Bank reviewed the type of information disseminated to participants to enable them to carry out more efficient borrower creditworthiness assessment.

Previous credit profile reports did not contain information on borrowers' past payment patterns. Lenders did not have enough information to make an appropriate assessment of risks associated with potential borrowers and could not effectively distinguish between good and bad borrowers. To address this issue, the Bank implemented the on-line distribution of two-year borrower credit history. Borrowers' credit profile reports now display repayment patterns over a 24-month roll-over period. This provides the lender with a more comprehensive insight into the borrower's account activity and also creates incentive for borrowers to repay on time.

Ensuring timely and accurate reporting by participants is crucial for maintaining the integrity of the MCIB. In addition to the rigorous ongoing monitoring of participants' activities in terms of the reliability, integrity and timeliness of information, the Bank has introduced an onsite inspection to further assess participants' compliance with the requirements of the MCIB. The MCIB concurrently ensures that consumer rights remain protected and that they do not become victims of inaccurate reporting of their data. The Terms and Conditions of the MCIB provide for a dispute mechanism to allow issues on inaccurate information to be sorted out within a minimum delay. To ascertain that participants take full advantage of the information-sharing platform, the Terms and Conditions make it mandatory for participants to consult the database before approving any credit facility.

The number of reports issued by the MCIB has more than doubled over the past five years, mainly as a result of the expansion of the participation base. A comparison of the number of reports drawn by individual participants has shown that the increase is also driven by higher demand for credit facilities, as reflected by the significant increase in the number of credit records registered in the database during the year under review. Chart 6.6 shows the monthly number of reports drawn for the period January 2010 to June 2012.

Chart 6.6: Monthly Credit Reports for the period January 2010 to June 2012



Source: Payment Systems and MCIB Division.

BANKING AND CURRENCY

THE BANKING OFFICE

The Banking Office is responsible for providing banking services and for maintaining accounts for Government, local and international financial institutions, public corporations and staff members. It is also responsible for the sale of industrial gold to manufacturers of jewellery as well as the issue of Dodo Gold coins and commemorative coins to the public.

Sale of Gold

The Bank imports and sells gold of high quality, that is, 24 carats 999.9 assay in bar forms of 100 grams, 500 grams and 1,000 grams, and in grain forms to industrialists and licensed jewellers. The selling prices of industrial gold, based on prevailing international gold market prices, are posted daily in the Banking Hall and on the website of the Bank.

Sale of Dodo Gold Coins

Dodo Gold coins of 22 carats are issued by the Bank in four denominations, namely, one ounce with a face value of Rs1,000, half an ounce with a face value of Rs500, quarter of an ounce with a face value of Rs250 and one-tenth of an ounce with a face value of Rs100. The coins are legal tender in Mauritius for the value stated thereon.

The Dodo Gold coins are on sale at the counters, at banks licensed by the Bank and at the Mauritius Duty Free Paradise at the SSR International Airport. In addition, they can be purchased online on the Bank's website. They are also marketed overseas by the Royal Mint of the United Kingdom. The daily selling prices of the coins, based on their gold content and on international gold market prices, are posted in the Banking Hall and on the website of the Bank.

Issue of Commemorative Coins

The following commemorative coins are available at the counters of the Bank and on its website.

1. *Tenth 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.

2. *1997 Golden Wedding Collector Coin Programme*

   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 coin is available in a presentation case.

3. *'Father of the Nation' Platinum Series – Rs1,500 & Rs1,200*

   Platinum commemorative coins were issued in the 'Father of the Nation' Platinum Series to pay tribute to Sir Seewoosagur Ramgoolam. A first coin of Rs1,500 denomination with a design on the obverse depicting the State House was issued in October 2009. A second coin of Rs1,200 denomination with a design on the obverse depicting the Aapravasi Ghat was issued in November 2010. A third coin of Rs1,200 denomination with a design on the obverse depicting the Morne Brabant was issued in December 2011. The issuing prices of the platinum coins are based on the daily price of platinum on the international market. The coins are available in a presentation case.

THE CURRENCY OFFICE

The Currency Office discharges the Bank's statutory obligation to ensure an adequate supply of banknotes and coins to meet the demand of the public in Mauritius. Its key areas of work include:

- ensuring the availability and supply of good quality banknotes and coins to banks;
- accepting the deposits of banknotes and coins from banks;
- attending to the destruction of soiled banknotes; and
- exchanging soiled and mutilated banknotes.

In its continuous effort to enhance the quality and security features of banknotes, the Bank, in October 2011, released Rs200, Rs500 and Rs1,000 banknotes with improved security features. This upgrade consisted in the insertion of simple holographic items on the Rs200 and Rs500 banknotes and an optically variable device hologram in the Rs1,000 banknote.

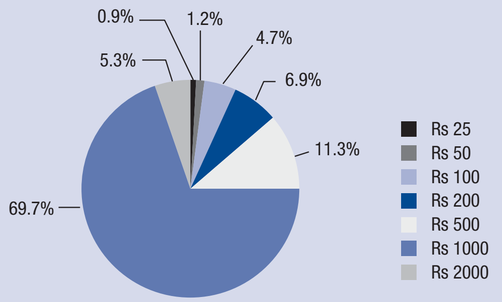
During 2011-12, banknotes and coins deposited at and issued by the Bank amounted to Rs27,613 million and Rs28,878 million, respectively. The Bank examined banknotes amounting to Rs21,749 million, out of which an amount of Rs4,863 million were found to be unfit for circulation and destroyed. In terms of volume, 54.4 million banknotes were examined, of which 41.0 per cent were found to be unfit for circulation and destroyed.

During 2011-12, the value of banknotes in circulation rose by 6.3 per cent compared to 9.8 per cent in 2010-11 while the volume of banknotes rose by 4.4 per cent compared to 5.6 per cent in 2010-11.

In terms of value, Rs1,000 denomination banknotes represented 69.7 per cent of the total value of banknotes in circulation followed by Rs500 denomination banknotes with a share of 11.3 per cent. In volume terms, Rs1,000 denomination banknotes represented 29.7 per cent of all banknotes in circulation followed by Rs100 denomination banknotes with a share of 20.2 per cent. Charts 6.7 and 6.8 depict the share of banknotes in total value and volume.

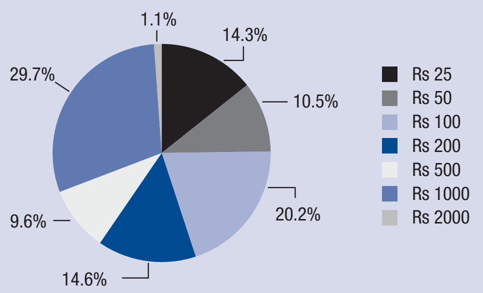
During 2011-12, the total value of coins in circulation increased by 5.7 per cent compared to 3.8 per cent in 2010-11. In volume terms, the increase was 3.4 per cent in 2011-12 compared to 4.7 per cent in 2010-11.

Chart 6.7: Share of Banknotes in Total Value



Source: Banking and Currency Division.

Chart 6.8: Share of Banknotes in Total Volume



Source: Banking and Currency Division.

RODRIGUES OFFICE

The Bank's Office in Rodrigues offers central banking services and maintains accounts for Government, banks and its staff members. The Office also conducts over-the-counter sales of Government of Mauritius Treasury Bills and Treasury Notes to individuals and non-financial corporations. It has the task of ensuring the availability and supply of coins and banknotes of good quality to meet the demands of banks in Rodrigues.

7 Regional Cooperation

AFRICAN UNION

Eighteenth Ordinary Session of the Summit of the African Union

The Eighteenth Ordinary Session of the Summit of the African Union was held from 29 to 30 January 2012 at Addis Ababa in Ethiopia on the theme *Boosting Intra-African Trade*. The first Plan of Action of the Minimum Integration Programme was adopted and it was agreed to set up a mechanism for monitoring and evaluating the Plan. Member States were invited to (i) promote free movement of persons, goods, services and capital (ii) speed up the ratification and effective implementation of legal instruments adopted within the framework of the integration process and (iii) emphasise intra-Africa partnerships.

The promotion of intra-African trade was seen as a fundamental factor for sustainable economic development, employment generation and effective integration of Africa into the global economy. It was, therefore, decided that the Continental Free Trade Area (FTA) should be established by 2017 with the option to review the target date according to progress made.

Establishment of the Tripartite Free Trade Area

The second meeting of the COMESA-EAC-SADC Tripartite Trade Negotiation Forum was held from 12 to 14 March 2012. The main purpose of the meeting was to take stock of the preparation for negotiating the Tripartite FTA, consider the interpretation with a view to forging a common understanding of the adopted Negotiation Principles and to establish Technical Working Groups. The Tripartite has an agreed Roadmap to achieve its FTA, and an agreed programme of trade facilitation measures - a process of improving transport infrastructure along regional corridors. It is currently working on the design and implementation of a regional industrial policy. The Tripartite has also established institutions and governance structures to direct, guide and monitor the implementation of the Tripartite Integration Process.

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

Meeting of Governors of the AACB, Eastern Africa Sub-Region

The Assembly of Governors of the AACB held its Thirty-fifth Ordinary Meeting in Lilongwe, Malawi, on 12 August 2011. The Assembly of Governors welcomed signs of economic recovery in the AACB's member countries, but noted a deterioration in performances under the African Monetary Cooperation Programme (AMCP) primary convergence criteria. Member states were thus encouraged to pursue efforts aimed at strengthening the structures of their economy as well as accelerating macroeconomic convergence. Governors selected "Challenges of Commodity Price and Capital Flow Volatility to African Central Banks" as the theme for the 2012 AACB Symposium and agreed that theme for the 2012 Continental Seminar would be 'Challenges to the Design and Implementation of Macro-prudential Policy Instruments in Africa'. The Assembly of Governors elected the Governor of the Reserve Bank of Malawi as the Chairman of the AACB for the period 2011-2012.

The Bureau of the AACB held its First Ordinary Meeting for the year 2012 on 29 February 2012 in Abuja, Nigeria, and it adopted the report of the Thirty-fifth Ordinary Meeting of the Assembly of Governors held in Lilongwe, Malawi in August 2011. It considered the progress report of the activities of the AACB-AUC Joint Committee put in place to develop a strategy for the creation of the African Central Bank and underlined the need for the experts to complete the study by January 2013. The Bureau noted the unfavourable international economic environment and expressed concern about its potential impact on the economic performance of African economies. It also instructed the Executive Secretary of the AACB to take the necessary steps for the establishment of the Community of African Banking Supervisors.

Meeting of Governors of the AACB, Eastern Africa Sub-Region

A meeting of the Governors of the AACB, Eastern Africa Sub-region, was held on 23 May 2012 at Bujumbura, Burundi. The purpose of the meeting was mainly to review progress of the sub-region in the implementation of the African Monetary Cooperation Programme (AMCP), and consider the implementation of the decisions of the Thirty-fifth Ordinary Meeting of the Assembly of Governors of AACB.

Progress towards Implementation of the AMCP by Member Central Banks

Governors considered the progress made towards the achievement of the primary and secondary criteria in the third phase of the AMCP covering the period 2009-2012. All countries missed the target of overall budget deficit (excluding grants) of less than 3 per cent of GDP. All the countries except Comoros experienced inflationary pressures during 2011, mainly due to supply side shocks as a result of rising energy and food prices on the global scene coupled with sharp depreciation of the exchange rate. Most of the central banks did not extend credit to the Government. The sub-region did not achieve external reserves/ import cover of at least 6 months, except for Comoros with reserves of 7.1 months of imports in 2011. Revenue collection improved in most member countries but remained below the set criterion of domestic fiscal receipts to GDP ratio equal to or more than 20 per cent. There was mixed performance regarding the achievement of the criterion of public investment financed from internal resources to be kept to a minimum of 20 per cent. Burundi, Kenya, Rwanda and Uganda achieved the target. The wage bill to total tax revenue ratio was less than 35 per cent in Kenya, Mauritius, Uganda and Rwanda. In all member countries, interest rate remained market determined but negative due to high inflation recorded in 2011. Finally, in 2011, for all countries except Rwanda and Mauritius, the exchange rate depreciated in nominal terms due to the general strengthening of the US dollar.

Governors observed that most of the primary criteria were not met, namely the budget deficit to the GDP ratio, inflation and external reserves and that central bank credit to Government was not clearly defined. They recommended that the AACB undertake a review of all the threshold indicators in order to have more realistic and relevant criteria.

The Bank of Tanzania and the National Bank of Rwanda were elected as the next Chair and Vice Chair of the AACB, Eastern Africa Sub-region, respectively, for 2012-2013.

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

Meeting of the SADC Macroeconomic Convergence Peer Review Panel

Chapter 10, Article 17 of the Finance and Investment Protocol (FIP) provides for the establishment of the Peer Review Panel (PRP) in accordance with Article 9 of the SADC Treaty. The objective of the PRP is to establish a collective surveillance procedure to monitor macroeconomic convergence, determine specific targets, assess progress relative to those targets and provide advice on corrective action. The PRP comprises (a) the Committee of Ministers responsible for Finance and Investment and (b) Central Bank Governors from each of the State Parties and is expected to meet once a year to effect the provisions of macroeconomic monitoring and surveillance.

Following ratification of the FIP by two-third majority of State Parties, the Protocol effectively entered into force on 16 April 2011. The SADC Secretariat has developed the Framework for Surveillance of Macroeconomic Convergence in order to operationalise the peer review surveillance mechanism.

The first meeting of the Peer Review Panel (PRP) was held on 15 October 2011 at Balaclava in Mauritius. The Governor of the Bank of Mauritius represented the Chairperson of the CCBG at the meeting. The PRP raised the following concerns regarding the peer review process, in particular, inadequate prior consultations among themselves on issues on the agenda, proposed co-operation with the IMF, principles guiding the operation of the proposed peer review mechanism and the suitability of the macroeconomic convergence indicators. The PRP noted that there was a need to carry out further consultations, which would ensure adequate time to appreciate its role and obligations in the peer review mechanism. The PRP agreed that the SADC Secretariat should convene a meeting of the PRP to consider the peer review mechanism before the end of May 2012.

SADC Ministers of Finance and Governors Forum

The joint meeting of the SADC Ministers of Finance and Central Bank Governors (the Forum) was held on 16 October 2011 in Mauritius. The Forum was co-chaired by the Minister of Finance of Angola and the Governor of the Bank of Mauritius (representing the CCBG Chairperson).

The Forum noted the progress made by the CCBG in its area of mandate. It discussed plans the region had set for the next stages of integration and underscored the need to move with caution, taking stock from what was happening elsewhere, in particular, the Euro debt crisis, and review the timelines. As building blocks, regions should integrate first before continental integration. The forum also examined the different indicators that SADC and the African Union (AU) had set for regional and continental integration.

The Committee of Central Bank Governors (CCBG) in SADC

The Thirty-third meeting of the CCBG was held on 8 September 2011 in Pretoria, South Africa and the Bank of Mauritius hosted the Thirty-fourth meeting on 30 April 2012. Governors agreed that the macroeconomic convergence criteria should be re-examined and the impact of the experiences in the European Union on the SADC region should be considered. Measures should be identified on how confidence can be restored and higher growth be achieved. They also agreed that it was important to develop banking legislation with common approaches to supervision and licensing. Governors noted that the African Development Bank had embarked on an African Financial markets Initiative (AFMI) and that the CCBG Financial Markets Subcommittee had been invited to form part of their multi-disciplinary Working Groups to drive this process. With regard to the SADC Payment Systems Project, Governors endorsed that the pilot project for the implementation of a cross-border settlement system would initially be implemented in the Common Monetary Area (CMA) countries. The pilot project in the CMA countries was based on the SADC legal framework and the solution emerging from such a project would ultimately be a SADC solution. Governors noted the background document on the PRP and the framework for the Macroeconomic Convergence Surveillance Mechanism (MCSM). Governors advised that they were agreeable to the proposed joint meetings but that these meetings should be planned well in advance.

SUB-SAHARAN AFRICAN REGIONAL CONSULTATIVE GROUP (RCG)

The Financial Stability Board (FSB) of the Bank for International Settlements had established six regional consultative groups, including one for sub-Saharan Africa, to bring together financial authorities from FSB member and non-member countries to exchange views and share initiatives to promote financial stability. The RCG for sub-Saharan Africa is expected to play a pivotal role in exploring challenges and proposing through the FSB solutions to policy implementation that consider the characteristics of the region.

Membership of the RCG for Sub-Saharan Africa comprises financial authorities from Angola, Botswana, Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa and Tanzania, with South Africa and Kenya as co-chairs. Following an invitation by the FSB to the CCBG to nominate a member to become a permanent observer of the regional consultative group for sub-Saharan Africa, Governors approved the nomination of the Central Bank of Lesotho to represent the CCBG in the regional consultative group for sub-Saharan Africa.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

First Joint Meeting of Ministers of Finance and Central Bank Governors

The First Joint Meeting of Ministers of Finance and Central Bank Governors of the COMESA was held in Lusaka, Zambia on 13 July 2011 and was co-chaired by the Ugandan Minister of Finance and the Governor of the Bank of Mauritius (representing the COMESA Chairperson). It was preceded by parallel separate meetings of Committees of Ministers of Finance and Central Bank Governors to allow both Committees to focus on issues that are within their mandate. The reports of the two Committees were then considered by the Joint Meeting. In this respect, the Sixteenth Meeting of the COMESA Committee of Governors of Central Banks was held in Lusaka, Zambia from 11 to 12 July 2011. It was agreed that the COMESA Monetary Institute (CMI) would be used as the Tripartite Institute for the three Regional Economic Communities, namely COMESA, SADC and EAC. With respect to the Regional Payment and Settlement System (REPSS), the COMESA Secretariat was directed to include the REPSS as a Tripartite Facility in the Tripartite Agenda. It was also decided that the Secretariat would prepare a draft action plan with timelines for the implementation of the Multilateral Fiscal Surveillance Framework (MFSF) and initiate discussions with EAC and SADC to make Monetary and Fiscal Policies Harmonization Programme a Tripartite Programme. With a view to accelerating growth and economic transformation in the Tripartite Region, a detailed programme of reforms, spanning over a maximum implementation period of five years, would be worked out after close consultation and collaboration with member States.

Seventeenth Meeting of the COMESA Committee of Governors of Central Banks

The Seventeenth Meeting of the COMESA Committee of Governors of Central Banks was held from 3 to 4 November, 2011 in Ezulwini, Kingdom of Swaziland. Governors noted that a REPSS Workshop had been held at the Bank of Mauritius from 13 to 15 September 2011 with the main objectives of testing REPSS and to discuss and clarify any issues raised by participants. A REPSS Operational Committee was established to look into the operations of REPSS with a view to recommending any enhancements to the software after consultations with the users of each central bank. The Committee would comprise representatives of participating central banks, the Settlement Bank and the COMESA Clearing House (CCH). A joint CCH/Bank of Mauritius Help Desk had also been set up.

Governors also endorsed the various recommendations of the Sixth Meeting of the Financial System Development and Stability Sub-committee and the Ninth Meeting of the Monetary and Exchange Rates Policies Sub-committee which were held at the COMESA Monetary Institute in September 2011. They took note that sensitization and capacity building workshops on Multilateral Fiscal Surveillance Framework would be held in 2012.

The Central Bank of Swaziland and the National Bank of Rwanda were elected as the next Chair and Vice-Chair of the Committee of Central Bank Governors, respectively.

8 Financial Statements

BANK OF MAURITIUS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

CONTENTS **PAGE**

INTRODUCTION

The net profits for the financial year ended 30 June 2012 in terms of section 11(1) of the Bank of Mauritius Act 2004 (the Act) was Rs395.3 million, up from Rs258.4 million for the previous financial year. The sustained improvement in the performance of the Bank was attributable mainly to a combination of operational efficiency and diversification strategy with respect to reserve management. The results were, however, mitigated by the ongoing cost of servicing of Bank of Mauritius securities issued to mop up excess liquidity. The Bank issued Bank of Mauritius Bills and Notes with maturities of up to four years.

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. The Board met on 27 September 2012 to consider the Financial Statements of the Bank for the financial year ended 30 June 2012 and determined the net profits for the year then ended.

Assets

Foreign assets of the Bank increased mainly due to purchases from the domestic foreign exchange market and interest income on foreign investments. Domestic assets increased mainly as a result of purchases of Government of Mauritius securities and advances granted to banks.

Liabilities

Liabilities recorded an increase mainly on account of both Government's and banks' deposits going up.

Capital and Reserves

In accordance with section 10(4) of the Bank of Mauritius Act 2004, the paid up capital of the Bank has been increased from Rs1 billion to Rs2 billion on 7 November 2011. The net increase in Reserves resulted from gain on Revaluation of Foreign Currencies, SDR, Gold and Investments, the whole amount of which was transferred to the Special Reserve Fund in accordance with sections 47(1) and 47(1A) of the Act. As required under section 11(2) of the Act, an amount of Rs59.3 million representing 15% of the net profits for the year in terms of section 11(1) of the Act was transferred to the General Reserve Fund. Further, the balance standing to the credit of Other Reserves was also transferred to the General Reserve Fund.

Statement of Responsibilities

The Bank, which acts as the central bank for Mauritius, is set up under the Act as a body corporate. Section 3(4) of the Act spells out that the Companies Act 2001 shall not apply to the Bank.

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 running of the operations and day-to-day management 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 affairs and business of the Bank as decided by 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 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 presently consists of the Governor as Chairperson, two Deputy Governors and four 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 reappointment. 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.

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF THE BANK OF MAURITIUS

Report on the Financial Statements

We have audited the financial statements of Bank of Mauritius (the "Bank") on pages 82 to 117 which comprise the statement of financial position as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements which include summary of significant accounting policies and other explanatory notes.

This report, including the opinion, has been prepared for and only for, the Bank's shareholder and for no other purpose. Our audit work has been undertaken so that we might state to the Bank's shareholder those matters that are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank's shareholder, for our audit work, for this report, or for the opinions we have formed.

Bank's Responsibility for the Financial Statements

The Bank is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles applicable to central banks and best international practices pursuant to section 31(1) of the Bank of Mauritius Act 2004 and in accordance with International Financial Reporting Standards. This responsibility includes the implementation of an internal control structure to maintain the reliability of the financial statements and provide reasonable, but not absolute, assurance against the possibility of errors and irregularities that are material to the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Bank, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 82 to 117 give a true and fair view of the financial position of the Bank as at 30 June 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Bank of Mauritius Act 2004.

KPMG
Licensed Auditors
Ebène
Date: 27 September 2012

John Chung, BSc FCA
Licensed by FRC

BANK OF MAURITIUS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012	2011
		Rs	Rs
ASSETS			
Foreign Assets:			
Cash and Cash Equivalents	6	**53,040,392,255**	56,590,976,768
Other Balances and Placements	7	**31,812,162,992**	24,104,155,689
Interest Receivable		**243,048,924**	61,757,828
Other Investments	8	**212,524,475**	160,363,091
		85,308,128,646	80,917,253,376
Domestic Assets:			
Loans and Advances	9	**443,123,336**	204,678,979
Investment in Government Securities	10	**9,237,310,692**	5,756,781,889
Computer Software	11	**5,456,630**	17,956,273
Property, Plant and Equipment	12	**1,748,949,781**	1,839,191,508
Other Assets	13	**315,571,293**	242,291,641
TOTAL ASSETS		**97,058,540,378**	88,978,153,666
LIABILITIES			
Currency in Circulation	14	**21,985,845,587**	20,694,737,699
Demand Deposits:			
Government		**14,616,173,678**	10,286,321,482
Banks		**23,977,369,481**	21,557,310,005
Other Financial Institutions		**143,655,758**	133,953,037
Others		**131,639,892**	624,382,399
		38,868,838,809	32,601,966,923
Bank of Mauritius Securities	15	**7,753,805,621**	10,461,795,182
Provisions	16	**100,000,000**	100,000,000
Employee Benefits	17	**202,914,574**	163,025,361
Other Liabilities	18	**4,841,989,706**	4,579,753,851
TOTAL LIABILITIES		**73,753,394,297**	68,601,279,016
CAPITAL AND RESERVES			
Stated and Paid up Capital	5	**2,000,000,000**	1,000,000,000
Reserves	5	**21,305,146,081**	19,376,874,650
TOTAL CAPITAL AND RESERVES		**23,305,146,081**	20,376,874,650
TOTAL LIABILITIES, CAPITAL AND RESERVES		**97,058,540,378**	88,978,153,666

A.K. Tohooloo
Head-Accounting and Budgeting

M.I. Belath
Second Deputy Governor

R. Bheenick
Governor

Date: 27 September 2012

BANK OF MAURITIUS STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		Rs	Rs
INCOME			
Income from Financial Assets			
Interest and Similar Income on Foreign Assets	19 (a)	**797,963,625**	730,429,701
Interest and Similar Income on Domestic Assets	19 (b)	**485,162,587**	248,633,558
Others	19 (c)	**2,066,443**	12,383,252
	19	**1,285,192,655**	991,446,511
Gain on Foreign Exchange Transactions		**91,360,407**	103,635,363
Other Income	20	**62,634,970**	55,291,416
Gain on Financial Instruments at Fair Value Through Profit or Loss		**1,204,413,471**	915,080,276
		2,643,601,503	2,065,453,566
EXPENDITURE			
Interest Expense and Similar Charges	21	**15,774**	680,139
Staff Salaries and Other Benefits	22	**249,119,537**	241,357,808
General Expenditure		**129,752,989**	119,965,166
Fees Payable		**26,561,045**	18,816,791
Coin Issue Expenses		**12,170,142**	71,908,377
Note Issue Expenses		**131,509**	881,897
Depreciation and Amortisation		**131,535,217**	130,606,234
Directors' Remuneration	23	**18,478,642**	22,269,740
IMF Charges	32	**7,099,661**	14,823,134
Other Expenditure	24	**16,780,879**	16,444,227
		591,645,395	637,753,513
OPEN MARKET OPERATIONS	25		
Interest on Bank of Mauritius Securities		**452,199,772**	247,904,733
Interest on Special Deposits Facility		**-**	1,821,918
Interest on Reverse Repurchase Transactions		**-**	4,504,932
		452,199,772	254,231,583
NET PROFIT FOR THE YEAR		**1,599,756,336**	1,173,468,470
OTHER COMPREHENSIVE INCOME			
Gain/(Loss) on revaluation of Foreign Currencies and SDR		**1,664,556,530**	(735,825,612)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,264,312,866**	437,642,858
Transfer to Special Reserve Fund in terms of sections 47(1) and 47(1A) of the Bank of Mauritius Act 2004		**(2,868,970,001)**	(179,254,664)
NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004		**395,342,865**	258,388,194
Transfer to General Reserve Fund in terms of Section 11 (2) of the Bank of Mauritius Act 2004		**(59,301,430)**	(38,758,229)
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004		**336,041,435**	219,629,965

BANK OF MAURITIUS STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Accumulated Profit	Other Reserves	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at 1 July 2010	1,000,000,000	1,456,523,769	16,020,051,742	-	1,682,286,246	20,158,861,757
Total Comprehensive Income						
- Net Profit for the Year	-	-	-	1,173,468,470	-	1,173,468,470
Other Comprehensive Income						
- Loss on Revaluation of Foreign Currencies and SDR	-	-	-	(735,825,612)	-	(735,825,612)
Total Comprehensive Income for the year	-	-	-	437,642,858	-	437,642,858
Transfer to Special Reserve Fund	-	-	179,254,664	(179,254,664)	-	-
Transfer to General Reserve Fund	-	38,758,229	-	(38,758,229)	-	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	(219,629,965)	-	(219,629,965)
Balance at 30 June 2011	1,000,000,000	1,495,281,998	16,199,306,406	-	1,682,286,246	20,376,874,650
Balance at 1 July 2011	1,000,000,000	1,495,281,998	16,199,306,406	-	1,682,286,246	20,376,874,650
Total Comprehensive Income						
- Net Profit for the Year	-	-	-	1,599,756,336	-	1,599,756,336
Other Comprehensive Income						
- Gain on Revaluation of Foreign Currencies and SDR	-	-	-	1,664,556,530	-	1,664,556,530
Total Comprehensive Income for the year	-	-	-	3,264,312,866	-	3,264,312,866
Transfer to Capital	1,000,000,000	-	(1,000,000,000)	-	-	-
Transfer to Special Reserve Fund	-	-	2,868,970,001	(2,868,970,001)	-	-
Transfer to General Reserve Fund	-	1,741,587,676	-	(59,301,430)	(1,682,286,246)	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	(336,041,435)	-	(336,041,435)
Balance at 30 June 2012	**2,000,000,000**	**3,236,869,674**	**18,068,276,407**	**-**	-	**23,305,146,081**

BANK OF MAURITIUS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		Rs	Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated from Operating Activities	26	**5,013,255,789**	15,705,774,468
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in Other Balances and Placements		**(7,708,007,303)**	(12,036,523,311)
Change in Investment in Government Securities		**(3,480,528,803)**	(3,929,659,515)
Additions to Intangible Assets		**(501,339)**	(15,332,243)
Acquisition of Property, Plant and Equipment		**(29,217,667)**	(62,782,770)
Acquisition of Other Investment		**-**	(152,764,000)
Proceeds from Sale of Property, Plant and Equipment		**4,007,301**	717,222
Dividend Income		**1,067,473**	988,313
Net Cash Used in Investing Activities		**(11,213,180,338)**	(16,195,356,304)
Cash Flows from Financing Activities			
Balance of net profits paid into the Consolidated Fund		**(219,629,965)**	(61,544,270)
Net Decrease in Cash and Cash Equivalents		**(6,419,554,514)**	(551,126,106)
Cash and Cash Equivalents at 1 July		**56,590,976,768**	56,962,848,210
Effect of exchange rate fluctuations on Cash and Cash Equivalents and fair value changes		**2,868,970,001**	179,254,664
Cash and Cash Equivalents at 30 June	6	**53,040,392,255**	56,590,976,768

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. LEGAL FRAMEWORK

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004 (the “Act”), the Bank of Mauritius (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 a copy of its audited financial statements to the Minister of Finance 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.

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.

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 are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- the liability for defined benefit obligations is recognised as the present value of defined obligations less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(c) Functional and Presentation Currency

These financial statements are presented in Mauritian Rupee ("Rs"), which is the Bank's functional currency and presentation 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) New Standards and Amendments not yet effective for 2012

Amendments to IFRS 7: Disclosures – Transfers of Financial Assets

Amendments to IFRS 7 will be effective for the Bank's financial year ending 30 June 2014. The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for:

- Financial assets that are not de-recognised in their entirety; and
- Financial assets that are de-recognised in their entirety but for which the entity retains continuing involvement

Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

Amendment to IAS 1 will be effective for financial year ending 30 June 2014.

The amendments:

- require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;

- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, the entity is still allowed to use other titles.

IFRS 13: Fair Value Measurement

IFRS 13 will be effective for the financial year ending 30 June 2014. It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

IFRS 7 Amendment: Disclosures of interests in other entities

IFRS 7 will be effective for the financial year ending 30 June 2014. The amendments to IFRS 7 include minimum disclosure requirements related to financial assets and liabilities that are:

- offset in statement of financial position
- subject to enforceable master netting arrangements or similar agreements

IFRS 32 Amendment: Offsetting Financial Assets and Financial Liabilities

IAS 32 will be effective for the financial year ending 30 June 2015. The amendments clarify that:

- an entity currently has a legally enforceable right to set off if that right is:
  - not contingent on a future event; and
  - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
- gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
  - eliminates or results in insignificant credit and liquidity risk; and
  - process receivables and payables in a single settlement process or cycle.

IFRS 9: Financial Instruments

IFRS 9 will be adopted for the first time for financial reporting period ending 30 June 2016. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

Additions to IFRS 9: Financial Instruments

The additions to IFRS 9 will be adopted for the first time for financial reporting period ending 30 June 2016. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, barring the following two aspects:

- fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement, derivatives embedded in host contracts that are not financial assets, and the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank are as follows:

(a) Financial Instruments

(i) Initial Recognition

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

(ii) Classification

Assets or liabilities classified as Held-For-Trading, which is a subset of the Fair-Value-Through-Profit-or-Loss ("FVTPL") category, are those that are acquired or incurred principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin. A financial asset should be classified as Held-For-Trading if, regardless of why it was acquired, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

These may include certain investments, certain purchased loans and derivative financial instruments. The Bank's Foreign Investment, Gold deposits, Other Unquoted Investments and Investment in Government Securities fall under this classification.

Loans and Receivables are non-derivative financial assets created by the Bank by providing money, other than those created with the intention of short-term profit taking. Loans and Receivables comprise of Cash and Cash Equivalents (excluding Gold Deposits), Deposit Accounts, Loans and Advances to commercial banks or other financial institutions under Special Lines of Credit and certain Other Assets of the Bank.

Available-For-Sale assets are those non-derivative financial assets that are not classified as financial assets at FVTPL, Loans and Receivables or Held-To-Maturity.

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

Management determines the appropriate classification of the Bank's financial assets and financial liabilities and re-evaluates such classification on a regular basis.

Disclosure about Financial Instruments is provided in Note 29.

(iii) Measurement

Financial instruments are initially measured at fair value, which is the value of the consideration given (in the case of an asset) or received (in the case of a liability) for it, including transaction costs. Subsequent to initial recognition, all Available-For-Sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case it is stated at amortised cost or cost, depending on whether there is a fixed maturity or not, less any impairment.

FVTPL (including Held-For-Trading) assets and liabilities are normally measured at fair value at subsequent reporting dates.

Loans and Advances and non-trading financial liabilities are measured at amortised cost using the straight line method.

A financial asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of a financial asset carried at amortised cost is the present value of expected future cash flows discounted at the original effective interest rate of the asset.

(iv) Fair Value Measurement Principles

The fair value of financial instruments is based on their quoted market price at the reporting date. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Gold Deposits

Gold Deposits are held by the Bank for reserve management purposes. With regard to the set characteristics of the monetary gold, the Bank considers that IFRS does not provide a reliable base for the reporting of this asset. Therefore, pursuant to the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Bank defines the recognition and valuation of the gold as a financial asset reported at fair value through profit or loss as the most reliable and appropriate base for a subsequent valuation of this financial asset. Accordingly, all gains and losses on revaluation of gold are recognised in the Statement of Comprehensive Income. Gold is valued at the price ruling on the international market.

Government of Mauritius Treasury Bills

Government of Mauritius Treasury Bills have been revalued based on the latest market data available for these instruments.

Other Government Securities

Other Government Securities comprise Mauritius Development Loan Variable Interest Rate Stocks which have been revalued using the straight line revaluation method and Treasury Notes, Bonds and MDLS with maturities ranging between two to twenty years which have been revalued using the discounted cash flow techniques, based on the latest market data available for these instruments and other similar instruments as at the reporting date.

Bank of Mauritius Securities

Bank of Mauritius securities, which are issued for liquidity management, are measured at amortised cost using the straight line method.

Unquoted Investments

The Bank may, from time to time, hold financial instruments that are not quoted on active markets. Fair values of such instruments are determined by using valuation techniques including third party transaction values, earnings, net asset value, or discounted cash flows, whichever is considered to be appropriate. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

(v) Gains and Losses on Subsequent Measurement

Gains or losses on FVTPL (including Held-For-Trading) financial assets and financial liabilities arising from changes in their fair value are recognised in the Statement of Comprehensive Income in the period in which they arise. Gains or losses on Available-For-Sale financial assets are recognised in equity. For those financial instruments carried at amortised cost, gains or losses are recognised in the Statement of Comprehensive Income when the financial instrument is de-recognised or impaired and through the amortisation process.

(vi) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash balances, call deposits with other financial institutions and short-term highly liquid debt investments with remaining maturities of three months or less.

(b) Computer Software

Under IAS 38-Intangible assets, Computer Software which does not form an integral part of computer hardware, is classified as an intangible asset. Intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the rate of 33 1/3% per annum so as to write off the depreciable value of the assets over their estimated useful lives. A full year of amortisation is charged in the year of purchase. Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date.

(c) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis so as to write off the depreciable value of the assets to their estimated residual values over their estimated useful lives. A full year of depreciation is charged in the year of purchase.

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

No depreciation is provided on freehold land and capital work in progress. Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date.

(d) Industrial Gold and Dodo Gold Coins

Inventories of Industrial Gold and Dodo

Gold Coins are measured at the lower of cost or net realisable value. The costs of inventories are based on a first-in-first-out principle and include all expenditure incurred in acquiring the inventories and in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses

(e) Currency in Circulation

Notes and coins issued represent an unserviced liability of the Bank of Mauritius and are recorded at face value.

The Bank also issues a range of Mauritius commemorative coins. All costs associated with the production of these numismatic coins are expensed in the Statement of Comprehensive Income when incurred.

(f) Employee Benefits

Defined Benefit Pension Plan

The present value of funded obligations is recognised in the Statement of Financial Position as a non-current liability after adjusting for the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost. The valuation of the funded obligations is carried out every year by a firm of actuaries. Currently, the Bank employs the State Insurance Company of Mauritius Ltd as its actuary.

The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses will be recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous accounting period exceeded the greater of:

(i) 10% of the present value of the defined benefit obligation at that date; and

(ii) 10% of the fair value of plan assets at that date.

State Pension Plan

Contribution to the National Pension Scheme is expensed to the Statement of Comprehensive Income in the period in which it falls due.

(g) Income and Expenditure Recognition

Income and Expenditure are recognised as they are earned or incurred and are recorded in the financial statements on an accruals basis to accurately reflect the period to which they relate.

Dividend income from equity investments is accounted for in the Statement of Comprehensive Income as other income when the right to receive payment is determined.

(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 the Statement of Comprehensive Income 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 assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Impairment is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Any impairment is recognised in the Statement of Comprehensive Income.

(j) 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.

(k) Comparative Figures

Comparative figures have been reclassified and restated where necessary to conform to the current year's presentation.

(l) 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(m) Operating Leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(n) Related Party Transactions

For the purpose of these financial statements, parties, whether individuals or other entities, are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank, or exercise significant influence over the Bank in making financial and operating decisions, or vice versa or where the Bank is subject to common control or common significant influence.

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:

Key Sources of Estimation Uncertainty

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) (iv). 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.

Critical Accounting Judgements in Applying the Bank's Accounting Policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of Financial Instruments

The Bank's accounting policy on fair value measurements is discussed under Note 3 (a) (iv).

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.

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:

2012	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		Rs	**Rs**	**Rs**	**Rs**
Financial Assets					
Gold Deposits	6	**6,117,615,890**	**-**	**-**	**6,117,615,890**
Foreign Investments	7	**-**	**21,323,799,935**	**-**	**21,323,799,935**
Other Investments	8	**-**	**-**	**212,524,475**	**212,524,475**
Investment in Government Securities	10	**-**	**9,237,310,692**	**-**	**9,237,310,692**
		6,117,615,890	**30,561,110,627**	**212,524,475**	**36,891,250,992**

2011					
Financial Assets					
Gold Deposits	6	5,400,780,730	-	-	5,400,780,730
Foreign Investments	7	-	20,016,268,269	-	20,016,268,269
Other Investments	8	-	-	160,363,091	160,363,091
Investment in Government Securities	10	-	5,756,781,889	-	5,756,781,889
		5,400,780,730	25,773,050,158	160,363,091	31,334,193,979

There have been no transfers during the year between levels 1 and 2. A reconciliation of fair value measurements in level 3 is set out below:

	Equity securities
	Rs
Opening balance at 1 July 2011	**160,363,091**
Change in fair value	**52,161,384**
Closing balance at 30 June 2012	**212,524,475**

Financial Asset and Liability Classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as Held-for-Trading, the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3 (a) (ii).
- In designating financial assets or liabilities at FVTPL, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy 3 (a) (ii).
- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3 (a) (ii).

Details of the Bank's classification of financial assets and liabilities are given in Note 29 (b).

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. The management has determined that the functional currency of the Bank is Mauritian Rupees ("Rs"). The majority of the Bank's operating expenses and liabilities are denominated in Mauritian Rupees.

5. CAPITAL AND RESERVES

Stated and Paid up Capital

In accordance with section 10(4) of the Bank of Mauritius Act 2004, the paid up capital of the Bank has been increased from Rs1 billion to Rs2 billion on 7 November 2011. 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 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.

New 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, SDR, or foreign currencies shall be included in the computation of annual income of the Bank.

Other Reserves

Other Reserves were reserves that have been carried forward from previous years. They included Reserve for Contingencies of Rs482,286,246 and Reserve for Open Market Operations of Rs1,200,000,000. Other Reserves have been transferred to General Reserve Fund during the current year.

6. CASH AND CASH EQUIVALENTS

	2012	2011
	Rs	Rs
Deposit Accounts	**34,722,223,066**	40,037,634,911
Special Drawing Rights (SDR)	**4,676,257,276**	4,540,854,570
Repurchase Agreement	**4,432,722,840**	3,040,425,120
Current Accounts	**3,005,754,773**	3,491,285,905
Foreign Currency Notes and Coins	**68,710**	2,104,431
Gold Deposits	**6,117,615,890**	5,400,780,730
Foreign Liquid Securities	**85,749,700**	77,891,101
	53,040,392,255	56,590,976,768

7. OTHER BALANCES AND PLACEMENTS

	2012	2011
	Rs	Rs
Foreign Investments	**21,323,799,935**	20,016,268,269
Deposit Accounts	**10,488,363,057**	4,087,887,420
	31,812,162,992	24,104,155,689

Foreign Investments represent funds outsourced to Fund Managers and comprise investments in cash, securities and bonds.

8. OTHER INVESTMENTS

	2012	2011
	Rs	Rs
Unquoted Investments	**212,524,475**	160,363,091

(i) Basis of valuation

Unquoted Investments have been valued on the basis of the latest available prices in respect of the investee entities.

(ii) Fair Values

The Bank considers that the carrying values of the unquoted investments approximate their fair values.

9. LOANS AND ADVANCES

	2012	2011
	Rs	Rs
Special Line of Credit - Sugar Industry	46,186,721	133,542,564
Special Line of Credit - National Equity Fund	15,168,323	30,336,645
Special Line of Credit in Foreign Currency	-	28,468,400
Overnight Facility to banks	370,000,000	-
Others	11,768,292	12,331,370
	443,123,336	204,678,979

Advances under Special Lines of Credit are granted to banks and other financial institutions to support the economic development of the country. Advances under the Special Lines of Credit are guaranteed/ collateralised and are at variable interest rates.

10. INVESTMENT IN GOVERNMENT SECURITIES

	2012	2011
	Rs	Rs
Government of Mauritius Treasury Bills	6,492,910,697	3,886,703,162
Other Government Securities	2,744,399,995	1,870,078,727
	9,237,310,692	5,756,781,889

11. COMPUTER SOFTWARE

	Rs
Cost	
At 1 July 2010	106,992,259
Additions	15,332,243
At 30 June 2011	122,324,502
Additions	501,339
At 30 June 2012	**122,825,841**
Amortisation	
At 1 July 2010	91,534,344
Charge for the year	12,833,885
At 30 June 2011	104,368,229
Charge for the year	13,000,982
At 30 June 2012	**117,369,211**
Net book value	
At 30 June 2012	5,456,630
At 30 June 2011	17,956,273

12. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings Rs	Capital Work in Progress Rs	Furniture, Equipment, Fixtures and Fittings Rs	Computer Equipment Rs	Motor Vehicles Rs	Total Rs
COST						
At 1 July 2010	1,536,201,792	-	684,849,455	55,583,641	26,526,623	2,303,161,511
Additions	190,000	862,500	6,050,937	55,679,333	-	62,782,770
Transfers	-	-	(92,550)	92,550	-	-
Disposals	-	-	(12,332,947)	-	-	(12,332,947)
At 30 June 2011	**1,536,391,792**	**862,500**	**678,474,895**	**111,355,524**	**26,526,623**	**2,353,611,334**
Additions	-	3,943,599	13,423,785	623,858	11,226,425	29,217,667
Scrapped	-	-	(141,280)	-	-	(141,280)
Disposals	-	-	(5,566,367)	(468,604)	(9,831,836)	(15,866,807)
At 30 June 2012	**1,536,391,792**	**4,806,099**	**686,191,033**	**111,510,778**	**27,921,212**	**2,366,820,914**
DEPRECIATION						
At 1 July 2010	92,073,333	-	249,135,208	49,518,954	18,225,942	408,953,437
Charge for the year	28,138,035	-	64,349,107	20,795,702	4,489,504	117,772,348
Reclassification	-	-	(37,180)	37,180	-	-
Disposals	-	-	(12,305,959)	-	-	(12,305,959)
At 30 June 2011	120,211,368	-	301,141,176	70,351,836	22,715,446	514,419,826
Charge for the year	28,138,035	-	66,280,629	17,820,014	6,295,557	118,534,235
Scrapped	-	-	(141,280)	-	-	(141,280)
Disposals	-	-	(5,551,909)	(467,403)	(8,922,336)	(14,941,648)
At 30 June 2012	**148,349,403**	**-**	**361,728,616**	**87,704,447**	**20,088,667**	**617,871,133**
NET BOOK VALUE						
At 30 June 2012	**1,388,042,389**	**4,806,099**	**324,462,417**	**23,806,331**	**7,832,545**	**1,748,949,781**
At 30 June 2011	1,416,180,424	862,500	377,333,719	41,003,688	3,811,177	1,839,191,508

13. OTHER ASSETS

	2012 Rs	2011 Rs
Net cheques to be cleared	**17,943,004**	69,895,527
Staff Loans	**103,198,845**	99,890,731
Prepayments	**32,694,472**	19,677,562
Industrial Gold and Dodo Gold Coins	**120,095,955**	12,996,150
Interest Receivable	**37,131,989**	31,202,285
Others	**4,507,028**	8,629,386
	315,571,293	242,291,641

Net cheques to be cleared are cheques collected and outstanding at close of business and which would be cleared on the next working day.

14. CURRENCY IN CIRCULATION

	2012 Rs	2011 Rs
Notes issued		
Face value		
2,000	**1,113,090,000**	1,136,470,000
1,000	**14,668,311,000**	13,573,590,000
500	**2,381,303,500**	2,285,115,000
200	**1,446,050,800**	1,367,531,600
100	**996,954,800**	1,009,760,400
50	**258,764,650**	246,410,300
25	**176,778,700**	169,759,200
Demonetised Notes	**218,217,960**	218,962,420
Total	**21,259,471,410**	20,007,598,920
Coins issued		
Face value		
20 rupees	**147,545,660**	131,573,060
10 rupees	**235,816,850**	223,785,140
5 rupees	**104,128,585**	100,633,940
1 rupee	**129,149,701**	124,682,928
50 cents	**30,187,550**	28,895,255
25 cents **	**6,341,453**	6,344,110
20 cents	**38,939,505**	37,428,722
10 cents **	**2,426,098**	2,427,091
5 cents	**9,249,402**	8,940,022
2 cents **	**330,517**	330,517
1 cent	**222,693**	222,675
Others***	**22,036,163**	21,875,319
Total	**726,374,177**	687,138,779
Total face value of Notes and Coins in Circulation	**21,985,845,587**	20,694,737,699

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

15. BANK OF MAURITIUS SECURITIES

	2012	2011
	Rs	Rs
Bank of Mauritius Savings Bonds	**907,400**	940,900
Bank of Mauritius Bills	**777,076,657**	4,403,656,213
Bank of Mauritius Notes	**6,975,821,564**	6,057,198,069
	7,753,805,621	10,461,795,182

16. PROVISIONS

	2012	2011
	Rs	Rs
Balance at 30 June	**100,000,000**	100,000,000

The provision relates to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Bank may make additional funds available to the liquidator of MCCB Limited where the liabilities of the MCCB Limited exceed the proceeds from the realisation of its assets. The liquidation of MCCB Limited is still in progress.

17. EMPLOYEE BENEFITS

Amounts recognised in the Statement of Financial Position:

	2012	2011
	Rs	Rs
Defined Benefit Plan (Note (a))	**119,236,333**	81,618,086
Short Term Employee Benefits (Note (b))	**83,678,241**	81,407,275
	202,914,574	163,025,361

(a) Defined Benefit Plan

The Bank operates a defined benefit plan for most of its employees 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 report dated 28 June 2012 submitted by The State Insurance Company of Mauritius Ltd is produced hereunder.

Amounts recognised in the Statement of Comprehensive Income:

	2012	2011
	Rs	Rs
Current Service Cost	**15,035,940**	14,630,184
Employee Contributions	**(8,074,783)**	(9,282,988)
Scheme Expenses	**578,125**	577,950
Interest Costs	**70,253,460**	63,636,066
Expected Return on Plan Assets	**(34,155,340)**	(35,823,722)
Actuarial Loss	**11,051,961**	6,800,919
Net Periodic Pension Cost included in Staff Costs	**54,689,363**	40,538,409
Actual Return on Plan Assets	**3,030,966**	24,997,259

17. EMPLOYEE BENEFITS (CONT'D)

(a) Defined Benefit Plan (Cont'd)

Movements in liability recognised in the Statement of Financial Position:

	2012 Rs	2011 Rs
At 1 July	**81,618,086**	60,794,701
Total Expenses as per above	**54,689,363**	40,538,409
Transfer value received	**(115,592)**	-
Bank of Mauritius share of pension(topping-up)	**(149,076)**	(100,510)
Employer Contributions	**(16,806,448)**	(19,614,514)
At 30 June	**119,236,333**	81,618,086

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

	2012 Rs	2011 Rs
At 1 July	**(702,534,596)**	(606,057,773)
Current Service Cost	**(15,035,940)**	(14,630,184)
Interest Cost	**(70,253,460)**	(63,636,066)
Actuarial gains/losses	**20,920,783**	(75,153,694)
Benefits Paid	**45,289,050**	56,943,121
At 30 June	**(721,614,163)**	(702,534,596)

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

	2012 Rs	2011 Rs
At 1 July	**351,914,035**	355,439,835
Expected Return on Plan Assets	**34,155,340**	35,823,722
Actuarial (Losses)/Gains	**(25,714,753)**	(10,826,463)
Contributions from the Employer	**16,806,448**	19,614,514
Transfer value received	**115,592**	-
Employee Contributions	**8,074,783**	9,282,988
Benefits Paid (Excluding BOM share of pension)	**(45,139,974)**	(56,842,611)
Scheme Expenses	**(578,125)**	(577,950)
At 30 June	**339,633,346**	351,914,035

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

	30 June 2012 %	30 June 2011 %
Major categories of Plan Assets		
Local Equities	**23**	25
Overseas Equities and Bonds	**13**	14
Fixed Interest	**63**	60
Others	**1**	1
Expected return on Plan Assets	**10**	10.5

17. EMPLOYEE BENEFITS (CONT'D)

(a) Defined Benefit Plan (Cont'd)

Amounts recognised in the Statement of Financial Position:

	2012	2011
	Rs	Rs
Total Market Value of Assets	339,633,346	351,914,035
Present Value of Plan Liabilities	(721,614,163)	(702,534,596)
Deficit	(381,980,817)	(350,620,561)
Unrecognised Actuarial Losses	262,744,484	269,002,475
	(119,236,333)	(81,618,086)

The overall expected rate of return on Plan Assets is determined by reference to market yields on bonds and expected yields differences on other types of assets held based on historical return trends.

The actual return on plan assets was Rs3 million (2011: Rs25 million).

The history of experience adjustments is as follows:-

	2012	2011	2010	2009
	Rs	Rs	Rs	Rs
Present value of defined benefit obligation	(721,614,163)	(702,534,596)	(606,057,773)	(432,832,723)
Fair value of plan assets	339,633,346	351,914,035	355,439,835	316,073,892
Deficit	(381,980,817)	(350,620,561)	(250,617,938)	(116,758,831)
Experience (losses)/gains on plan liabilities	20,920,783	(75,153,694)	(148,099,433)	(1,915,050)
Experience (losses)/gains on plan assets	(25,714,753)	(10,826,463)	22,300,211	(69,443,065)

The Bank expects to make a contribution of Rs22 million (2011:Rs17.4 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.

The principal actuarial assumptions used for accounting purposes were:

	2012	2011
Discount rate	10%	10.5%
Expected Return on Plan Assets	10%	10.5%
Future Long-term Salary Increases	7%	7.5%
Post retirement Mortality Tables Increases	5%	5.5%

(b) Short Term Employee Benefits

	2012	2011
	Rs	Rs
Provision for Annual and Sick Leaves	51,858,795	51,633,651
Provision for Passage Benefits	31,819,446	29,773,624
	83,678,241	81,407,275

An amount of Rs2,270,966 representing the increase in provision for the year has been recognised in the Statement of Comprehensive Income.

17. EMPLOYEE BENEFITS (CONT'D)

(c) Defined contribution pension fund

	2012	2011
	Rs	Rs
Contributions expensed (Note 22)	17,211,335	19,381,583

(d) State pension plan

	2012	2011
	Rs	Rs
National Pension Scheme contributions charged (Note 22)	895,262	783,466

18. OTHER LIABILITIES

	2012 Rs	2011 Rs
Balance of net profit payable into the Consolidated Fund in terms of Section 11 (3) of the Bank of Mauritius Act 2004	336,041,435	219,629,965
Suppliers' Credits	177,669,293	216,476,593
Abandoned Funds from Financial Institutions	413,466,525	352,335,623
Interests and Charges Payable	121,424,966	104,812,882
Foreign Bills sent for Collection	31,687	25,013
Reserve for Repayment of Capital and Interest:		
- Bank of Mauritius Savings Bonds	97,200	164,200
Special Drawing Rights (SDR) (Note 32)	3,793,240,477	3,686,291,451
Others	18,123	18,124
	4,841,989,706	4,579,753,851

19. INCOME FROM FINANCIAL ASSETS

(a) Interest and Similar Income on Foreign Assets

	2012 Rs	2011 Rs
Deposit Accounts	744,612,212	542,321,399
Fixed Income	27,433,567	134,741,804
Special Drawing Rights	10,581,564	18,178,998
Repurchase Agreements	1,615,277	7,905,236
Current Accounts	13,721,005	27,282,264
	797,963,625	730,429,701

(b) Interest and Similar Income on Domestic Assets

	2012 Rs	2011 Rs
Loans and Advances		
Special Line of Credit - Sugar Industry	**24,950,269**	19,088,744
Loans and Advances to Banks / Government	**3,392,017**	5,588,473
Special Line of Credit – National Equity Fund	**1,664,794**	2,832,237
	30,007,080	27,509,454
Other Government Securities	**452,862,735**	218,330,561
Other Loans	**2,292,772**	2,793,543
	485,162,587	248,633,558

(c) Others

	2012 Rs	2011 Rs
Dividend and Other Income	**1,067,473**	1,003,155
Loss on Sale of Industrial Gold and Dodo Gold Coins	**(48,288)**	(1,318,470)
Profit on Issue of Mauritius Commemorative Coins	**1,046,746**	2,608,700
Profit on Sale of Coins	**512**	10,089,867
	2,066,443	12,383,252
Total Income from Financial Assets	**1,285,192,655**	991,446,511

20. OTHER INCOME

	2012 Rs	2011 Rs
Processing and Licence Fees	**40,774,148**	41,156,921
MACSS & MCIB Fees	**16,992,985**	12,890,307
Commissions	**1,768,769**	529,354
Rent	**16,925**	24,600
Profit on Sale of Fixed Assets	**3,082,143**	690,234
	62,634,970	55,291,416

21. INTEREST EXPENSE AND SIMILAR CHARGES

	2012 Rs	2011 Rs
Government of Mauritius Accounts	**15,774**	680,139

22. STAFF SALARIES AND OTHER BENEFITS

	2012	2011
	Rs	Rs
Staff Salaries and Allowances	**223,601,249**	213,548,138
Pension Cost (Note 17(c))	**17,211,335**	19,381,583
Staff Family Protection Scheme	**7,411,691**	7,644,621
National Savings Fund (Note 17(d))	**895,262**	783,466
	249,119,537	241,357,808

The amount of Rs223,601,249 includes an increase in provision for short term employee benefits amounting to Rs2,270,966 (see Note 17(b)).

23. DIRECTORS' REMUNERATION

	2012	2011
	Rs	Rs
Governor	**8,007,505**	7,556,370
Deputy Governors (2)	**8,821,137**	12,703,370
Other Directors (4)	**1,650,000**	2,010,000
	18,478,642	22,269,740

Directors are paid a monthly fee of Rs30,000. Directors who were also members of the Monetary Policy Committee were, in addition, paid a fee of Rs20,000 per month.

24. OTHER EXPENDITURE

	2012	2011
	Rs	Rs
Stationery and Library	**2,149,838**	2,409,805
Postage, Telephone and Reuters	**12,985,869**	12,967,655
Others	**1,645,172**	1,066,767
	16,780,879	16,444,227

25. 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 foreign and money markets. As such, open market operations are broadly conducted through the issue of Bank of Mauritius securities, outright sale and purchase of Government securities, conduct of repurchase transactions, special deposit facility and intervention in the domestic foreign exchange market to smooth out any unwarranted volatilities in the rupee exchange rate and improve the functioning of these markets.

Repurchase transactions are conducted under the umbrella of the Master Repurchase Agreement that has been signed by all Former Category 1 Banks with the Bank of Mauritius. The repurchase transactions are treated as secured loans received or granted with change of ownership of the portfolio of bills given as collateral.

26. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATING ACTIVITIES

	2012 Rs	2011 Rs
Net Profit for the Year	**1,599,756,336**	1,173,468,470
Adjustments for:		
Non-Cash Increase in Employee Benefits	**39,889,213**	27,993,577
Amortisation of Intangible Assets	**13,000,982**	12,833,885
Depreciation of Property, Plant and Equipment	**118,534,235**	117,772,349
Profit on Sale of Property, Plant and Equipment	**(3,082,143)**	(690,234)
Dividend Income	**(1,067,473)**	(988,313)
Fair Value (Increase)/Decrease on Other Investments	**(52,161,384)**	12,518,758
Gain on Financial Instruments at Fair Value Through Profit or Loss	**(1,204,413,471)**	(915,080,276)
Operating Profit Before Working Capital Changes	**510,456,295**	427,828,216
Change in Interest Receivable	**(181,291,096)**	(10,430,185)
Change in Loans and Advances	**(238,444,357)**	221,650,356
Change in Other Assets	**(73,279,652)**	(43,634,378)
Change in Notes and Coins in Circulation	**1,291,107,888**	1,804,664,880
Change in Government Demand Deposits	**4,329,852,196**	(161,643,216)
Change in Banks' Demand Deposits	**2,420,059,476**	4,998,765,998
Change in Other Financial Institutions' Demand Deposits	**9,702,721**	44,183,800
Change in Other Demand Deposits	**(492,742,507)**	366,954,021
Change in Bank of Mauritius Securities	**(2,707,989,561)**	10,460,851,782
Change in Other Liabilities	**145,824,386**	(2,403,416,806)
Net Cash Generated From Operating Activities	**5,013,255,789**	15,705,774,468

27. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2012 is as follows:

Capital Subscription in the African Export - Import Bank

The Bank has a commitment to pay on call USD918,000 for capital subscription in the African Export-Import Bank. This amount has not been accounted for as a liability in the financial statements.

There was no other contingent liability that existed at 30 June 2012.

28. OPERATING LEASE COMMITMENTS

	1 year Rs	1 - 5yrs Rs	Above 5 yrs Rs	Total Rs
New Staff Quarters - Rodrigues	24,000	96,000	360,000	480,000
New Office Building - Rodrigues	100	400	1,500	2,000
Archiving - Plaine-Lauzun DBM	113,911	-	-	113,911
Fallback Site – Cyber Tower	1,351,682	3,948,044	-	5,299,726
Others	340,750	20,000	-	360,750
	1,830,443	4,064,444	361,500	6,256,387

An amount of Rs2,124,275 (2011: Rs1,317,664) has been expensed in the Statement of Comprehensive Income for the year.

29. FINANCIAL INSTRUMENTS

(a) Introduction

A financial instrument, as defined by IAS 32 (Financial Instruments: Disclosure and Presentation), 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 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.

The internal controls and risk management processes are audited regularly by the Internal Audit Division which submits its report to the Audit Committee of the Bank.

(b) Categories of financial instruments

	2012	2011
Financial Assets	**Rs**	Rs
Fair value through profit or loss (FVTPL)	**36,891,250,992**	31,334,193,979
Loans and receivables	**58,237,642,516**	55,688,609,432
	95,128,893,508	87,022,803,411

	2012	2011
Financial Liabilities	**Rs**	Rs
Amortised cost	**51,464,602,448**	47,643,490,943

(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 Government of Mauritius. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties. Credit risk also arises when the Bank provides liquidity to financial institutions through open market operations as part of monetary policy implementation.

(i) Concentration of Credit Exposure by Geographical Area

The Bank's significant end-of-year concentration of credit exposure by geographical area was as follows:

	2012 Rs	2011 Rs
Mauritius	**9,821,256,183**	6,107,823,123
USA	**12,258,442,945**	10,452,886,658
United Kingdom	**7,315,670,878**	5,607,862,397
Europe	**65,422,127,688**	64,597,079,336
Others	**311,395,814**	257,151,897
	95,128,893,508	87,022,803,411

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (Cont'd)

(ii) Concentrations of Credit Exposure by Counterparty Types

The Bank's significant end-of-year concentration of credit exposure by counterparty types was as follows:

	2012 Rs	2011 Rs
Government	**13,792,915,221**	8,906,300,395
Supranational Financial Institutions	**7,820,232,612**	7,408,473,115
Foreign Banks and Financial Institutions	**72,968,676,118**	70,370,169,861
Other	**547,069,557**	337,860,040
	95,128,893,508	87,022,803,411

(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 of which typically do not obtain ratings and in Gold are denoted as NR (Not Rated). The Bank's investments with foreign central banks are presented separately.

	Credit Rating	2012 Rs	%	2011 Rs	%
Cash & Cash Equivalents	Central Banks	**40,937,880,665**	**48.00**	51,188,791,693	63.26
	Aaa	**2,433,272,520**	**2.85**	1,216,489	0.00
	Aa	**1,152,134,899**	**1.35**	-	-
	A	**2,399,065,669**	**2.81**	-	-
	Baa	**422,612**	**0.00**	168,659	0.00
	NR	**6,117,615,890**	**7.17**	5,400,799,928	6.67
Other Balances and Placements	Central Banks	**29,293,906,992**	**34.34**	24,104,155,689	29.79
	Aa	**2,518,256,000**	**2.95**	-	-
Interest Receivable	Central Banks	**187,591,144**	**0.22**	55,862,414	0.07
	Aaa	**11,150,073**	**0.01**	1,328	0.00
	Aa	**5,279,470**	**0.01**	-	-
	A	**10,993,326**	**0.01**	-	-
	Baa	**1,937**	**0.00**	184	0.00
	NR	**28,032,974**	**0.03**	5,893,902	0.01
Other Investments	NR	**212,524,475**	**0.25**	160,363,091	0.20
Total External Assets		**85,308,128,646**	**100.00**	80,917,253,377	100.00

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (Cont'd)

(iii) Credit Exposure by Credit Rating (Cont'd)

	Credit Rating	2012 Rs	%	2011 Rs	%
Loans and Advances	Aa	**120,000,000**	**1.22**	29,160,609	0.48
	A	**259,708,715**	**2.64**	-	-
	Baa	**36,478,007**	**0.37**	104,381,955	1.71
	NR	**26,936,615**	**0.27**	71,136,415	1.17
Investment in Government Securities	NR	**9,237,310,692**	**94.06**	5,756,781,889	94.28
Other Assets	NR	**140,330,833**	**1.44**	144,089,166	2.36
Total Domestic Financial Assets		**9,820,764,862**	**100.00**	6,105,550,034	100.00
Summary by Major Credit Category					
External Assets	Central Banks	**70,419,378,800**	**82.54**	75,348,809,796	93.12
	Aaa	**2,444,422,593**	**2.87**	1,217,817	0.00
	Aa	**3,675,670,369**	**4.31**	-	-
	A	**2,410,058,996**	**2.83**	-	-
	Baa	**424,549**	**-**	168,843	0.00
	NR	**6,358,173,339**	**7.45**	5,567,056,921	6.88
Total External Assets		**85,308,128,646**	**100.00**	80,917,253,377	100.00
Domestic Financial Assets	Aa	**120,000,000**	**1.22**	29,160,609	0.48
	A	**259,708,715**	**2.64**	-	-
	Baa	**36,478,007**	**0.37**	104,381,955	1.71
	NR	**9,404,578,140**	**95.77**	5,972,007,470	97.81
Total Domestic Financial Assets		**9,820,764,862**	**100.00**	6,105,550,034	100.00
Total Financial Assets		**95,128,893,508**		87,022,803,411	

(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.

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

The table below shows 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 table are the contractual undiscounted cash flows, net of interest receivable or payable on interest bearing non-derivative financial instruments.

Maturity Analysis

At 30 JUNE 2012	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	Between 1 and 5 years	Above 5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Non Derivative Financial Assets							
Foreign Assets	53,227,056,478	10,510,459,395	34,288,363	21,323,799,935	-	212,524,475	85,308,128,646
Loans and Advances	407,335,967	6,454,705	16,611,399	952,973	11,768,292	-	443,123,336
Investment in Government Securities	2,357,552,336	3,780,693,079	860,561,499	428,247,409	1,484,321,049	325,935,321	9,237,310,692
Other Assets	37,131,989	-	-	-	50,414,812	52,784,032	140,330,833
Total Financial Assets	56,029,076,770	14,297,607,179	911,461,261	21,753,000,317	1,546,504,153	591,243,828	95,128,893,508
Non Derivative Financial Liabilities							
Demand Deposits	38,868,838,809	-	-	-	-	-	38,868,838,809
Bank of Mauritius Securities	1,586,086,856	493,722,344	2,229,473,416	509,577,315	2,934,945,690	-	7,753,805,621
Other Liabilities	299,223,146	336,041,435	-	3,793,240,477	413,484,648	-	4,841,989,706
Total Financial Liabilities	40,754,148,811	829,763,779	2,229,473,416	4,302,817,792	3,348,430,338	-	51,464,634,136
Net Liquidity Gap	15,274,927,959	13,467,843,400	(1,318,012,155)	17,450,182,525	(1,801,926,185)	591,243,828	43,664,259,372

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 JUNE 2011	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Non Derivative Financial Assets							
Foreign Assets	52,106,158,642	4,062,221,227	-	24,588,510,416	-	160,363,092	80,917,253,377
Loans and Advances	60,861,994	28,041,229	40,687,732	24,018,987	51,069,037	-	204,678,979
Investment in Government Securities	920,137,389	1,331,413,118	799,921,389	883,057,694	1,500,897,843	321,354,456	5,756,781,889
Other Assets	31,202,286	-	-	12,996,150	51,649,141	48,241,589	144,089,166
Total Financial Assets	53,118,360,311	5,421,675,574	840,609,121	25,508,583,247	1,603,616,021	529,959,137	87,022,803,411
Non Derivative Financial Liabilities							
Demand Deposits	32,601,966,923	-	-	-	-	-	32,601,966,923
Bank of Mauritius Securities	3,106,619,247	82,849,651	-	1,215,128,215	6,057,198,069	-	10,461,795,182
Other Liabilities	436,106,559	-	-	104,812,882	4,038,809,397	-	4,579,728,838
Total Financial Liabilities	36,144,692,729	82,849,651	-	1,319,941,097	10,096,007,466	-	47,643,490,943
Net Liquidity Gap	16,973,667,582	5,338,825,923	840,609,121	24,188,642,150	(8,492,391,445)	529,959,137	39,379,312,468

The Bank did not have any derivative financial assets and liabilities at 30 June 2012 (2011: Nil)

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk

Repricing Analysis

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets and financial liabilities, whose interest rates are periodically reset to market, as well as the fair values of other instruments on which the interest rates are fixed throughout the period of the contract. The policy pertaining to changes in fair values due to changes on exchange rates is explained at section (f) below.

The rates on financial assets and financial liabilities which are interest-bearing are set at or around current market levels.

The Bank's reserves management includes investments in a variety of foreign currency denominated cash, deposits and other securities. The Bank's objective is to maximise return within the constraints of liquidity and safety and these are effected through investments with sound financial institutions.

The following table demonstrates the sensitivity of the Bank's profit to interest rate changes, all other variables held constant.

	Change in yield (basis points)	**Effect on Profit 2012 Rs**	Effect on Profit 2011 Rs
Foreign Currency	**+50**	**426,540,643**	404,586,267
	-50	**(222,782,386)**	(290,926,938)
Government Securities	**+50**	**(37,354,952)**	(13,626,839)
	-50	**37,912,938**	11,139,732

Government securities are marked to market in the Statement of Financial Position of the Bank of Mauritius as they are sold over the counter and traded on the Stock Exchange of Mauritius.

The tables below summarise the Bank's exposure to interest rate risk.

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	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
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 30 June 2012							
Financial Assets							
Foreign Assets	53,026,560,916	10,454,258,040	34,105,016	21,323,799,935	-	469,404,739	85,308,128,646
Loans and Advances	407,335,967	6,454,705	16,611,399	952,973	-	11,768,292	443,123,336
Investment in Government Securities	2,357,552,336	3,780,693,079	860,561,499	428,247,409	1,810,256,369	-	9,237,310,692
Other Assets	-	-	-	-	103,198,845	37,131,989	140,330,833
Total Financial Assets	55,791,449,219	14,241,405,824	911,277,914	21,753,000,317	1,913,455,214	518,305,020	95,128,893,508
Financial Liabilities							
Demand Deposits	-	-	-	-	-	38,868,838,809	38,868,838,809
Bank of Mauritius Instruments	1,586,086,856	493,722,344	2,229,473,416	509,577,315	2,934,945,690	-	7,753,805,621
Other Liabilities	-	-	-	-	-	4,841,989,706	4,841,989,706
Total Financial Liabilities	1,586,086,856	493,722,344	2,229,473,416	509,577,315	2,934,945,690	43,710,828,515	51,464,634,136
Interest Sensitivity Gap	54,205,362,363	13,747,683,480	(1,318,195,502)	21,243,423,002	(1,021,490,476)	(43,192,523,495)	43,664,259,372

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	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
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 30 June 2011							
Financial Assets							
Foreign Assets	52,036,910,790	4,056,543,712	-	24,588,466,547	-	235,332,328	80,917,253,377
Loans and Advances	60,861,993	28,041,229	40,687,732	24,018,987	38,737,668	12,331,370	204,678,979
Investment in Government Securities	920,137,389	1,331,413,118	799,921,389	883,057,694	1,822,252,299	-	5,756,781,889
Other Assets	-	-	-	-	99,890,732	44,198,434	144,089,166
Total Financial Assets	53,017,910,172	5,415,998,059	840,609,121	25,495,543,228	1,960,880,699	291,862,132	87,022,803,411
Financial Liabilities							
Demand Deposits	-	-	-	-	-	32,601,966,923	32,601,966,923
Bank of Mauritius Instruments	3,106,619,247	82,849,651	-	1,215,128,215	6,057,198,069	-	10,461,795,182
Other Liabilities	-	-	-	-	-	4,579,728,838	4,579,728,838
Total Financial Liabilities	3,106,619,247	82,849,651	-	1,215,128,215	6,057,198,069	37,181,695,761	47,643,490,943
Interest Sensitivity Gap	49,911,290,925	5,333,148,408	840,609,121	24,280,415,013	(4,096,317,370)	(36,889,833,629)	39,379,312,468

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Effective Interest Rates

The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 3.00% p.a. to 11.10% p.a. (2011: 3.00% p.a. to 8.90% p.a.) and from 0% p.a. to 4.76% p.a. (2011: 0% p.a. to 4.50% p.a.) for foreign currency denominated assets.

The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 1.75% p.a. to 6.00% p.a. (2011: 4.50% p.a. to 6.00% p.a.) and from 0% p.a. to 0.21% p.a. (2011: 0% p.a. to 0.27% 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 well 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:

	2012 Rs	2011 Rs
SDR Basket	**45,177,260,393**	56,358,027,314
Non SDR Basket	**40,130,868,253**	24,559,226,063
	85,308,128,646	80,917,253,377

The SDR Basket comprises the following currencies: JPY, EUR, GBP 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 Equity 2012 Rs**	Effect on Equity 2011 Rs
Foreign Currency Portfolio	**+50 cents**	**2,348,646,645**	1,493,746,832
	-50 cents	**(2,348,646,645)**	(1,493,746,832)

29. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair Values and Carrying Amounts

The fair values of the financial assets and financial liabilities approximate their carrying amounts at the reporting date.

(h) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity investment are disclosed in Note 3 (a) to the financial statements.

30. 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.

31. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius, the shareholder, are disclosed in Notes 10, 18, 19 and 21 to the financial statements.

Emoluments payable to Directors are disclosed in Note 23 as per their terms of appointment.

The Bank contributes for the post retirement benefits of its employees as disclosed in Note 17(c), including for the First Deputy Governor. The contribution for the First Deputy Governor was Rs600,332 (2011: Rs1,141,668 which included arrears for the years 2008 to 2010)

32. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND ("IMF")

As a member of IMF, Mauritius was initially allocated an amount of SDR 15,744,000. In August 2009, the IMF Board of Governors approved an additional allocation of Special Drawing Rights to member countries. Accordingly, a total amount of SDR 81,061,549 (Rs3,793,240,477) was allocated to Mauritius, bringing the total holdings to SDR 96,805,549. The Fund 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 Rs7,099,661 (2011: Rs14,823,134).

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.

List of Charts

List of Tables

List of Acronyms

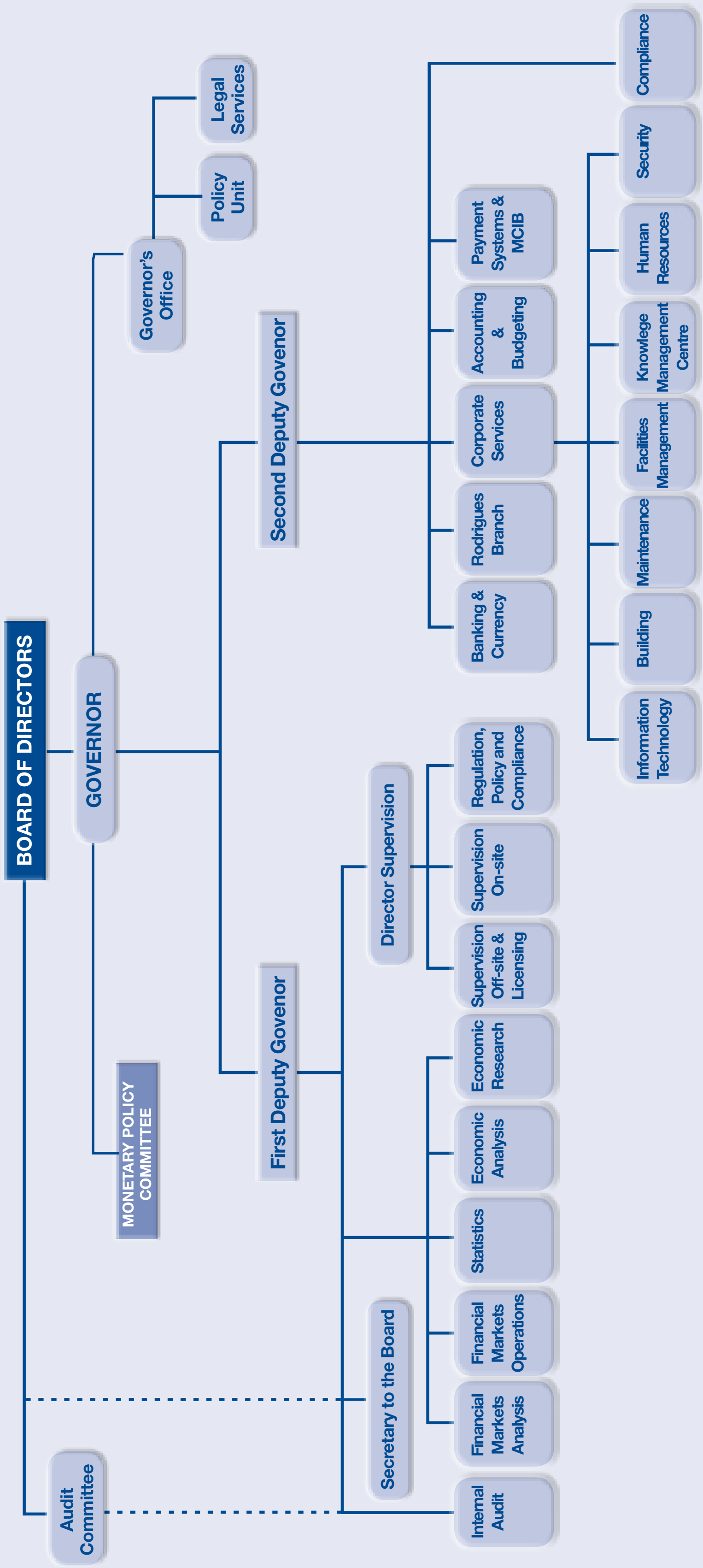
AACB	Association of African Central Banks
ADB	African Development Bank
AFMI	African Financial Market Initiative
AFRITAC	Africa Regional Technical Assistance Centre
AMCP	African Monetary Cooperation Programme
ATM	Automated Teller Machine
AU	African Union
AUC	African Union Commission
BCBS	Basel Committee on Banking Supervision
BCS	Bulk Clearing System
BIS	Bank for International Settlements
BML	Broad Money Liabilities
BoE	Bank of England
BOM	Bank of Mauritius
CCH	COMESA Clearing House
CDS	Central Depository System
CIF	Cost, Insurance and Freight
CBS	Central Bank Survey
CCBG	Committee of Central Bank Governors
CMA	Common Monetary Area
CMI	COMESA Monetary Institute
CNP	Contribution Network Project
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
CTS	Cheque Truncation System
DBM	Development Bank of Mauritius Ltd
DCS	Depository Corporations Survey
DEM	Development and Enterprise Market
DIS	Deposit Insurance Scheme
EAC	East African Community
ECB	European Central Bank
EFT	Electronic Funds Transfer
EU	European Union
FDI	Foreign Direct Investment
FED	Federal Reserve
FIP	Finance and Investment Protocol
FLP	Financial Literacy Programme
FM	Facilities Management
FOB	Free on Board
FSB	Financial Stability Board
FSC	Financial Services Commission

FSI	Financial Soundness Indicators
FTA	Free Trade Area
GBC1	Global Business Companies Category 1
GBL	Global Business Licence
GDFCF	Gross Domestic Fixed Capital Formation
GDP	Gross Domestic Product
GMTB	Government of Mauritius Treasury Bills
GNI	Gross National Income
ICT	Information and Communication Technology
IHS	Invest Hotel Scheme
IMF	International Monetary Fund
IRS	Integrated Resort Scheme
IT	Information Technology
KMC	Knowledge Management Centre
KRR	Key Repo Rate
MACSS	Mauritius Automated Clearing and Settlement System
MCIB	Mauritius Credit Information Bureau
MCSM	Macroeconomic Convergence Surveillance Machanism
MDLS	Mauritius Development Loan Stocks
MEC	Macroeconomic Convergence
MFSF	Multilateral Fiscal Surveillance Framework
MOFED	Ministry of Finance and Economic Development
MPC	Monetary Policy Committee
MRA	Mauritius Revenue Authority
MSS	Mauritius Sugar Syndicate
NBDTI	Non-Bank Deposit-Taking Institutions
NEF	National Equity Fund
NPL	Non-Performing Loan
NYMEX WTI	New York Mercantile Exchange West Texas Intermediate
OCI	Other Comprehensive Income
ODCs	Other Depository Corporations
OECD	Organisation for Economic Cooperation and Development
ORR	Operation Reserves Reconstitution
PLACH	Port-Louis Automated Clearing House
PLR	Prime Lending Rate
PRP	Peer Review Panel
RCG	Regional Consultative Group
REPSS	Regional Payment and Settlement System
RES	Real Estate Scheme
RTGS	Real Time Gross Settlement System
SADC	Southern African Development Community
SEMDEX	Stock Exchange Market Index
SEMTRI	SEM Total Return Index
SSBS	Subcommittee of Banking Supervisors

List of Appendices

Appendix I

The Organisation Structure of the Bank as at 30 June 2012



Appendix II Senior Management Officials as at 30 June 2012

Governor	Mr Rundheersing Bheenick, G.O.S.K.
First Deputy Governor	Mr Yandraduth Googoolye
Second Deputy Governor	Mr Mohammed Iqbal Belath

Secretary	Mrs Hemlata Sadhna Sewraj-Gopal
Director - Supervision	Mr Kalyanaraman Chandrachoodan
Head - Corporate Services Division	Mr Jayendra Kumar Ramtohul
Head - On-Site Division, Supervision	Mr Ramsamy Chinniah
Head - Financial Markets Operations Division	Mr Jaywant Pandoo
Head - Economic Analysis Division	Mrs Marjorie Marie-Agnes Heerah Pampusa
Head - Regulation, Policy & Compliance Division	Mr Mardayah Kona Yerukunondu
Head - Statistics Division	Mr Mahendra Vikramdass Punchoo
Head - Financial Markets Analysis Division	Mr Jitendra Nathsingh Bissessur
Head - Accounting & Budgeting Division	Mr Anil Kumar Tohooloo
Head - Off-Site & Licensing Division, Supervision	Mrs Sudha Hurrymun
Head - Banking & Currency Division	Mr Yuntat Chu Fung Leung
Head - Payments System & MCIB Division	Mr Dhanesswurnath Thakoor
Head - Off-Site Division & Licensing, Supervision	Mr Deenesh Ghurburrun
Head – Governor's Office	Ms Lakshmi Appadoo
Acting Head - Internal Audit	Mr Chandradeo Sharma Rutah

Appendix III Meetings attended by Governor, First Deputy Governor and Second Deputy Governor

Governor Rundheersing Bheenick attended:

i. The Joint Meeting of COMESA Ministers of Finance and Central Bank Governors, from 11 to 13 July 2011, Lusaka, Zambia, back-to-back with The 10th Meeting of the Governors of the Eastern African Sub-Region of the Association of African Central Banks (AACB) on 15 July 2011, Kampala, Uganda.

ii. A conference co-hosted by the US National Bureau of Economic Research and the Central Bank of Tanzania, Zanzibar, Tanzania, followed by a visit to Kenya for signature of a Memorandum of Understanding on supervisory cooperation with the Central Bank of Kenya as well as bilateral meetings, from 04 to 08 August 2011, Nairobi, Kenya, back-to-back with The 35th Ordinary Meeting of the Assembly of Central Bank Governors of the AACB, preceded by a Symposium of Governors of the AACB, from 10 to12 August 2011, Lilongwe, Malawi.

iii. The Committee of Central Bank Governors of SADC, on 08 September 2011, Pretoria, South Africa.

iv. The International Monetary Fund (IMF) / World Bank (WB) Annual Meetings, including various meetings in the sidelines such as the 5th Governing Board Meeting of the International Islamic Liquidity Management Corporation, from 19 to 27 September 2011, Washington, D.C., U.S.A.

v. The 2nd Islamic Finance Conference, from 09 to 11 October 2011, Doha, Qatar.

vi. The Islamic Financial Intelligence Summit 2011; 6th Governing Board Meeting of the International Islamic Liquidity Management Corporation and 19th Meeting of the Council of the Islamic Financial Services Board; and a series of high-level bilateral meetings, from 13 to 18 November 2011, Kuala Lumpur, Malaysia.

vii. Mission to Reserve Bank of India for bilateral meetings with the Governor, from 04 to 08 January 2012, Mumbai, India.

viii. The inaugural meeting of the Financial Stability Board Consultative Group for Sub-Saharan Africa, from 02 to 03 February 2012, Pretoria, South Africa.

ix. The award-giving ceremony for the ‘Central Banker of Year 2012 for Africa’ whereby he was presented with the Award by The Banker, from 23 to 28 February 2012, London, United Kingdom, back-to-back with The High-Level Meeting on the occasion of the OECD Development Centre’s 50th Anniversary, from 29 February to 1 March 2012, Paris, France.

x. The IMF/World Bank Spring Meetings, from 18 to 22 April 2012, Washington, D.C., U.S.A, back-to-back with The Executive Forum organized by the Treasury of the World Bank on Reserve Advisory and Management Program; from 23 to 25 April 2012, Washington, D.C., U.S.A.

xi. The Annual General Meetings of the Bank for International Settlements, from 23 to 24 June 2012, Basel, Switzerland, back-to-back with The 2012 Governors’ Roundtable for African Central Bankers, from 25 to 27 June 2012, Oxford, United Kingdom.

First Deputy Governor Yandraduth Googoolye attended:

i. The Making Finance Work for Africa Partnership Forum, from 15 to 16 September 2011, Addis Ababa, Ethiopia

ii. The 3rd Annual Central Bankers' Conference hosted by Standard Bank of South Africa, from 20 to 25 November 2011, Johannesburg, South Africa

iii. The 7th FSI High Level Meeting on "Strengthening Financial Sector Supervision and Current Regulatory Priorities for Africa", from 26 to 28 January 2012, Cape Town, South Africa

iv. A Meeting of the Group of International Finance Centre Supervisors (formerly Offshore Group of Banking Supervisors) held at the premises of the Financial Services Authority Canary Wharf, from 27 to 28 March 2012, London, United Kingdom

He represented the Governor at:

i. The 32nd Meeting of the Bureau of the COMESA Committee of Governors of Central Bank, on 27 July 2011, Khartoum, Sudan

ii. The Inaugural Meeting of the Official Monetary and Financial Institutions Forum and World E-money Council Meeting held at the South African Reserve Bank, from 22 to 24 August 2011, Pretoria, South Africa

iii. The 17th Meeting of the COMESA Committee of Governors of Central Banks, from 03 to 04 November 2011, Mbabane, Swaziland

iv. The 9th Islamic Financial Services Board Summit, the 7th Governing Board Members and 3rd General Assembly Meetings of the International Islamic Liquidity Management Corporation and the Conference on The Role of Sukuk in Development, from 15 to 17 May 2012, Istanbul, Turkey

Second Deputy Governor Mohammed Iqbal Belath attended:

i. The 7th ECB Central Banking Seminar, from 11 to 15 July 2011, Frankfurt Germany

ii. The 12th Annual International Seminar on Policy Challenges for the financial sector, from 06 to 08 June 2012, Washington, U.S.A.

He represented the Governor at:

i. The 30th Anniversary of the Central Bank of Comoros, from 09 to 10 December 2011, Moroni, Comoros

ii. The Round table on Regulating Institutions Offering Islamic Financial Services (IIFS), Risk Management Lessons learned from the crisis, on 13 December 2011, Bahrain

iii. The 5th Joint Annual Meetings of the AU Conference of Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development, from 26 to 27 March 2012, Addis Ababa, Ethiopia

iv. Second General Assembly of the International Islamic Liquidity Management Corporation, 20th Meeting of the Council of the IFSB, 10th General Assembly of the Islamic Financial Services Board and other events, from 28 to 30 March 2012, Bahrain

Appendix IV Overseas Meetings/Training Courses/Seminars/Workshops

Overseas Meetings/Training Courses/ Seminars/ Workshops Attended by Heads of Divisions

Mr Jitendra Nathsingh Bissessur, Head – Financial Markets Analysis

i. accompanied the Governor to the IMF/ World Bank Annual Meeting, including various meetings in the sidelines such as the 5th Governing Board Meeting of the Islamic Liquidity Management Corporation, from 19 to 27 September 2011, Washington D.C., U.S.A.

ii. attended ABSA Capital African Central Banks Conference hosted by ABSA Capital, from 05 to 08 May 2012, Cape Town, South Africa.

Mr Ramsamy Chinniah, Head – On-Site, Supervision, attended

i. SADC Sub Committee of Banking Supervisors hosted by CCBG – SADC, from 25 to 26 August 2011, Maseru Lesotho.

ii. Meeting of the Working Group of the Committee of Central Bank Governors in SADC hosted by Secretariat of the CCBG in SADC, from 15 to 16 March 2012, Pretoria, South Africa.

Dr Daneshwar Doobree, Head – Banking and Currency attended

i. International Programme on Central Banking hosted by Reserve Bank Staff College, from 26 to 28 March 2012, Chennai, India.

Mr Deenesh Ghurburrun, Head – Off-Site & Licensing, Supervision attended

i. ABSA Capital African Central Banks Conference hosted by ABSA Capital, from 05 to 08 May 2012, Cape Town, South Africa.

Mrs Marjorie Marie-Agnes Heerah-Pampusa, Head – Economic Analysis attended

i. Conference on “Financial Regulation for Growth, Equity and Stability in the Post Crisis World” hosted by Centre for Advanced Financial Research and Learning (CAFRAL) & BIS, from 15 to 16 November 2011, Mumbai, India.

ii. CCBG Financial Markets Subcommittee Meeting hosted by Secretariat of the CCBG in SADC, from 27 to 29 February 2012, Namibia.

Mrs Sudha Hurrymun, Head – Off-Site & Licensing, Supervision

i. attended the meeting of the Committee of Central Bank Governors in SADC hosted by SARB, from 06 to 08 September 2011, Pretoria, South Africa.

ii. attended the meeting of the Working Group of the Committee of Central Bank Governors in SADC hosted by CCBG in SADC, from 05 to 07 December 2011, Seychelles.

iii. attended the 7th FSI High Level Meeting on Strengthening Financial Sector Supervision and Current Regulatory Priorities for Africa hosted by Financial Stability Institute, from 26 to 28 January 2012, Cape Town, South Africa.

iv. attended the workshop of the SADC Subcommittee of Banking Supervisors (SSBS) hosted by Secretariat of the CCBG in SADC, from 11 to 13 April 2012, Lilongwe, Malawi.

v. accompanied the Governor to the Annual General Meetings of the Bank for International Settlements, from 23 to 24 June 2012, Basel, Switzerland, back-to-back with the 2012 Governors' Roundtable for African Central Bankers, from 25 June to 27 June 2012, Oxford, United Kingdom

Mr Jaywant Pandoo, Head – Financial Markets Operations attended

i. 1st Meeting of the CCBG Financial Markets Sub Committee Steering Committee hosted by CCBG, from 01 to 02 August 2011, Pretoria, South Africa.

ii. 2nd IILM Member's Workshop hosted by IILM, from 10 to 11 October 2011, Doha, Qatar.

Mr Mahendra Vikramdass Punchoo, Head – Statistics attended

i. Meeting of the 3rd COMESA Committee on Statistical Matters (CCSM) hosted by COMESA, from 31 August to 02 September 2011, Lusaka, Zambia.

ii. Meeting of the Exchange Control Committee and a Workshop on the World Bank Study on SADC Investment Climate Assessment hosted by SADC, from 08 to 09 November 2011, Gaborone, Botswana.

iii. The SADC Training Workshop on Monitoring Foreign Private Capital Flows hosted by SADC Secretariat, from 16 to 20 April 2012, Gaborone, Botswana.

Mr Jayendra Kumar Ramtohul, Head – Corporate Services

i. attended the IILM Shareholder's Workshop hosted by IILM, from 25 to 27 July 2011, Langkawi, Malaysia.

ii. accompanied the Governor to a mission to Reserve Bank of India, from 04 to 08 January 2012, Mumbai, India.

Mr Dhanesswurnath Thakoor, Head – Payment Systems and MCIB

i. accompanied the First Deputy Governor to the 32nd Meeting of the Bureau of the COMESA Committee of Governors of Central Bank, from 23 to 27 July 2011, Khartoum, Sudan.

ii. attended the CMA Regional Payment System Integration Workshop hosted by SADC, from 05 to 06 October 2011, Pretoria, South Africa.

iii. attended the Joint CPSS-World Bank Forum on Retail Payments hosted by Bank for International Settlements, from 27 to 28 February 2012, Miami, Florida.

iv. attended the Regional Payment and Settlement System (REPSS) Proposed User Group Meeting hosted by COMESA, from 10 to 12 June 2012, Cairo, Egypt.

Mr Anil Kumar Tohooloo, Head – Accounting and Budgeting attended

i. Quatrième Conférence des Chefs D'audit des Banques Centrales des Pays Francophones hosted by Banque Centrale Des Etats de L'Afrique de L'Ouest, from 10 to 11 November 2011, Dakar, Sénégal.

ii. International Islamic Liquidity Management Corporation (IILM) 3rd Board Audit Committee (BAC) Meeting hosted by IILM, on 19 April 2012, Kuala Lumpur, Malaysia.

Overseas Meetings/Training Courses/Seminars/Workshops Attended by Chiefs

Mr Dooneshsingh Audit, Chief – Economic Analysis attended

i. Meeting on Monetary Cooperation hosted by COMESA, from 31 October to 04 November 2011, Mbabane, Swaziland.

Mr Jean Claude Benoit Chamary, Chief – Regulation, Policy and Compliance attended

i. Seminar on Sovereign Liability Management - Principles and Practices hosted by African Development Bank Group, from 10 to 14 October 2011, Tunis, Tunisia.

ii. Course on Macroeconomic Management and Financial Sector Issues hosted by IMF Institute and SARB, from 19 to 30 March 2012, Pretoria, South Africa.

Mr Jayvind Kumar Choolhun, Chief – Payment Systems and MCIB attended

i. SWIFT African Regional Conference hosted by SWIFT, from 08 to 10 May 2012, Kampala, Uganda.

Mr Grooduth Daboo, Chief – Banking and Currency attended

i. SADC Currency Seminar and Protection Services Workshop for SADC Central Banks hosted by Banco de Mozambique, from 21 to 23 November 2011, Maputo, Mozambique.

Mrs Tilotma Gobin Jhurry, Chief – Payment Systems and MCIB attended

i. CMA Workshop for the SADC Regional Payment System Integration Project by SADC and CMA, from 18 to 19 June 2012, Pretoria, South Africa.

Mrs Padma Sandhya Hurree Gobin, Chief – Statistics attended

i. Course on Balance of Payments and International Investment Position Statistics hosted by African Development Bank Group, from 21 November to 02 December 2011, Tunis, Tunisia.

Mr Atmanand Jhary, Chief – Accounting and Budgeting attended

i. Conference on Accounting, Financial Reporting and Corporate Governance for Central Banks hosted by European Central Bank, from 04 to 05 June 2012, Frankfurt, Germany.

Mrs Rajshri Jutton-Gopy, Chief - Compliance attended

i. IILM Shareholder's Workshop hosted by IILM, from 25 to 27 July 2011, Langkawi, Malaysia.

ii. Legal Drafting Course hosted by SADC, from 03 to 07 October 2011, Cape Town, South Africa.

iii. Legal Framework for the SADC Integrated Regional Electronic Settlement System, hosted by SADC, from 20 to 23 February 2012, South Africa.

iv. ESAAMLG Meeting hosted by ESAAMLG, from 14 to 20 April 2012, Tanzania.

Mr Youssouf Waesh Khodabocus, Chief – Off-Site & Licensing, Supervision attended

i. Caucus Meeting 2011 hosted by African Governors of the IMF & World Bank, from 03 to 04 August 2011, Kinshasa, Congo.

Mr Neetyanand Kowlessur, Chief – Governor's Office

i. attended the 10th Meeting of the Governors of the Eastern Africa Sub–Region hosted by AACB, from 13 to 15 July 2011, Kampala, Uganda.

ii. attended the meeting of the Committee of Central Bank Governors (CCBG) in SADC - Research Review Panel and Macroeconomic Subcommittee hosted by SADC, from 15 to 17 February 2012, Pretoria, South Africa.

iii. attended the meeting of the Association of African Central Banks (AACB) Eastern Africa Sub Region hosted by AACB, from 21 to 23 May 2012, Bujumbura, Burundi.

iv. accompanied the Governor to the 35th Ordinary Meeting of the Assembly of Central Bank Governors of the Association of African Central Banks, from 08 to 12 August 2011, Lilongwe, Malawi.

Mrs Powkeem Lo Tiap Kwong, Chief – Statistics attended

i. Hauts Fonctionnaires sur L'Administration Financiere et Bancaire des Pays Francophones de L' Afriques hosted by Embassy of the People's Republic of China & Université d'Economie et de Commerce Internationaux, from 08 to 28 August 2011, Beijing, China.

Mrs Najma Nabee, Chief – Financial Markets Analysis

i. attended the Seminar for Senior Bank Supervisors from Emerging Economies hosted by World Bank, Federal Reserve System, IMF, from 17 to 28 October 2011, Washington, D.C., U.S.A.

ii. accompanied the Governor to the 2nd Islamic Finance Conference, from 09 to 11 October 2011, Doha, Qatar.

Mrs Hemlata Nundoochan, Chief – Financial Markets Operations

i. attended the 2nd Annual National Asset Liability Management Symposium - Risk and Investment Strategies for Sustainable Growth and National Wealth Management hosted by Central Banking Publications - National Asset Liability Management, from 01 to 02 December 2011, Johannesburg, South Africa.

ii. attended the Meeting of the Working Group of the Committee of Central Bank Governors in SADC, from 05 to 07 December 2011, Seychelles.

iii. attended the Annual BIS Asian Reserve Management Workshop hosted by Bank for International Settlement, from 19 to 23 March 2012, Jeju Island, South Korea.

iv. accompanied the Governor to the IMF/ World Bank Spring Meetings, back-to-back with the Executive Forum organized by the Treasury of the World Bank on Reserve Advisory and Management Program, from 18 to 25 April 2012, Washington D.C., U.S.A.

v. attended the BIS Asset Management Associate Programme 2012 hosted by Bank for International Settlements, from 21 May to 02 June 2012, Switzerland.

Mr Sanjay Ramnarainsing, Chief – Financial Markets Operations attended

i. Workshop on Applied Asset Allocation for Fixed Income Portfolios - The Workbench hosted by RAMP, from 18 to 22 June 2012, Paris, France.

Mr Keshwarajsingh Ramnauth, Chief – Economic Analysis attended

i. Inflation Forecasting and Monetary Policy hosted by the Study Centre Gerzensee, from 26 March to 05 April 2012, Switzerland.

Mr Prithviraj Seeballuck, Chief – HR, Corporate Services attended

i. The SADC Training Development Forum and the Seminar on Talent Management hosted by SADC, from 18 to 21 July 2011, Seychelles.

Overseas Meetings/Training Courses/Seminars/Workshops Attended by Analysts

Mrs Falzana Atchia, Analyst – Statistics attended

i. Course on Financial Programming and Policies - Residential Segment hosted by IMF, from 01 to 12 August 2011, Vienna, Austria.

ii. Cross Border Foreign Exchange Transaction Reporting System hosted by SADC Training and Development Forum, from 12 to 14 June 2012, Pretoria, South Africa.

Mrs Marie Lily Claude Bastien Sylva, Analyst – Policy Unit, Governor's Office accompanied the Governor to

i. A Conference co-hosted by the US National Bureau of Economic Research and Central Bank of Tanzania, Zanzibar, Tanzania, followed by a visit to Kenya for signature of a Memorandum of Understanding on Supervisory Cooperation with the Central Bank of Kenya, from 04 to 08 August 2011, Nairobi, Kenya.

ii. The award-giving ceremony for the 'Central Banker of Year 2012 for Africa', from 23 to 28 February 2012, London, United Kingdom, back-to-back with The High-Level Meeting on the occasion of the OECD Development Centre's 50th Anniversary, from 29 February to 1 March 2012, Paris, France.

Mr Ghanish Beegoo, Analyst – Statistics attended

i. Monetary Policy, Exchange Rates and Capital Flows hosted by the Study Centre Gerzensee, from 05 to 22 March 2012, Switzerland.

ii. The SADC Training Workshop on Compilation and Publication of Monetary and Financial Statistics hosted by SADC, from 11 to 22 June 2012, Gaborone, Botswana.

Mr Faraz Ibne Beekun, Analyst – IT, Corporate Services attended

i. Training on HP Blade Systems Solutions Rev 10.31 hosted by HP and EIS, from 24 to 27 October 2011, Pretoria, South Africa.

Mr Minesh Bhundoo, Analyst – HR, Corporate Services attended

i. Symposium for Human Resource Directors - Driving Central Banks Through 21st Century hosted by the Kenya School of Monetary Studies, from 24 to 28 January 2012, Nairobi, Kenya.

Mr. Veekash Singh Busgeeth, Analyst – Statistics attended

i. Course on Financial Programming and Policies - Residential Segment hosted by IMF from 01 to 12 August 2011, Vienna, Austria.

ii. The SADC Training Workshop on Monitoring Foreign Private Capital Flows hosted by SADC Secretariat, from 16 to 20 April 2012, Gaborone, Botswana.

Mr Rajcoomasingh Dawonath, Analyst – On-Site, Supervision attended

i. 14th MAS Banking Supervisors Training Programme hosted by the Monetary School of Singapore, from 12 to 16 December 2011, Singapore.

Mr Nandkumar Daworaz, Analyst – Financial Markets Analysis attended

i. Training Workshop on Government Finance Statistics according to the IMF's Manual of 2001 hosted by SADC, from 26 September to 07 October 2011, Johannesburg, South Africa.

ii. Distance Learning Course - Financial Programming and Policies delivered by IMF, from 26 March to 01 June 2012.

Miss Prithee Nishi Gopy, Analyst – Internal Audit attended

i. Instruments of Financial Markets hosted by the Study Centre Gerzensee, from 26 September to 13 October 2011, Switzerland.

Mr Sahadeosing Gungabissoon, Analyst – On-Site, Supervision attended

i. Seminar on Banking Management for African Countries hosted by the University of International Business & Economics, from 03 to 23 May 2012, Beijing, China.

Mr Ranjeet Kallychurn, Analyst – IT, Corporate Services attended

i. 43rd International Central Banking Course hosted by National Institute of Banking and Finance of the State Bank of Pakistan, from 09 January to 03 February 2012, Islamabad, Pakistan.

ii. Legal Framework for the SADC Integrated Regional Electronic Settlement System hosted by SADC, from 20 to 23 February 2012, South Africa.

Mr Ved Prakash Anand Koonjul, Analyst – Financial Markets Operations attended

i. Workshop on Applied Asset Allocation for Fixed Income Portfolios - The Workbench hosted by RAMP, from 11 to 15 June 2012, Paris, France.

Mr Brian Kwok Chung Yee, Analyst – Off-Site & Licensing, Supervision attended

i. Meeting of the Deutsche Bank Group - Asia - Pacific & Americas Supervisory College hosted by BaFin, from 05 to 06 July 2011, Cologne, Germany.

ii. 2nd Meeting of the Financial Soundness Indicators Reference Group hosted by IMF, from 15 to 16 November 2011, Washington, U.S.A.

Miss Marie Medgee Lauricourt, Analyst – Regulation, Policy and Compliance attended

i. Séminaire sur la Supervision Bancaire basée sur le Risque hosted by the Groupe de La Banque Africaine de Développement, from 23 to 27 April 2012, Marrakech, Morocco.

Mrs Lutchmee Devi Maistry, Analyst – On-Site, Supervision attended

i. Electronic Banking and Technology Risk Supervision Seminar hosted by the Federal Reserve System, from 22 to 25 August 2011, Washington, U.S.A.

Mr Abdool Anwar Massafeer, Analyst – Off-Site & Licensing, Supervision accompanied the Governor to

i. The Islamic Financial Intelligence Summit 2011; 6th Governing Board Meeting of the International Islamic Liquidity Management Corporation and 19th Meeting of the Council of the Islamic Financial Serves Board, from 13 to 18 November 2011, Kuala Lumpur, Malaysia.

Dr Devianee Mulliah-Hurchand, Analyst – Statistics attended

i. Course on Monetary and Financial Statistics hosted by JPA, ADB & IMF, from 07 to 25 May 2012, Tunis, Tunisia.

Mrs Kaveeta Nowbutsing-Hurynag, Analyst – Policy Unit attended

i. The Joint Meeting of the COMESA Ministers of Finance & Central Bank Governors hosted COMESA, from 11 to 13 July 2011, Lusaka, Zambia.

Mr Premchand Nundlall, Analyst – Regulation, Policy and Compliance attended

i. 15th MAS Banking Supervisors Training Programme hosted by the Monetary Authority of Singapore, from 25 to 29 June 2012, Singapore.

Mr Karankumar Pitteea, Analyst – Economic Analysis attended

i. CCBG Macroeconomic Subcommittee - Research Review Panel hosted by CCBG, from 10 to 11 November 2011, Pretoria, South Africa.

ii. Seminar on Banking Management for African Countries hosted by University of International Business & Economics, from 03 to 23 May 2012, Beijing, China.

Mrs Sharony Devi Purryag, Analyst – Off-Site & Licensing, Supervision attended

i. Workshop of the SADC Subcommittee of Banking Supervisors (SSBS) hosted by Secretariat of the CCBG in SADC, from 11 to 13 April 2012, Lilongwe, Malawi.

Mr Dhirajsingh Rughoobur, Analyst – Off-Site & Licensing, Supervision accompanied the Governor to

i. The inaugural meeting of the Financial Stability Board Consultative Group for Sub-Saharan Africa, from 02 to 03 February 2012, Pretoria, South Africa.

Mrs Shakuntala Devi Ramanah, Analyst – On-Site, Supervision attended

i. Overview Course of Financial Sector Issues - "Lessons from Recent Crises and Current Priorities for Finance Practitioners and Policy-Makers" hosted by World Bank, from 14 to 18 May 2012, Washington D.C, U.S.A.

Mrs Vijayantimala Ramful, Analyst – Financial Markets Operations attended

i. RAMP Workshop on Risk, Performance and Reporting for Africa Region hosted by RAMP, from 14 to 18 May 2012, Mombassa, Kenya.

Mrs Yasmatee Seeburrun, Analyst – On-Site, Supervision attended

i. Seminar on Bank Analysis and Examination School hosted by the Federal Reserve System and Reserve Bank of India, from 27 February to 02 March 2012, Mumbai, India.

Mr Feisal Bin Khalid Sooklall, Analyst – Economic Analysis attended

i. Workshop on Protocol on Finance and Investment - Status Quo Baseline Study hosted by SADC, from 18 to 19 August 2011, Johannesburg, South Africa.

Overseas Meetings/Trainings/Courses/ Seminars/ Workshops Attended by Bank Officers Grade 1

Mrs Ajagee Cooroopdoss, Bank Officer Grade 1 – Internal Audit attended

i. International Programme in Asset Liability Management in Banks and Financial Institutions hosted by ITEC/ SCAAP - National Institute of Bank Management, from 10 to 22 October 2011, India.

Mrs Tameshwaree Gokool, Bank Officer Grade 1 – Off-Site & Licensing, Supervision attended

i. Seminar on Bank Analysis and Examination School hosted by Federal Reserve System and Reserve Bank of India, from 27 February to 02 March 2012, Mumbai, India.

Mrs Sheik Sooraya Bibi Goolam Hossen, Bank Officer Grade 1 – Off-Site & Licensing, Supervision attended

i. Workshop on the Financial Soundness Indicators (FSIs) Module hosted by IMF, from 11 to 13 July 2011, Lusaka, Zambia.

Mr Rajeev Luchmun, Bank Officer Grade 1 – Financial Markets Analysis attended

i. Economic Policies for Financial Stability hosted by Joint Partnership for Africa, from 05 to 16 December 2011, Tunis, Tunisia.

Mr Yahseen Peerbocus, Bank Officer Grade 1 – Financial Markets Analysis attended

i. Course on Macroeconomic Diagnostics hosted by Joint Partnership for Africa, from 12 to 23 September 2011, Tunis, Tunisia.

Mrs Soobadra Ramnauth, Bank Officer Grade 1 – HR, Corporate Services attended

i. Capital Markets/Commodity Markets and Investment Banking hosted by ITEC/SCAAP - Entrepreneurship Development Institute of India, from 20 February to 30 March 2012, India.

Appendix V Local Courses/Seminars/ Workshops

Local Courses/Seminars/Workshops attended by Heads of Division

Mr Ramsamy Chinniah, Head – On-Site, Supervision attended

i. Dissemination Meeting ROSC Review Report on Corporate Governance for Mauritius hosted by Registrar of Companies, in collaboration with Ministry of Finance and Economic Development, on 04 May 2012, Port Louis.

Mr Jitendra Nathsingh Bissessur, Head – Financial Markets Analysis attended

i. Technical Working Group - Global Economic Outlook and Implications for Mauritian Economy hosted by the Ministry of Finance and Economic Development, on 12 August 2011, Port Louis.

ii. Conference Internationalizing the SEM, creating substance and capitalizing on Africa's Potential hosted by the Stock Exchange of Mauritius, on 12 April 2012, Pailles.

Mr Jaywant Pandoo, Head – Financial Markets Operations attended

i. Business Seminar: Financing Private Sector Development in Mauritius hosted by Eastern and Southern African Trade and Development Bank in collaboration with Board of Investment, on 16 December 2011, Balaclava.

Mr Vikramdass Mahendra Punchoo, Head – Statistics attended

i. Wrap Up Meeting - Inception Mission hosted by the Ministry of Finance and Economic Development, on 01 July 2011, Port Louis.

ii. Technical Working Group - Global Economic Outlook and Implications for Mauritian Economy hosted by the Ministry of Finance and Economic Development, on 12 August 2011, Port Louis.

iii. Ad-hoc Expert Group Meeting - Addressing the challenges of Macroeconomic Policy Convergence in the SADC Region hosted by Ministry of Finance and Economic Development & UN Economic Commission for Africa, Southern Africa Office, from 26 to 27 September 2011, Port Louis.

iv. Workshop on Mauritius Data Protection Accreditation with the European Union hosted by the Data Protection Office, on 24 November 2011, Pailles.

v. Workshop entitled «Credible India - A Business Partner» hosted by the High Commission of India, on 28 November 2011, Port Louis.

vi. Macroeconomic Coordination Committee - Follow Up Meeting hosted by the Ministry of Finance and Economic Development, on 09 January 2012, Port Louis.

vii. Presentation of the Guide to Global Business hosted by the Financial Services Commission, on 25 January 2012, Ebène.

viii. National Stakeholder Consultation Meeting hosted by The African Development Bank Long Term Strategy, on 04 April 2012, Port Louis.

Mr Dhanesswurnath Thakoor, Head – Payment Systems and MCIB attended

i. Workshop on E-Commerce Readiness Study Validation hosted by Ministry of Information and Communication & ICT Authority, from 16 to 17 April 2012, Port Louis.

Local Courses/Seminars/Workshops attended by Chiefs

Mr Dooneshsingh Audit, Chief – Economic Analysis attended

i. Ad-hoc Expert Group Meeting - Addressing the challenges of Macroeconomic Policy Convergence in the SADC Region hosted by the Ministry of Finance and Economic Development & UN Economic Commission for Africa, Southern Africa Office, from 26 to 27 September 2011, Port Louis.

ii. Launch of the World Investment Report 2011 hosted by Board of Investment & United Nations Conference on Trade and Development & Joint Economic Council, on 25 July 2011, Port Louis.

iii. Technical Group Meeting on EURO Crisis hosted by Ministry of Finance and Economic Development, on 22 May 2012, Port Louis.

Mr Chitananda Ellapah, Chief – Financial Markets Analysis attended

i. Course on Financial Markets Analysis hosted by IMF Institute, in collaboration with the Regional Multidisciplinary Centre of Excellence, from 23 January to 03 February 2012, Grand Baie.

Mr Gunness Gonpot, Chief – On-Site, Supervision attended

i. Microsoft Banking Industry Event hosted by Microsoft Indian Ocean Islands & French Pacific, on 27 April 2012, Ebène.

Mrs Padma Sandhya Hurree Gobin, Chief – Statistics attended

i. IMF Data Standards - Enhancing Global Data Transparency hosted by IMF & Financial Services Commission, on 13 September 2011, Ebène.

ii. Accelerated Data Program (ADP)/ Capacity Building hosted by the Central Statistical Office, from 19 to 23 September 2011, Port Louis.

Mrs Rajshri Jutton Gopy, Chief – Compliance attended

ii. 22nd ESAAMLG Task Force of Senior Officials Meeting - Eastern and Southern Africa Anti-Money Laundering Group Meeting hosted by Ministry of Finance and Economic Development & Eastern and Southern Africa Anti-Money Laundering Group, from 01 to 07 September 2011, Grand Baie.

iii. Workshop on Implementation of the Insolvency Act 2009 hosted by Registrar of Companies in collaboration with the Ministry of Finance and the World Bank, on 07 March 2012, Pointe aux Piments.

iv. Seminar on the Foreign Account Tax Compliance Act hosted by Grant Thornton Ltd, on 14 March 2012, Ebène.

v. Dissemination Meeting ROSC Review Report on Corporate Governance for Mauritius hosted by Registrar of Companies, in collaboration with Ministry of Finance and Economic Development, on 04 May 2012, Port Louis.

vi. Working Session on Out of Court Workouts hosted World Bank Group, on 21 June 2012, Port Louis.

vii. FIU's 4th National Seminar hosted by the Financial Intelligence Unit, on 28 June 2012, Ebène.

Mr Neetyanand Kowlessur, Chief – Governor's Office attended

i. Conference Internationalizing the SEM, creating substance and capitalizing on Africa's Potential hosted by the Stock Exchange of Mauritius, on 12 April 2012, Pailles.

Mr. Keshwarajsingh Ramnauth, Chief – Economic Analysis attended

i. Course on Macroeconomic Management and Fiscal Policy Sector Issues hosted by IMF Africa Regional Technical Assistance Centre (AFRITAC) South, from 02 to 11 November 2011, Pointe aux Piments.

Mrs Sonali Sewraj - Reetoo, Chief – Legal Services attended

i. Working Session on Out of Court Workouts hosted by World Bank Group, on 21 June 2012, Port Louis.

Local Courses/Seminars/Workshops attended by Senior Research Officer

Mr Soodiadev Ramrutton, Senior Research Officer – Financial Markets Analysis attended

i. Course on Monetary & Exchange Rate Policy hosted by Government of Mauritius, Regional Multidisciplinary Centre for Excellence in collaboration with IMF, from 17 to 28 October 2011, Grand Baie.

Local Courses/Seminars/Workshops attended by Analysts

Mrs Falzana Atchia, Analyst – Statistics attended

i. IMF Data Standards - Enhancing Global Data Transparency hosted by IMF & Financial Services Commission, on 13 September 2011, Ebène.

Mr Ghanish Beegoo, Analyst – Statistics attended

i. Accelerated Data Program (ADP)/ Capacity Building hosted by Statistics Mauritius, from 19 to 23 September 2011, Port Louis.

ii. Workshop on National Strategy for Price Observatory hosted by Ministry of Industry, Commerce and Consumer Protection, on 28 February 2012, Port Louis.

Mr Ibne Faraz Beekun, Analyst – IT, Corporate Services attended

i. Workshop on Mobile Hacking and Application Security hosted by the National Computer Board, on 31 May 2012, Ebène.

Mr Minesh Bhundoo, Analyst – HR, Corporate Services attended

i. Symposium on Towards Ensuring Sustainability of Social Protection Schemes and Systems in Africa hosted by UOM Trust with ILO, on 29 August 2011, Réduit.

Mrs Mahima Bhurtha, Analyst – Economic Analysis attended

i. Validation Workshop: Labour Shortage Survey in the Financial Intermediation Sector hosted by HRDC, on 28 June 2012, Pailles.

Mr. Ravishin Bullyraz, Analyst – Regulation, Policy and Compliance attended

i. Seminar on the Foreign Account Tax Compliance Act hosted by Grant Thornton Ltd, on 14 March 2012, Ebène.

Mr. Veekash Singh Busgeeth, Analyst – Statistics attended

i. IMF Data Standards - Enhancing Global Data Transparency hosted by IMF & Financial Services Commission, on 13 September 2011, Ebène.

Ms Monysha Lyna Jany Singh Jhamna, Analyst – Economic Analysis attended

i. Course on Macroeconomic Management and Fiscal Policy Sector Issues hosted by IMF & Africa Regional Technical Assistance Centre South (AFRITAC), from 02 to 11 November 2011, Pointe aux Piments.

Mr Satishingh Jugoo, Analyst – Statistics attended

i. IMF Data Standards - Enhancing Global Data Transparency hosted by IMF & Financial Services Commission, on 13 September 2011, Ebène.

Mr. Ranjeet Kallychurn, Analyst – IT, Corporate Services attended

i. Preparatory Meeting in view of 3rd Meeting of the COMESA Committee on Customs Union hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, on 20 July 2011, Port Louis.

ii. Workshop - Transition from IPv4 to Ipv6 hosted by ICTA, on 22 September 2011, Ebène.

Mr Girish Mehta, IT Security Officer – Corporate Services attended

i. Workshop on Incident Handling hosted by National Computer Board, on 11 October 2011, Ebène.

ii. Workshop on Mobile Hacking and Application Security hosted by National Computer Board, on 31 May 2012, Ebène.

iii. Launch of the Mauritian Public Key Infrastructure (PKI) Ecosystem hosted by ICTA, on 21 June 2012, Ebène.

Dr Devianee Mulliah-Hurchand, Analyst – Statistics attended

i. Course on Monetary & Exchange Rate Policy hosted by Government of Mauritius, Regional Multidisciplinary Centre for Excellence in collaboration with IMF, from 17 to 28 October 2011, Grand Baie.

Mrs Kaveeta Nowbutsing-Hurynag, Analyst – Policy Unit attended

i. National Workshop on Monitoring of COMESA Medium Term Strategic Plan hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, from 09 to 10 August 2011, Ebène.

Mr. Karankumar Pitteea, Analyst – Economic Analysis attended

i. Course on Monetary & Exchange Rate Policy hosted by Government of Mauritius, Regional Multidisciplinary Centre for Excellence in collaboration with IMF, from 17 to 28 October 2011, Grand Baie.

Mr Leckraz Ramful, Analyst – On-Site, Supervision attended

i. Microsoft Banking Industry Event hosted by Microsoft Indian Ocean Islands & French Pacific, on 27 April 2012, Ebène.

Mrs Vijayantimala Ramful, Analyst – Financial Markets Operations attended

i. Course on Financial Markets Analysis hosted by IMF Institute, in collaboration with the Regional Multidisciplinary Centre of Excellence, from 23 January to 03 February 2012, Grand Baie.

Mr. Vasan Kumar Ranlaul, Analyst – IT, Corporate Services attended

i. Presentation on Implementation of XBRL (Extensible Business Reporting Language) hosted by Registrar of Companies, on 06 July 2011, Port Louis.

Mrs Nivedita Sajadah-Aujayeb, Analyst – Legal attended

i. Training Workshop on Asset Recovery Act 2011 hosted by Ministry of Finance & Economic Development & IMF, from 18 to 20 July 2011, Port Louis.

ii. 22nd ESAAMLG Task Force of Senior Officials Meeting - Eastern and Southern Africa Anti-Money Laundering Group Meeting hosted by Ministry of

Finance and Economic Development & Eastern and Southern Africa Anti-Money Laundering Group, from 01 to 07 September 2011, Grand Baie.

Mrs Kaajal Seeballuck-Beerbul, Analyst – IT, Corporate Services attended

i. Workshop on Mobile Hacking and Application Security hosted by National Computer Board, on 31 May 2012, Ebène.

Local Courses/Seminars/Workshops attended by Bank Officer Grade 1

Mr Kumaravel Mootoosamy, Bank Officer Grade 1 – Regulation, Policy and Compliance attended

i. FIU's 4th National Seminar hosted by the Financial Intelligence Unit, on 28 June 2012, Ebène.

Appendix VI Recruitments, Appointments and Promotions

RECRUITMENTS/APPOINTMENTS

Ms Lakshmi Appadoo was appointed Head-Governor's Office with effect from 18 July 2011.

Mr Girish Mehta was appointed IT Security Officer with effect from 01 September 2011.

Mr Trivedi Mooneesamy was appointed Driver with effect from 01 September 2011.

Mrs Sonali Sewraj-Reetoo was appointed Chief-Legal Services with effect from 17 February 2012.

Mr Kalyanaraman Chandrachoodan was appointed Director – Supervision with effect from 11 April 2012.

Mr Josue Jules Michael Davasgaum was appointed Technical Officer Grade A with effect from 02 May 2012.

Mr Neeruj Soomaroo, Mr Randhirsingh Doongoor and Mr Nundivar Varmah Hurdoyal were appointed Services Technicians with effect from 02 May 2012.

PROMOTIONS

Mrs Doorgeshwaree Sooroojebally was appointed Senior Confidential Secretary with effect from 01 December 2011.

Mrs Rajshri Jutton-Gopy was appointed Chief – Compliance with effect from 02 May 2012.

Appendix VII Retirements, Resignations and Termination of Employment

RETIREMENTS

Mr Anil Kumar Ramkurrun, Chief, retired from the service of the Bank with effect from 17 July 2011.

Mr Hemraz Oopuddhye Jankee, Chief Economist, retired from the service of the Bank with effect from 27 September 2011.

Mrs Ambigaye Soondrum, Bank Officer Grade II, retired from the service of the Bank with effect from 30 November 2011.

The Bank retired Mrs Vijayluxmi Baboolall with effect from 23 February 2012, on medical grounds.

RESIGNATIONS

Mrs Nandeeta Reetoo-Seebaruth, Analyst, resigned from the service of the Bank with effect from 01 July 2011.

Mr Uma Shankar Paliwal, Director – Supervision, resigned from the service of the Bank with effect from 12 January 2012.

TERMINATION OF EMPLOYMENT

The Bank terminated the appointment of **Mr Mamode Hossen Gendoo, Analyst,** with effect from 04 April 2012.

Appendix VIII Completion of Studies

Completion of Studies

Miss Yogeeta Devi Ramphul, Bank Officer Grade I, completed her ACCA in June 2011.

Mrs Maita Devi Rambojun, Bank Officer Grade I, has been awarded the degree of Bachelor of Commerce with specialisation in Economics by the University of South Africa in November 2011.

Appendix IX

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 2012.

Banks Licensed to carry Banking Business

1. ABC Banking Corporation Ltd
2. AfrAsia Bank Limited
3. Bank One Limited
4. Bank of Baroda
5. Banque des Mascareignes Ltée
6. Barclays Bank PLC
7. Bramer Banking Corporation Ltd
8. Century Banking Corporation Ltd
9. Deutsche Bank (Mauritius) Limited
10. Habib Bank Limited
11. HSBC Bank (Mauritius) Limited
12. Investec Bank (Mauritius) Limited
13. Mauritius Post and Cooperative Bank Ltd
14. P.T Bank Internasional Indonesia
15. SBI (Mauritius) Ltd
16. Standard Bank (Mauritius) Limited
17. Standard Chartered Bank (Mauritius) Limited
18. State Bank of Mauritius Ltd
19. The Hongkong and Shanghai Banking Corporation Limited
20. The Mauritius Commercial Bank Limited

Non-Bank Deposit-Taking Institutions

1. AXYS Leasing Ltd
2. Cim Finance Ltd
3. Finlease Company Limited
4. La Prudence Leasing Finance Co. Ltd
5. Mauritius Housing Company Ltd
6. Mauritian Eagle Leasing Company Limited
7. SICOM Financial Services Ltd
8. The Mauritius Civil Service Mutual Aid Association Ltd

Money-Changers (Bureaux de Change)

1. Abbey Royal Finance Ltd
2. Change Express Ltd
3. Easy Change (Mauritius) Co. Ltd
4. EFK Ltd
5. Iron Eagle Ltd
6. Max & Deep Co. Ltd
7. Moneytime Co. Ltd
8. Unit E Co Ltd
9. Viaggi Finance Ltd
10. Vish Exchange Ltd

Foreign Exchange Dealers

1. British American Exchange Co. Ltd
2. Cim Forex Ltd
3. Forex Direct Ltd
4. Island Premier Traders FX Ltd
5. Shibani Finance Co. Ltd
6. Thomas Cook (Mauritius) Operations Company Limited

Acknowledgements

The preparation of this Report was coordinated by a team comprising Ms M Heerah-Pampusa, Mr K Ramnauth, Mr D Audit, Ms V Soyjaudah, Mr K Pitteea, Ms N Mihdidin and Ms M Jhamna.

Contributions for the various chapters in the Report were made by the following officers:

Chapter 1: Core Purpose and Functions - Mr D Audit, Mr K Ramnauth and Ms V Soyjaudah.

Chapter 2: Corporate Governance - Ms H Sewraj-Gopal and Mr K Ramnauth.

Chapter 3: Organisational Overview - Mr J Ramtohul, Mr N Sultanti, Mr K Ramnauth, Mr M Bundhoo, Mr N Bakurally, Ms M Jhamna and Ms I Ramdhian.

Chapter 4: Review of the Economy - Mr K Ramnauth, Mr D Audit, Ms V Soyjaudah, Mr K Pitteea, Ms M Jhamna, Mr V Punchoo, Ms P Hurree Gobin, Mr G Beegoo, Ms N Lo Tiap Kwong, Dr D Mulliah-Hurchand, Ms F Atchia, Mr J N Bissessur, Mr C Ellapah, Mr N Daworaz, Mr M Mohesh, Mr S Ramrutton and Mr Y Peerbocus.

Chapter 5: Regulation and Supervision- Mr D Ghurburrun, Ms S Hurymun, Mr R Chinniah, Mr H Ramsurn, Mr W Khodabocus, Mr JC Chamary, Mr B Kwok Chung Yee, Ms SD Purryag, Mr D Rughoobur, Mr A Massafeer, Ms M Philibert, Ms T Gokool, Mr K Mootoosamy, Ms M Lauricourt, Mr R Bullyraz and Mr P Nundlall.

Chapter 6: Review of Operations- Mr J Pandoo, Mr S Ramnarainsing, Ms H Nundoochan, Mr VP Koonjul, Ms V Ramful, Mr D Thakoor, Ms T Gobin-Jhurry and Mr J Choolhun and Mr Y Chu Fung Leung.

Chapter 7: Regional Cooperation - Mr N Kowlessur and Ms K Nowbutsing-Hurynag.

Chapter 8: Financial Statements - Mr A K Tohooloo, Mr A Jhary and Mr S Gopaul.

This Report was approved for publication by the Publications Review Committee, which is composed as follows: Mr J N Bissessur (Chair) and Mr C Ellapah.

BANK OF MAURITIUS

Address Sir William Newton Street
Port Louis
Mauritius

Website https://www.bom.mu
Email communications@bom.mu

Designed & Printed by **LOVELLS PRINTING AND ARTWORK LTD**