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Letter of Transmittal



The Governor

Bank of Mauritius
Port Louis

31 October 2014

Dr The Honourable Navinchandra Ramgoolam, GCSK, FRCP
Prime Minister
Minister of Defence, Home Affairs and External Communications
Minister of Finance and Economic Development & Minister for Rodrigues
Prime Minister's Office
New Treasury Building
Intendance Street
Port Louis

Dear Prime Minister

Annual Report and Audited Accounts 2013-14

In accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, I transmit herewith the forty-seventh Annual Report of the Bank, which also contains the audited Accounts of the Bank for the year ended 30 June 2014.

Yours sincerely

Rundheersing Bheenick, GOSK

Objectives & Key Functions

The Journey Continues ...

The Bank of Mauritius, established under the Bank of Mauritius Ordinance 1966, started its operations on 14 August 1967. In 1971, the Bank's headquarters building was completed at Sir William Newton Street and was inaugurated in 1972. The establishment of the Bank of Mauritius marked the beginning of a new phase in the monetary history of Mauritius. The Bank was vested with *'the sole right to issue legal tender currency in the country and was charged with the responsibility of maintaining the internal and external value of the currency and its international convertibility'*.

The Bank issued its first banknotes in 1967 which consisted of four denominations, namely the Rs5, Rs10, Rs25 and Rs50. Over the years, new families of bank notes were issued with major changes brought in the design and security features including varying banknote numbering systems, types of security threads, variation in the pattern of the Mauritian Coat of Arms, and ultraviolet light latent printing. The family of banknotes issued in 1985 was the first to move away from the effigy of Queen Elizabeth II to that of Mauritian personalities. Currently, the family of banknotes in circulation comprises seven denominations of Rs25, Rs50, Rs100, Rs200, Rs500, Rs1000 and Rs2000 respectively.

In August 2013, as a major innovation in banknote technology, the Bank launched its first polymer banknotes in three denominations of Rs25, Rs50 and Rs500. These are being circulated alongside the paper banknotes. The newly issued polymer banknotes contain numerous security features that include a transparent window showing image of the dodo, numbers printed with magnetic ink which become fluorescent under ultraviolet light, and swing features printed in iridescent ink that change colour in transparent light. It is a great pride to record that the polymer banknotes of Rs25 and Rs500 were shortlisted at the International Association of Currency Affairs (IACA) 2014 Technical Excellence in Currency Awards in which the Rs25 banknote was awarded 2nd prize for Best New Currency Feature or Product.



Objectives



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. Other objectives of the Bank are (a) to regulate credit and currency in the best interests of the economic development of Mauritius; (b) to ensure the stability and soundness of the financial system of Mauritius; and (c) to act as the central bank for Mauritius.

Key Functions

To fulfil its mandate, the Bank performs a number of core functions that include (a) conducting monetary policy and managing the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius; (b) regulating and supervising financial institutions carrying on activities in, or from within, Mauritius; (c) managing, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius; (d) collecting, compiling and disseminating, on a timely basis, monetary and related financial statistics; and (e) managing the foreign exchange reserves of Mauritius.

The Bank also formulates and implements appropriate policies to promote economic growth while taking into account global and regional developments, the domestic real economy and the financial sector. In addition, the Bank constantly monitors factors that may impact negatively on the financial soundness of institutions falling under its purview. It is further necessary for the Bank to safeguard the rights and interests of depositors and creditors of financial institutions.

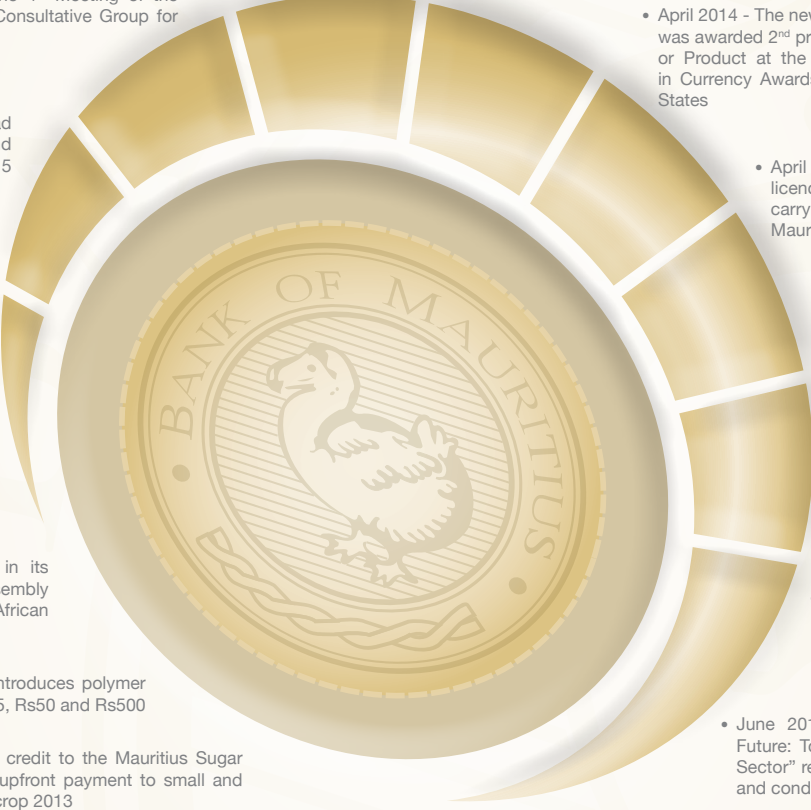
Evolving with Time...

Right from its primary responsibility of issuing currency notes, the role of the Bank has evolved with time... as its mandate broadens and deepens in spheres such as repressing improper practices through market intelligence and investigations, promoting regional cooperation, and contributing to enhance financial literacy. With a view to fostering the sustained growth of the banking sector, and as custodian for the welfare of bank customers, the Bank launched the *Banking Your Future* campaign by advocating for reforms that will bring fairer deals between stakeholders and improve the bank-customer relationship. By improving its channel of communication through forward guidance and being more transparent, the Bank is making further headway... towards building an inclusive and modern banking sector.

The Bank's new headquarters building was inaugurated on 18 December 2006.



The Year at a Glance

- 
- December 2013 - The Bank cautions the public against virtual currencies such as the Bitcoin and their associated risks
 - December 2013 - Promoting an effective electronic clearing system as the Cheque Truncation project is fully implemented
 - April 2014 - The newly issued Rs25 polymer banknote was awarded 2nd prize for Best New Currency Feature or Product at the IACA 2014 Technical Excellence in Currency Awards held in Washington DC, United States
 - April 2014 - 22nd and 23rd banking licences were granted to two banks to carry on private banking business in Mauritius
 - May 2014 - Bank of Mauritius hosted the Islamic Financial Services Board 11th Annual Summit, for the first time in the African continent
 - May 2014 - Memorandum of Understanding signed between the Bank and Central Bank of Sudan to establish a collaborative framework aimed at supervisory cooperation and information sharing
 - May 2014 - A new banking licence is granted to Habib Bank Limited to conduct Islamic banking business through window operations
 - June 2014 - Publication of "Banking Your Future: Towards a Fair and Inclusive Banking Sector" report of the task force on unfair terms and conditions in banking contracts
 - July 2014 - Launch of the XBRL project which is an automated data management system being implemented by the Bank for collection, storage and processing of data from reporting entities
 - July 2013 - Special line of credit to the Mauritius Sugar Syndicate for 80 per cent upfront payment to small and medium planters for sugar crop 2013
 - August 2013 - Bank of Mauritius introduces polymer banknotes in denominations of Rs25, Rs50 and Rs500
 - August 2013 - For the first time in its history, the Bank hosted the 37th Assembly of Governors of the Association of African Central Banks
 - September 2013 - Governor Bheerick elected as Deputy Chairman of the Governing Board of the International Islamic Liquidity Management Corporation
 - October 2013 - Issue of Macroprudential policy measures for implementation by all banks
 - October 2013 - Mr Issa Mohamad Soormally was appointed Second Deputy Governor with effect from 15 October 2013
 - October 2013 - The Bank hosts the 4th Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa

Statement From The Governor

“ Time for us to move on and sharpen our focus on our next destination - a high-income economy... ”



Looking back over the global landscape in recent years, characterised as it has been, by painful adjustments in financial and economic affairs, it is hard to avoid the conclusion that we have been lurching from crisis to crisis. We have continually seen elusive signs of recovery, buffeting both business confidence and consumer sentiment, and nurturing continued apprehensions about the adverse impact on world markets and on the vulnerable emerging economies in particular. Can we now, at long last, expect the global economy to secure itself on a firmer footing? What about the risks still looming on the horizon? I am a strong optimist - had it not been so, I can hardly imagine how I could have stayed on this job. Whenever I am asked how we, in Mauritius, an isolated, vulnerable, and small open economy turned in such a creditable performance in such an unpromising environment, I reply “We never allowed ourselves to lose our nerve, or our focus”.

Despite global uncertainty, the Mauritian economy stood its ground and logged a growth rate of 3.2 per cent in 2013. This growth was driven by all sectors, except construction. Unemployment remained stuck around 8 per cent. We succeeded in anchoring inflation expectations. Indeed, since 2009, the annual average rate of inflation has been close to 4 per cent, and its volatility much reduced compared to previous years. We did everything within our statutory powers to achieve a low-inflation environment, hand-in-hand with a stable exchange rate, to ensure a solid basis for sustainable, equitable, and broad-

Statement From The Governor

*...a low-inflation environment
...a stable exchange rate, ...a
solid basis for sustainable,
equitable, and broad-based
growth*

based growth. Headline inflation and year-on-year inflation stood at 3.3 per cent and 4.0 per cent, respectively, in June 2014. Domestic and external imbalances remained contained. We continued with our reforms domestically to secure a sound financial sector through a series of initiatives detailed in the report.

We expect our economy to grow by about 3.5 per cent in 2014, and inflation to remain below 4.0 percent in 2014. On current trends, we do not expect the international economic environment to improve significantly. It is time for us to move on and sharpen our focus on our next destination - a high-income economy. We should be under no illusion that we can get there without accelerating the pace of reforms and, preferably, embracing the commitment to reform as our national credo.

Banking Sector Developments

Our banking sector remained robust. Total assets, which had crossed the Rs1 trillion-mark in May 2013, grew by 7.5 per cent during the period under review. Total deposits and total loans increased by 6.0 per cent and 2.7 per cent, respectively. Banks were well-capitalised, with a capital adequacy ratio of 16.7 per cent and low non-performing loan ratios. In April 2014, we welcomed two new banks in our jurisdiction, the first to be granted a licence for stand-alone private banking business.

Macroeconomic and Financial Stability

The relative stability in our nominal effective exchange rate, contrasting sharply with the turbulence registered in leading emerging markets, benefited both domestic consumers and producers, while also enhancing our attraction as an investment destination and as an IFC-in-the-making.

Cross-border banking has been growing rapidly. We have supported its development by bilateral agreements with several international regulatory bodies to secure a better exchange of information between home and host supervisory authorities. In November 2013, we organised our first-ever Supervisory Colleges for our two largest banking groups to enable their host regulators in other jurisdictions, and ourselves, to get a holistic view of the risks posed by these institutions, within and beyond our borders. We are also actively engaged in several initiatives to harmonize regulatory and supervisory practices to promote financial stability within the region.

The persistence of low interest rates led to excessive credit growth in some sectors which, if left unchecked, could have resulted in higher non-performing loans. In October 2013, after much soul-searching, we rolled out a suite of macroprudential measures to contain these risks. These measures which include "Loan-to-Value ratios", "Debt-to-Income ratios", "Risk-Weighted Assets", "Additional Portfolio Provision" and "Sectoral Limits", became effective this year. We issued our guideline for dealing with domestic systemically important banks (DSIB's) in July 2014. It provides a framework for assessing the systemic importance of a bank based on key indicators such as size, interconnectedness, structure and complexity, amongst others. The banks, which would be identified as DSIB's, will be subject to a capital surcharge as from March 2016.

We followed up on the recommendations of the Reserve Bank of India Team which came over to assist the Bank in the in-depth investigation of the Ponzi Schemes which we unearthed early last year. There was a clear need for a stronger framework to gather intelligence on financial transactions and analyse information on actual and/or looming financial breaches. In December 2013, we set up a dedicated Market Intelligence Cell to meet this need. In January 2014, we mainstreamed this cell with our work on compliance and enforcement. This will assist the Bank in fulfilling one of its new mandates, namely to carry out investigations and take measures to suppress illegal, dishonourable and improper practices, market abuse, and any potential breach of the banking laws.

We made considerable progress with our plan to implement Basel III to enhance the resilience of the banking sector. The opening shot was the release in October 2012 of a consultation paper on the likely implications of Basel III implementation. In June 2014, we issued guidelines on the scope of application of Basel III and eligible capital.

Monetary Policy

Throughout 2013-14, the Key Repo Rate (KRR) was kept unchanged at 4.65 per cent. One important development was the publication of the technical presentations made by various parties at the MPC meetings, once again highlighting our commitment to a fully-transparent decision-making process. The divergence of opinion regarding the monetary policy stance persisted. On the one hand, the internal MPC members called for a gradual and smooth exit from the current accommodative monetary policy stance. This view was motivated by the improving external environment, rapid credit growth, the rise in non-performing loans, and the need to halt the decline in domestic savings while also anchoring inflation expectations. On the other hand, the external MPC members were more concerned with stimulating domestic growth, which they perceived as being still fragile, and supported an accommodative monetary policy.

In April 2014, the Bank started to use Taylor Rule estimates as a guide to monetary policy-making. Estimates of the neutral interest rate suggested that monetary policy was falling behind the curve. Internal members were of the view that it was high time to start the normalisation process. However, the majority of MPC members voted to keep the KRR unchanged. The Monetary Policy Transmission Mechanism, already weakened by the excess liquidity that had been plaguing the system for the past few years, broke down when some banks adjusted their savings rates downwards although the MPC had decided to leave the KRR on hold. At the July 2014 meeting, the MPC decided, by consensus, to keep the KRR unchanged at 4.65 per cent, with a majority of members agreeing that it was time to normalise interest rates, and giving forward guidance on the direction of the change in the KRR in the first quarter of 2015.

We renewed our efforts to restore the monetary transmission mechanism. We made some progress in our efforts to persuade the Treasury to share sterilisation costs. We prevailed on the Treasury to introduce three savings products targeting individual savers, two varieties of Five-Year and one Three-Year Government of Mauritius Savings Bonds to mop up some of the excess liquidity. A Memorandum of Understanding between the Treasury and the Bank is at an advanced stage of negotiation: it will provide the burden-sharing modalities, and may necessitate some enabling changes in the Public Debt Management Act 2008.

Statement From The Governor

Improving Customer Experience

In June 2014, we released the Report of the Task Force on Unfair Terms in banking contracts, *Banking Your Future: Towards a Fair & Inclusive Banking Sector*. It makes 100 recommendations, including the abolition of 19 fees and the review of 13 others, and a free basic bank account for all Mauritian citizens above 16 years old. These recommendations aim to improve the bank-customer relationship and help both banks and customers to achieve a fairer deal. The report is open for public consultation up to 31 October 2014. After the consultation period, the Bank will analyse the report, along with the feedback and decide on an action plan.

It is the first time in the history of the Bank that a Task Force has been set up to look holistically into banking practices prevailing in the country, and the first time in the history of banking in Mauritius that these practices have been examined so closely with inputs from all categories of stakeholders. It seems that the customer around whom banks should centre their business has been gradually left on the side over the years. The Report seeks to provide a framework to bring the customer back at the heart of banking business. All stakeholders and the general public were invited to participate in this banking reform initiative by commenting on the proposed recommendations, making suggestions and proposals, so that together we can pave the way to a modern, efficient, and customer-centric banking sector.



"Paving the way to a modern, efficient, and customer-centric banking sector."

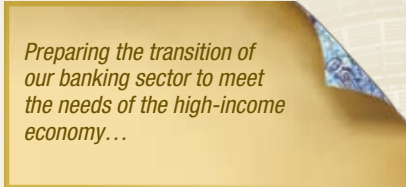
Regional and International Involvement

We pursued our involvement in regional fora. In October 2013, the Bank hosted the fourth meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa, which I co-chair. In January 2014, the Bank hosted a meeting of the Committee of African Banking Supervisors of the AACB, which is chaired by a senior colleague from the Directorate of Supervision. In May 2014, the Bank hosted the IFSB Summit. Our work with SADC and COMESA continued apace, making further progress in the area of macroeconomic convergence, financial stability, and development of the regional payments system. We also welcomed a delegation of the African Union's *High Level Panel on Illicit Financial Flows from Africa*, headed by His Excellency Thabo Mbeki, former President of South Africa. The visit offered an opportunity to share our experience on such matters as our due diligence process and the application of international best practices and standards in the field.

The Banking Sector of the Future

I intend to spend the rest of my third mandate to prepare the transition of our banking sector to meet the needs of the high-income economy that is within our sights. We recognise that a lot still remains to be done, especially if we want to hasten progress in this direction - which is a perfectly legitimate objective in view of our past trajectory. We have continuously strengthened our regulatory and supervisory framework to reinforce the resilience of our banking sector. We have stepped up our efforts to modernise our payments system infrastructure, and floated international tenders for the National Payment Switch. This will revolutionise the payment space, reduce transaction costs, and level the playing field for smaller banks and other potential payment processors who cannot currently compete away the high margins prevalent in the industry because of the prohibitive cost of installing

alternative platforms for the provision of new technology-driven products. We have amended legislation to allow differentiated banking licences in such areas as Islamic banking, private banking and investment banking. We have set out a framework to provide for agent banking for more efficient delivery of banking services and to promote financial inclusion.



Preparing the transition of our banking sector to meet the needs of the high-income economy...

In parallel, the Bank has been vested with new powers, giving us explicit responsibility for promoting public understanding and awareness of financial products, and for conducting investigations. Credit unions with assets of more than Rs20 million have also come under our purview. We recognise the pioneering role that credit unions have played in improving financial access to previously unbanked segments of society and we shall apply proportionality in our approach to supervising and regulating the sector. We have launched the eXtensible Business Reporting Language (XBRL) project that will simplify data collection and reporting by banks and other regulated institutions while also facilitating in-depth and timely analysis at the Bank.

We have continued with process re-engineering and organisational restructuring to deliver on our extended mandate, to meet new challenges, and to incorporate new technology. In addition to the Intelligence, Compliance, and Enforcement Section mentioned earlier, we also set up a specialised unit for reserve management to serve as the nucleus for a Middle Office and Risk Management Division which we created just after the period covered by this report. We re-jigged the Economic Research Division and tasked it with developing our forecasting and modeling capacity to support our expected move to an explicit Inflation Targeting regime.

None of these moves would have been possible without recruiting new staff, with the requisite experience, at an appropriate level in the Bank's hierarchy. Already a technology-intensive industry, banking will become a battlefield for still more disruptive technologies in future. An ageing staff, with dated skills and outmoded work habits, will be hard-pressed to cope with the emerging challenges facing the regulator. We placed considerable emphasis on upgrading our in-house skills and recruiting new blood. We opened our doors to regular graduate interns two years ago. We followed it up this year by launching a Graduate Trainee Programme which will allow the Bank to spot potential new recruits, enhance its professional competence, and rejuvenate its workforce.

The Rupee goes polymer

Last August, the Honourable Prime Minister launched our very first polymer bank notes, which have been in circulation since then. I am happy to say that two of the three polymer bank notes have received international recognition. The Rs25 polymer bank note and the Rs500 polymer bank note were shortlisted for their state-of-the-art security features at the International Association of Currency Affairs 2014 Technical Excellence in Currency Awards. Our Rs25 bank note came out 2nd in this contest. I am pleased to say that our efforts to adhere to the highest standards in all business areas have paid dividends.

Statement From The Governor

Words of Appreciation

I have always been guided by my *sens du devoir* in discharging the immense responsibility entrusted to me by the Prime Minister to lead the central bank of the country in the midst of challenging times for our economy and our people. It has not been an easy ride. My task would have been still more difficult, had I not received the support of the staff of the Bank, in particular my close collaborators in the Governor's Office, the Policy Unit, and elsewhere, and my Deputy Governors and their key staff. Supporters and well-wishers beyond the Bank have played a crucial role, especially when my resolve appeared to flag. I wish to express my deepest gratitude to all of them. Our economy has reached a tipping point. If we unite our efforts and pull in the same direction, we will be able to carry through the much-needed reforms to take us forward to new levels of development. The tantalising prospect of a high-income economy beckons...

Looking Ahead

For our vision of a modern, fair, and inclusive banking sector to come to life, it is today that we must make a start on shaping it!

Inclusiveness and sustainability of growth and development are the two areas where the Bank can make its biggest contribution to this transformation. This can best be achieved in the context of a dynamic and competitive financial sector, effectively serving the interests of both savers and investors. For our vision of a modern, fair, and inclusive banking sector to come to life, it is today that we must make a start on shaping it!



Rundheersing Bheenick
13 October 2014

1

Landmark Projects & Events

“BANKING THE FUTURE” OF THE MAURITIAN POPULATION: EVERY VOICE MATTERS

On 6 June 2014, the Governor launched the much-awaited report of the independent Task Force on unfair terms and conditions in banking contracts, entitled *“Banking Your Future: Towards a fair & inclusive banking sector”*. It is the first time in its 47 years of existence that the Bank has commissioned a study on the terms and conditions of banking contracts, including fees and charges. It is also the first time that banking practices in the country have been examined so closely.

The following issues were addressed in the report: (i) fees and charges of banks; (ii) the complexity of bank documentation; (iii) fairness of terms and conditions of bank contracts; (iv) competition and transparency; (v) the empowerment of bank customers; (vi) the protection of bank customers; (vii) inclusiveness of the banking sector; and (viii) the need for bankers to treat customers fairly, and for customers to treat bankers fairly.

The report proposes 100 recommendations which, altogether, sketch out a framework to pave the way for a fair and inclusive banking sector. The report was released for public consultation. Banks, non-governmental organisations, consumer associations and the public at large were invited to give their views and comments on the findings and recommendations of the report.

The Bank embarked on an intensive communication campaign to disseminate the contents of the report which, apart from being a package of reforms, complemented the Bank’s financial literacy programme.



Landmark Projects & Events



The Bank has endeavoured to engage in a debate at national level around the 100 recommendations. The media has been used extensively to raise awareness and interest. The written press regularly came out with articles, interviews and cartoons; the national TV broadcast special programmes, sketch comedies and video clips; radio channels aired adverts and interviews; Bank staff went on roadshows around the island gathering feedback; brochures and survey forms were delivered at the doorstep of each and every Mauritian household; important messages of the campaign were visibly conveyed on billboards along the country's highways; mobile advertising was used on buses on the move and, last but not least, the Bank made use of social networks for the very first time.



It is undoubtedly the first time in its history that the Bank has reached out to so many people cutting across various segments of the population. It is also the first time that the Central Bank has led a national survey of this dimension. The level of response was also a first, and beyond our expectations.



The Ministry of Finance and Economic Development as well as the Mauritius Post partnered with the Bank in its outreach efforts. The Bank views the contribution of every citizen as invaluable for “banking the future” of the Mauritian population.

HARNESSING NEW TECHNOLOGIES...

XBRL Project

The Bank has embarked on a new project to adopt a standard system of reporting of financial accounting information within the banking system, using a financial computer language known as XBRL – the eXtensible Business Reporting Language. This is essentially a computer language dedicated to handling financial data, analysis and reporting. XBRL is becoming an international norm for financial reporting.

A major role of central banks is the supervision, monitoring and regulation of the banking system. At the Bank of Mauritius this involves the collection and review of increasingly large amounts of financial information, from an increasing number of banks and other institutions. This financial surveillance is the basis for providing guidance and the implementation of regulations for the better management of the financial sector.

At present information collected by the Bank is in a variety of non-standard formats, some on paper and some in electronic format. It is time consuming to handle such complex information presented in non-standard form. Moreover this creates considerable problems in its analysis and using it for decision making, that would be simplified by adopting the standard formats and analytical methods of XBRL that have been tried and tested in many countries abroad.

The Bank's interest in the XBRL financial programming system was stimulated by seeing it in action at The Reserve Bank of India. Following this, a proposal for local use was drawn up and international tenders were invited to bid for the *XBRL-based Reporting System, Data Warehouse and Business Intelligence Tools* (the XBRL) project. The project was awarded to IRIS Business Services Limited. Detailed discussions are being held with local potential users in the banking sector in Mauritius. Several local Banks have expressed a wish to work with us in taking this project forward. The plan is to move towards implementation by October 2015.

The benefits of the new infrastructure are multiple. Some of the key attributes of the project are to streamline regulatory reporting and reduce reporting burden on regulates. Reporting entities will find it more efficient and cost effective to automate the process of data acquisition from their core IT systems, integration and submission to the Bank, thereby minimising human intervention. Ultimately, the project will standardise reporting of financial information in the banking sector here in line with international standards defined in the XBRL system. It will increase the reliability and ease the handling of data and give greater emphasis to analysis for guidance, regulation and decision making. The Bank will be the first central bank in Africa to introduce the XBRL technology within the banking sector.

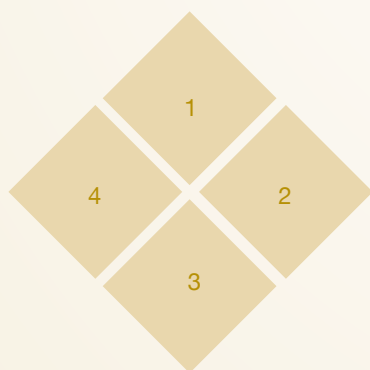
National Payment Switch System

Another major project on which the Bank has been working is the implementation of a National Payment Switch (NPS), a system through which all payments made by cards, mobile phones and internet based systems will be smartly routed for authorization and settlement. Currently, card payment activity is undertaken privately by some institutions and most transactions irrespective of the currency are routed through payment processors outside Mauritius. This set up entails merchant fees of over 3 per cent in certain cases and payment of routing fees in US dollar to credit card companies. Similarly, customers have to pay processing as well as interchange fees for transactions at Automatic Teller Machines (ATM) of banks other than those of their banks. Under current arrangements, card service providers are undertaking their activities individually and they do not benefit from the collective synergy of a market driven incentive.

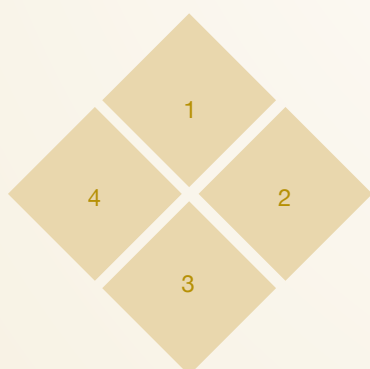
The Bank has initiated the NPS project in line with its policy to modernize the national payment system and to bring down transactional fees and charges. The NPS will provide a platform for the integration of all electronic payment transactions and bring cost-effectiveness in the payment system. The NPS will interface with local payment systems, points of sale, ATMs, mobile payment systems, internet portals and will have a single gateway to major international card organisations. It will consolidate all electronic transactions and intelligently channel them to appropriate payment processors for authorization and settlement. Transactions denominated in rupees will not be routed through the processors of international card organizations, and the direct routing will eliminate current fees charged by the latter. The system, through its centralized reporting feature, will also enable

elimination of administrative expenses by merchants. Cost of e-commerce will thus be reduced and customers will be motivated to use a wider variety of electronic devices including wireless technology. Concurrently, fees associated with transactions at ATMs will be reduced, more merchants will adopt electronic payments and customers will be able to withdraw funds at lower cost from the ATM of any bank.

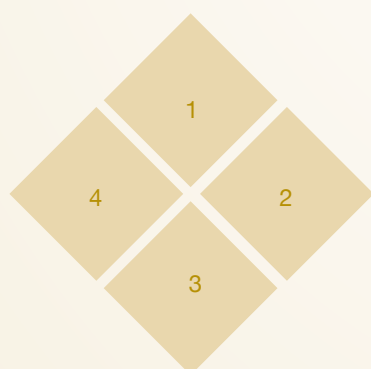
Options for mobile payments are currently constrained by the absence of inter-operability facilities and users must have an account with a mobile service provider that deals with specific banks to have access to the payment service. With the NPS, users will have the flexibility to operate through all mobile service providers and banks. The project is making good progress and it is envisaged that the implementation of the system, which will start in early 2015, will be completed within the next two years.



1. Annual Meetings of the Association of African Central Banks, 19 to 23 August 2013.
2. Official launch of polymer bank notes by The Honourable Dr Navinchandra Ramgoolam, GCSK, FRCP, Prime Minister of the Republic of Mauritius, at the Opening Ceremony of the 2013 Symposium of Governors preceding the 37th Assembly of Governors of the AACB, 22 August 2013.
3. Meeting of Financial Stability Board Regional Consultative Group for Sub-Saharan Africa, 22 October 2013.
4. Farewell of the Second Deputy Governor, Mr Iqbal Belath, 31 October 2013.



1. Supervisory College Meeting, 4-8 November 2013.
2. Bank of Mauritius Inter Clubs Youth Championships 2013, 23-24 November 2013.
3. Prize Giving Ceremony at the Bank, 7 December 2013.
4. Community for African Banking Supervisors meeting, 20-22 January 2014.



1. Governor Bheenick chairing the panel discussion on *"New and Emerging Islamic Finance Jurisdictions: Opportunities and Challenges Ahead"*, 11th Annual Summit of the Islamic Financial Services Board, 21-22 May 2014.
2. Memorandum of Understanding signed by Governor Rundheersing Bheenick, on behalf of the Bank of Mauritius, and Governor Abdelrahman Hassan Abdelrahman Hashim, on behalf of the Central Bank of Sudan, 22 May 2014.
3. Visit of His Excellency Thabo Mbeki, Former President of South Africa, 3 June 2014.
4. The Bank of Mauritius joins hands with the Mauritius Post Ltd to disseminate the recommendations of the Banking Your Future Report, June 2014.

2

Governance

BOARD OF DIRECTORS

The Board's statutory responsibility¹ is to formulate the general policy of the affairs and business of the Bank other than the formulation and determination of monetary policy. On 30 June 2014, the Board comprised the Governor as Chairperson, the two Deputy Governors and three other Directors.

COMPOSITION OF BOARD OF DIRECTORS ON 30 JUNE 2014

Chairperson	Mr Rundheersing Bheenick, GOSK, Governor
Director	Mr Yandraduth Googoolye, First Deputy Governor
Director	Mr Mohamad Issa Soormally, Second Deputy Governor
Director	Mr Shyam Razkumar Seebun
Director	Mr Jacques Tin Miow Li Wan Po
Director	Mr Gooroonaden Vydelingum

The Board of Directors held ten meetings during 2013-14, as summarised in Table 2.1. At any meeting of the Board, six members constitute a quorum. Decisions are taken by simple majority. In the event of an equality of votes, the Chairperson has a casting vote.

¹ Section 12 of the Bank of Mauritius Act 2004.

Table 2.1

Board of Directors Meetings

Board Directors	Date of first appointment	24.07.13	28.08.13	19.09.13	29.10.13	19.12.13	22.01.14	14.03.14	23.04.14	19.05.14	20.06.14
Governor - Mr R. Bheennick - Chairperson	14.02.07	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
First Deputy Governor - Mr Y. Googoolye	13.07.06	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Second Deputy Governor - Mr M. I. Belath*	01.07.10	✓	✓	✓	-	-	-	-	-	-	-
Second Deputy Governor - M.I.Soormally*	15.10.13	-	-	-	✓	✓	✓	✓	✓	✓	✓
Mr J. T.M. Li Wan Po	24.11.05	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr S. R. Seebun	21.11.05	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr G. Vydelingum	05.09.07	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Meeting metrics: Duration (Hrs)		2.00	1.00	1.50	1.00	2.00	2.00	1.75	1.25	0.83	2.50
Minutes of proceedings (Pages)		9	7	9	7	11	9	9	5	6	12
	✓: Attended										
*: The contract of Mr Belath expired on 31 October 2013. Mr Soormally assumed duty as Second Deputy Governor on 15 October 2013.											

Audit Committee

The main functions of the Audit Committee are to:

- review the effectiveness of the internal control systems of the Bank;
- review the Bank's internal audit function;
- ensure coordination between the internal and external audit functions;
- evaluate the independence and effectiveness of the Bank's external auditors;
- review the reliability and accuracy of the financial statements, budgets and other reports; and
- provide assurance that the Bank is operating in accordance with its legal provisions, codes of conduct and by-laws; and with the rules established by the Board.

On 30 June 2014, the three independent and non-executive members of the Audit Committee were: Mr J.T.M. Li Wan Po, Mr S.R. Seebun and Mr G. Vydellingum. The Committee held six meetings during the year. It met with the Bank's external auditors with respect to the Financial Statements for the year ended 30 June 2013. It also reviewed the Bank's Budget for the financial year 2014-15.

MONETARY POLICY COMMITTEE

The Monetary Policy Committee² (MPC) formulates and determines monetary policy to achieve price stability while taking into account orderly and balanced economic development. The MPC determines the appropriate monetary

policy stance through changes in the Key Repo Rate. In their policy decision-making process, MPC members assess the balance of risks between economic growth and inflation by considering a wide range of domestic and international economic data.

The MPC announces its decision through a Communiqué issued at 18.00 hours on the day of the meeting. A comprehensive minutes of the meeting is released two weeks after the meeting, outlining the assessment of prevailing conditions, forecasts for inflation and real economic conditions. The Governor, as Chairperson of the MPC, holds a press conference on the day following the MPC meeting to explain the monetary policy decision.

The MPC meets on a quarterly basis, but stands ready to meet in between its regular meetings, if the need arises. During the year, a decision was taken to hold MPC meetings after the release of national accounts data at the end of each quarter. As such, three meetings were held during the year ended June 2014, as summarised in Table 2.2 which also provides details on the MPC meetings.

Composition of the MPC

The MPC comprises the Governor (Chairperson), the two Deputy Governors, two members appointed by the Prime Minister and three members appointed by the Minister of Finance and Economic Development. On 30 June 2014, the members of the MPC Committee were:

- Mr Rundheersing Bheenick, G.O.S.K., Governor and Chairperson of the MPC;
- Mr Yandraduth Googoolye, First Deputy Governor;
- Mr Mohamad Issa Soormally, Second Deputy Governor;

² Section 12 of the Bank of Mauritius Act 2004.

- Professor Jeffrey Frankel, James W. Harpel Professor of Capital Formation and Growth, Kennedy School of Government, Harvard University, USA (foreign member), appointed by the Prime Minister;
- Mr Hemraz Oopuddhye Jankee, Economic Consultant and former Chief Economist of the Bank of Mauritius, appointed by the Prime Minister;
- Mr Nishan Degnarain, Consultant, appointed by the Finance Minister;
- Mr Pierre Dinan, C.S.K, G.O.S.K., Consultant, appointed by the Finance Minister; and
- Professor Silvana Tenreyro, London School of Economics, UK (foreign member), appointed by the Finance Minister.

Five members, including at least four from members appointed by the Prime Minister and Minister of Finance, constitute a quorum.

Two observers were appointed to the MPC: Dr Streevarsen Narrainen, Senior Economic Adviser, Ministry of Finance and Economic Development; and Mr Neetyanand Kowlessur, Chief - Economic Research Division, Bank of Mauritius. The observers share their views with the MPC, but do not participate in the voting process.

Representations to the MPC

The MPC takes into account the views of the Bank, the Ministry of Finance and Economic Development and such institution or organisation as it considers appropriate in the discharge of its functions. During the year under review, in addition to representations made by the Ministry, the MPC considered views expressed by other organisations, namely the *'Association des Consommateurs de l'Île Maurice'* and the *Association for the Protection of the Environment and the Consumers*, as well as those of the IMF Article IV mission chief on the monetary policy transmission mechanism and of an external consultant on the Mauritian tourism sector.

The MPC, which has published a Code of Conduct to govern its meetings, report once a year to the Board of Directors of the Bank regarding its compliance with the Code. In May 2014, the Board of Directors of the Bank received the report on the compliance with the Code of Conduct by MPC members.

Table 2.2

Monetary Policy Committee Meetings

		Meetings attended	30.09.13 Quarterly meeting	3.02.14 Quarterly meeting	28.04.14 Quarterly meeting	Total fees Rs	Other associated costs ⁴ Rs
Mr Rundheersing Bheenick	Governor, Chairperson	3	✓	✓	✓	0	0
Mr Yandraduth Googoolye	First Deputy Governor	3	✓	✓	✓	0	0
Mr Mohammed Iqbal Belath ¹	Second Deputy Governor	1	✓			0	0
Mr Mohamad Issa Soormally ¹	Second Deputy Governor	2		✓	✓	0	0
Professor Jeffrey Frankel ²	External Member	3	T	T	T	620,615	0
Mr Hemraz Oopuddhye Jankee ²	External Member	3	✓	✓	✓	360,000*	0
Mr Nishan Degnarain ³	External Member	3	✓	✓	✓	360,000*	607,286
Mr Pierre Dinan ³	External Member	3	✓	✓	✓	360,000*	0
Professor Silvana Tenreiro ³	External Member	3	✓	T	✓	620,615	361,159
Dr Streevarsen P. Narrainen	Observer	3	✓	✓	✓	0	0
Mr Neetyanand Kowlessur	Observer	3	✓	✓	✓	0	0
Decision on the Key Repo Rate			Unchanged	Unchanged	Unchanged		
Key Repo Rate (per cent per annum)			4.65	4.65	4.65		

¹ The contract of Mr Belath expired on 31 October 2013. Mr Soormally assumed duty as Second Deputy Governor on 15 October 2013.

² Appointed by the Prime Minister.

³ Appointed by the Minister of Finance.

⁴ Other associated costs comprise travel and accommodation expenses.

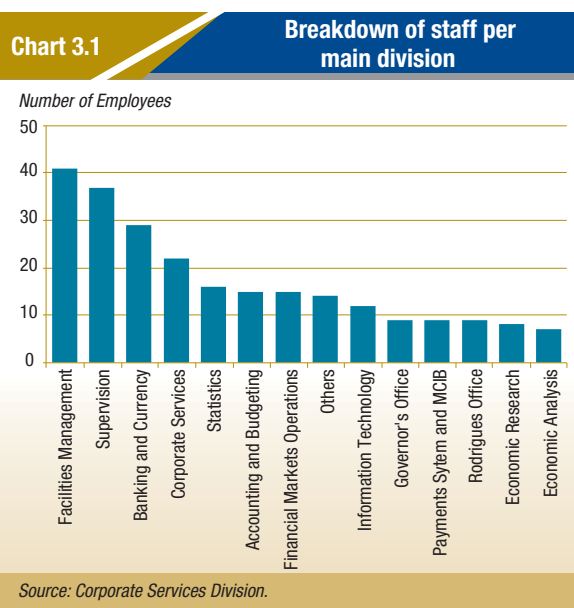
✓ Attended. T: Attended via video-conference

* Mauritian external MPC members receive a monthly fee.

3

Organisational Overview

On 30 June 2014, the Bank employed a total of 243 staff members, of which 198 were on the permanent and pensionable establishment and 45 on a contractual basis. During 2013-14, 13 employees retired from the services of the Bank under the Voluntary Retirement Scheme. In addition, 10 employees resigned, of which 6 had reached the end of their contracts. The Bank terminated the contract of one employee.



Reserves Management Unit was created. This unit, which falls within the Financial Markets Operations Division, has the objective to review the asset allocation framework of the Bank's foreign assets to find ways of increasing returns within the constraints of the liquidity, security and returns' mandate. The Compliance Unit has been reorganized into the Intelligence, Compliance and Enforcement Unit. In addition to compliance issues this new unit also focuses on enforcement actions. The creation of the separate enforcement unit is to ensure fairness and independence in the assessment of any instances of non-compliance with the banking laws, regulations and guidelines issued by the Bank. The recently created Market Intelligence Cell [MI Cell] also falls under the purview of the Unit. The MI Cell was established in December 2013 to enable the Bank to fulfill one of the new mandate bestowed upon it, namely, to carry out investigations and take measures to suppress illegal, dishonorable and improper practices, market abuse and any potential breach of the banking laws. The Bank also set up an Economic Research Division and appointed a Head-Economic Research to promote economic research as an aid for policy analysis and formulation.

Further, the Information Technology Unit, which was previously under the umbrella of the Corporate Services Division, became a separate Division. A Director-Technology was appointed with the mandate to streamline various technological processes at the Bank.

HUMAN RESOURCES

Creation of Strategic Units

The Bank reorganised several divisions and units as part of its restructuring exercise and to support its long-term strategic objectives. The Financial Markets Analysis Division was merged with the Financial Markets Operations Division in July 2013, and the

Move Towards a Performance-Based Culture

As part of its policy to place greater emphasis on results and on the role of staff

in achieving them, the Bank launched the **Performance Management System (PMS) based on the Balance Scorecard Approach in July 2013**. Hay Group South Africa Pty Ltd, which set up the system, conducted a series of training sessions for staff members to ensure its successful implementation. In addition, there were targeted sessions with Heads and Chiefs to familiarise them with the latest tools and techniques for assessing staff performance.

Training and Development

Mandarin Course

The Bank recognised that a working knowledge of Mandarin would be an asset for staff members. In addition to cultural ties, China is becoming increasingly important as a trading partner for Mauritius. In this context, the Bank organised Mandarin courses for interested staff members, in collaboration with the Chinese Cultural Centre.

Official Monetary and Financial Institutions Forum

The Bank values the importance of enhancing the banking sector's capacity in line with international best practices. As such, the Bank, in collaboration with the Official Monetary and Financial Institutions Forum, conducted training programmes in corporate governance; treasury management and operations; and development of leadership and soft skills. The training was provided to a total of 134 officers from the Bank, the banking sector, and non-bank deposit-taking institutions.

IMF Short-Term Expert

The IMF draws on the expertise of experienced staff working in central banks and national statistical offices to conduct assignments in its member countries. In this

regard, in October 2013, Ms Padma Sandhya Hurree-Gobin, Chief-Statistics Division, undertook a technical assistance mission on external sector statistics at the Central Bank of Samoa. Mr Brian Kwok Chung Yee, Analyst-Off-Site, Supervision, was co-opted as short-term expert on Financial Soundness Indicators in March 2014. He attended a briefing session in Washington D.C., U.S.A. in September 2013 and two technical workshops in Mauritius in November 2013. He also participated in a technical assistance mission on Financial Soundness Indicators in Swaziland in March 2014.

Internship Programme

The Bank pursued its internship programme to university students and graduates throughout the year as part of its **Corporate Social Responsibility**. During 2013-14, the Bank accommodated 22 students under this programme. Selected students participated in a number of in-house training activities; regular work at various divisions; and outreach to main stakeholders.

In the second phase, the Bank launched the Graduate Employment Scheme (GES) in December 2013.

Events and Functions

The Corporate Services Division is responsible for providing all logistics support to all divisions of the Bank, in addition to the organisation of events and functions hosted by the Bank. During 2013-14, it was involved in the organisation of the following events:

- Association of African Central Banks (AACB) meeting held at Le Maritim Hotel, 19-23 August 2013;
- Financial Stability Board-Regional

Consulting Group Meeting for Sub-Saharan Africa meeting, held at the Bank on 22 October 2013;

- Supervisory Colleges forum held at the Bank on 5-8 November 2013;
- Bank of Mauritius Inter Club Youth Championships held at Maryse Justin Stadium, on 23-24 November 2013;
- Community for African Banking Supervisors (CAB) meeting held at the Bank on 20-22 January 2014;
- Organisation of Monetary Financial Institutions Forum (OMFIF), training held at the Bank on 3-8 March 2014; and
- Islamic Financial Services Board Summit, held at Le Meridien Ile Maurice on 19-22 May 2014.

CORPORATE SOCIAL RESPONSIBILITY

Sponsorship of Sports Activities

The Bank of Mauritius, together with a number of banks operating in Mauritius, sponsored the seventh edition of the **Inter-Club National Youth Championship**. This event was organised in collaboration with the Mauritius Athletic Association and took place on Saturday 23 and Sunday 24 November 2013 at Maryse Justin Stadium, Réduit. In Rodrigues, the Championship was held on Saturday 9 November 2013 at Camp du Roi Stadium and the 15 best athletes were invited to participate in the national athletics competition in Mauritius. The Bank continued to sponsor eight young athletes in the field of sports and education.

Bamboo Garden

The Bank has enlisted the services of the Food and Agricultural Research and Extension Institute (FAREI) for the execution of its Bamboo project, located at Dubreuil, Midlands

A draft landscape master plan of the garden has been prepared and is currently being reviewed by the Bank. The garden will include both local and foreign varieties of bamboo plants. FAREI has already applied for the necessary permit to import the foreign varieties of bamboo plants. Up to now, about 50 local varieties of Bamboo plants have been collected by FAREI and are being propagated at its research unit in Wooton.

FACILITIES MANAGEMENT

The Facilities Management Division is responsible for maintaining the Bank's premises, including the engineering plant and equipment, in good running condition so as to ensure a clean, comfortable and safe working environment.

New Office Building and Staff Quarters in Rodrigues

The Bank has obtained the lease of two plots of land from the Rodrigues Regional Assembly for the construction of a new office building and a staff quarters. The new office building will be at Camp Du Roi, while the staff quarters will be located at Jean Tac. The evaluation exercise for the tender is currently being carried out.

Security Services

The Bank has re-enforced its security measures at its premises and for the staff. All the access points, such as main entrance and entrance at the parking of the Bank, are controlled.

SAFETY AND HEALTH

The Occupational Safety and Health Act 2005 is the primary legislation regarding safety and health issues at the workplace. The Bank is committed to provide to its employees a safe work environment and has established protocol to ensure the safety of staff and others who may be affected by its activities.

Accident/Incident Procedures Manual

In conformity with the Act, the Bank developed an Accident and Incident Procedures Manual, which sets out the procedures to follow in case of an accident at work. A training session was organised for all Heads and Chiefs to inform them of the importance of this Manual, as well as their roles and responsibilities with regard to procedures to be followed to ensure the safety of staff.

Safety and Health Week

The International Labour Organisation celebrates the World Day for Safety and Health at work on 28 April each year to promote the prevention of occupational accidents and diseases globally. This campaign raises international awareness on emerging trends in the field of occupational safety and health and the magnitude of work-related injuries, diseases and fatalities.

The Bank organised an awareness campaign on Health and Safety from 14-18 April 2014. Officials from different ministries were invited to speak on general safety and health hazards. The following presentations were made at the Bank:

- Awareness on Occupational Safety and Health Act 2005 by the Ministry of Labour & Industrial Relations;

- Non-communicable diseases like diabetes, cardiac problem and cancer by the Ministry of Health and Quality of Life; and
- Fire prevention, fire drill and evacuation by the Fire Services of Mauritius.

First Aid

According to the First Aid Regulation, the Bank needs to have one first-aid for every 50 employees. Accordingly, the Bank provided training to eleven voluntary staff who would be required to give first aid assistance to employees in case of accident or incident at work. A first aid kit, as required by law, is provided to all the first-aiders. The kit is renewed every three months. A list of first-aiders, who are immediately accessible, along with their extension numbers, is posted on the Bank's intranet.

Ambulance Facility

In case an employee is injured or falls sick at work, it is advisable to take the staff member to the nearest medical centre, hospital or clinic. The Bank signed a contract with Apollo Bramwell Hospital for the provision of an ambulance service from its premises to the hospital in case of an emergency.

Fire Drill

The Bank conducted a fire drill in April 2014 under the supervision of the Fire Services of Mauritius. The Bank's Security Manager supervised the evacuation of employees from the Bank of Mauritius Tower. The designated Fire Wardens guided all employees from their respective floors to the assembly point, located at Place D'Armes where a roll-call of all staff was carried out.

IT SUPPORT AND FACILITIES

A number of changes were brought within the IT Division following the restructuring of the Information Technology Unit and the appointment of a Director-Technology:

(a) Infrastructural Changes

The Bank started a project to bring its IT's infrastructure up to the best banking industry standards and to use modern technology. The main objectives of the project are to:

- provide efficient and reliable network services to the staff;
- provide secure and safe data management and data transfers between various end-points and improve the availability of information systems;
- implement an infrastructure monitoring system allowing for real time detection of incidents and for daily management of systems;
- deliver services to institutions regulated by the Bank, meeting their expectations of availability, rapidity and quality; and
- cater for future growth and increase the scale of the delivery of real-time services.

(b) XBRL-Based Automated Reporting System, Data Warehouse and Business Intelligence Tool

Efficient data management is a priority for the Bank. As the financial sector grows and expands, it becomes more complex and this has a direct bearing on the quantity and quality of the information required from institutions the

Bank regulates. Currently, financial returns are submitted by licensees in different formats such as excel sheets, word documents and printed statements, which are subject to risk from manual data handling.

This variety of formats raises the following issues for the Bank:

- extra resources are required to verify, compile, consolidate and analyse the data;
- inconsistencies between data in multiple returns may arise; and
- questions about the reliability, relevance and quality of data in the different returns used may hamper timely decision-making.

The Bank has decided to introduce a new system of standardised reporting from licensees to overcome these issues - the XBRL-based Automated Reporting System. IRIS Business Services Ltd. has been awarded the contract to implement this project. The project is scheduled to be completed by October 2015. IRIS Business Solutions has a rich experience in implementing similar projects for various regulators across the globe including the Reserve Bank of India, the Qatar Financial Centre Regulatory Authority and the Securities and Exchange Board of India (SEBI).

(c) Disaster Recovery Improvement

The Bank has a disaster recovery (DR) site located at Ebene. The DR is equipped to provide daily processing of data on back-up files. The Bank has decided to strengthen the equipment used for the back-up of data files and the recovery procedures to improve the links with the data processing systems on the main site in Port-Louis.

(d) Green Initiatives: Moving Towards a Paperless Bank

The Bank is adopting a Green IT strategy which includes power saving measures and paperless environment, while adopting best practices in information systems. A feasibility study on the introduction of EDMS (Enterprise Document Management System) has been completed. The Bank has launched the tender for the project, which is expected to go live by early 2015. Once the project is implemented, the Bank expects to reduce considerably the amount of paper used and all associated costs. The Bank will benefit in the document-sharing process, transfer, retrieval, searching and archiving of all main documents and data.

(e) IT Governance and Risk Management Guidelines

An IT governance framework has been developed to align the IT strategy with the Bank's business strategy. The objective of the framework is to take on board all stakeholders' interests and provide measurable results. The Bank has also issued comprehensive IT risk management guidelines to the regulatees on matters of IT security, governance, disaster management, audits and outsourcing.

Website

The IT Division launched a project to improve the Bank's website with better presentation and greater security. A new data driven portal is under development. The middle tier (logical layer) and backend (database structure) is already in place. The new website will include features such as data search, real time reporting, data messaging, real time analysis of data, social media integration, knowledge sharing session, among others.

Audit of IT Systems of Banks

The main objective of releasing the Risk Management Guidelines to banks was to advance the standards which the Bank will use in its audits when reviewing the management practices of its various licensees. The Bank has quarterly meetings with senior IT representatives of each bank and licensee, at which their IT systems are reviewed. During the year, the IT Division undertook a number of the IT audits in collaboration with the Supervision Division.

(f) Retail Savings Bonds System

The IT Division has developed a software application, the Retail Bonds System (RBS), to allow banks acting as agent to effect sales of Five Year Government of Mauritius (GoM) Savings Bonds from their counters. The RBS is a web-based application which allows to use back-office functions such as interest calculation, printing of statements of accounts and various reporting facilities.

COMMUNICATION

Many central banks have become remarkably more transparent by placing greater emphasis on external communications, and so has the Bank of Mauritius.

- The Bank normally communicates information and banking and other related data on the financial sector through its various reports such as Monthly Bulletins, communiqués, MPC minutes, End-of-Year letter to stakeholders and speeches, among others.
- The Bank's Annual Report is submitted to the Minister of Finance and Economic Development in accordance with section

32(3) of the Bank of Mauritius Act 2004. The Bank also publishes a bi-annual Inflation Report and Financial Stability Report. The Monthly Statistical Bulletin, covering economic, banking, balance of payments and financial statistics, is released on the Bank's website around the 20th of each month.

- The Bank publishes its monetary policy decisions through communiqués issued at 18.00 hours on the day of the MPC meeting. Minutes of the MPC meetings, providing greater detail of the MPC assessment, together with the voting patterns, are released two weeks after each meeting. The Governor, as Chairperson of the MPC, holds a press conference on the day following each MPC meeting to explain the factors underpinning the interest rate decision.
- The Governor also issues an End-of-Year letter to stakeholders setting out the economic and financial developments during the year and the actions taken by the Bank as part of its functions and objectives.
- The Bank delivers talks in schools and on radios and television as part of its financial literacy and other outreach programmes.
- The Bank set up a Task Force on Unfair Terms and Conditions in banking contracts. The Task Force submitted its Report to the Bank entitled: '*Banking Your Future: Towards a Fair & Inclusive Banking Sector*' for release as a Public Consultation Document. The Report proposes hundred measures to reform the banking sector.

- A dedicated help-desk is in place to enable the public to report any fraudulent information relating to the financial sector.

RODRIGUES OFFICE

The Bank has an office in Rodrigues that offers central banking services and maintains accounts for Government, banks and its staff members. The office conducts over-the counter sales of Government of Mauritius Treasury Bills and Treasury Notes to individuals and non-financial corporations. It is also responsible for supplying coins and banknotes to meet the local demand in Rodrigues.

INTERNAL AUDIT

The Internal Audit Division provides an independent and objective assessment of the adequacy and effectiveness of the internal controls, risk management measures and governance processes in place at the Bank. The Division reports to the Board's Audit Committee. The Division, through its risk-based audit programme, conducts an end-to-end review of the core processes and makes appropriate recommendations for implementation by Management. The internal audit function is carried out in line with best recognised practices.

To enhance risk mitigation measures relating to high risk areas, a concurrent audit of substantial financial transactions is carried out. This involves a systematic and timely examination of these transactions on a regular basis with a view to ensuring accuracy, authenticity and compliance with procedures and guidelines. Emphasis is also laid down on substantive verification in key areas.

4

Review of The Economy: 2013-14

The world economy has continued to show signs of recovery in 2013-14, driven by advanced economies and resilient growth in emerging and developing countries in a context of low inflation. Growth in advanced economies, particularly the US and UK was sustained or accelerated, while growth in the euro area remained positive, but weak. Growth in emerging and developing economies has remained relatively strong, albeit some deceleration in economic performance was observed in recent years, particularly in emerging and developing Asia, and in Latin America. In its July 2014 World Economic Outlook Update, the IMF reduced its forecast of world growth to 3.4 per cent in 2014 but pointed that the global recovery was regaining strength. Despite major central banks retaining an accommodative monetary policy stance, inflation remained low worldwide, partly reflecting stable food and oil prices, modest global growth and high unemployment. Inflation in emerging and developing countries has generally remained at historically low levels.

The domestic economy withstood the global slowdown relatively well in spite of its heavy exposure to the euro area. The economy is forecast to grow by 3.5 per cent in 2014 (Statistics Mauritius June 2014), up from 3.2 per cent in 2013. Economic performance, however, remained below the trend registered in the early 2000s. A muted external demand and weak growth of domestic consumption and investment continued to weigh on the domestic economy's overall performance. All major economic sectors, except construction, contributed positively to the growth rate in 2013 and are expected to do the same in 2014. The unemployment rate stood at 8.0 per cent in 2012 and 2013.

Headline inflation increased from 3.5 per cent in September 2013 to 4.0 per cent in March 2014, before stabilising in recent months. At the same time, y-o-y CPI inflation went up from 3.1 per cent in August 2013 to 5.6 per cent in February 2014 before sliding to 3.3 per cent in June 2014. In January and February 2014, hikes in vegetable prices due to bad weather conditions pushed up the y-o-y CPI inflation rate. A relatively stable rupee exchange rate, coupled with the moderate fuel prices, contributed to the low inflation rate registered during the period under review.

After increasing in 2013, the fiscal deficit (as a percentage of GDP) is expected to decline in 2014, while monetary policy remains accommodative. The fiscal deficit fell from 3.5 per cent of GDP in 2013 to 3.2 per cent in 2014 along with a relatively sharp increase in revenue, while public debt stood at 60.8 per cent of GDP as of end-June 2014. Monetary policy remained accommodative throughout the period under review in order to support domestic growth. The MPC held three regular meetings during 2013-14 and the Key Repo Rate was kept unchanged at 4.65 per cent at these meetings.

The current account deficit edged up to 9.7 per cent of GDP in 2013-14 and continued to be financed mainly by direct investment and portfolio inflows. The surplus registered on the services and income accounts was lower than in 2012-13 and partly offset a lower merchandise trade deficit registered in 2013-14. The gross official international reserves of the country, made up of the gross foreign assets of the Bank, foreign assets of Government and the country's reserve position in the IMF, increased from an equivalent of 5.2 months of imports of goods and services as at end-June 2013 to 6.0 months of imports by end-June 2014.

During 2013-14, the Bank monitored developments in the money and foreign exchange markets to ensure their efficient functioning and took appropriate actions.

The Bank intervened on the money market to mop up the persistent excess liquidity by issuing its own instruments. It also intervened on the domestic foreign exchange market to smooth out any excess volatility in the rupee exchange rate. The Bank maintained the Operation Reserves Reconstitution (ORR) programme with the aim of increasing the level of foreign currency reserves.

The exchange rate of the rupee reflected international exchange rate movements and demand and supply conditions in the domestic foreign exchange market. Between end-June 2013 and end-June 2014, on a point-to-point basis, the rupee appreciated against the US dollar, but depreciated vis-à-vis the Pound sterling and the euro. In nominal and real effective terms, the rupee appreciated significantly between mid-2013 and March 2014, before depreciating somewhat subsequently.

The domestic banking sector remained resilient, profitable and well-capitalised, while the Bank introduced a number of macro-prudential policies to safeguard the sector against shocks. The banking sector continued to expand in 2013-14, with two new banks engaged in private banking business starting operations. Nevertheless, its overall balance sheet grew at a lower pace in 2013-14 than in the preceding year. The Bank improved its regulatory framework by issuing new guidelines on a number of banking-related matters and introducing macro prudential policies in the area of loan-to-value ratios, debt-to-income ratios and other indicators to address potential systemic risk and emerging vulnerabilities in the financial system. Issues of financial inclusion were also addressed with the publication of Banking the Future report in June 2014.

The international and domestic economic and financial developments during 2013-14 are reviewed in greater detail below and covers data up to end-June 2014.

INTERNATIONAL DEVELOPMENTS

The world economy continued its recovery phase in 2013-14, albeit at a lower pace than projected in early 2014. Advanced economies' economic recovery has gradually strengthened, while growth across major emerging and developing economies has slowed somewhat in recent months. Nevertheless, emerging market and developing economies continue to contribute significantly to global growth. The US and, in particular, the UK economy have recovered markedly. Notwithstanding regional differences, conditions in the Eurozone showed some signs of improvement, although overall regional economic growth remained lacklustre and volatile, as shown by recent data. In early 2014, as the US Federal Reserve announced tapering of its asset-purchase programme, several emerging economies experienced significant depreciations of their currencies amid a marked reduction in capital inflows. Global financial markets have since calmed, while capital flows to leading emerging economies have stabilised. Countries, such as India, Indonesia, South Africa and Turkey, weathered the turmoil in early 2014, following improvements in key macroeconomic indicators, including hikes in interest rates, as well as assurances from the US Fed about a gradual tapering of its asset-purchase program. The July 2014 World Economic Outlook Update of the IMF forecasts world economic growth to improve from 3.4 per cent in 2014 to 4.0 per cent in 2015.

Despite an accommodative monetary policy stance, inflation remained tame in most advanced economies, partly reflecting modest

global growth, stable food and oil prices, and forward guidance on monetary policy. While average inflation for advanced economies was expected to increase slightly, inflation in the Eurozone declined owing to a sizable negative output gap. Also, during the period under review, the FAO food price index was stable, despite volatility in dairy and sugar prices due to climatic conditions. WTI crude oil prices have declined considerably since September 2013 due to higher supply, but prices have somewhat recovered amid geopolitical tensions in the Middle-East and Ukraine. ICE Brent prices have remained mostly stable, hovering between US\$107 and US\$112 a barrel during 2013-14. Major central banks have used forward guidance as an important tool for reducing uncertainties and managing market expectations.

Global equity markets generally posted positive growth during 2013-14. In major advanced economies, equity markets were supported by improving growth prospects in the US and UK and measures taken by the ECB to support activity in the Eurozone. The Nikkei was among the best performing indices, as easing of monetary and fiscal policies to support economic growth sparked market optimism. In emerging market economies, equity markets' performance was rather mixed. Equity indices in those markets were subject to bouts of volatility following the US Fed's announcement of the tapering of its asset-purchase program in early 2014. However, indices recovered somewhat following policy initiatives taken by several emerging economies to reassure investors, as well as assurances by the US Fed over a more cautious tapering than earlier envisaged by market participants.

DOMESTIC DEVELOPMENTS

Real Sector

During 2013-14, Mauritius weathered the global slowdown relatively well with the economy expanding by more than 3 per cent. Along with countercyclical fiscal policies adopted in the aftermath of the global financial crisis, the economy has been able to maintain positive growth rates. In nominal terms, GDP at market prices increased by 6.6 per cent to Rs366,479 million in 2013, compared to a growth of 6.4 per cent in 2012. Per capita GNI at market prices increased by 6.2 per cent to Rs291,234 in 2013, from Rs274,321 in 2012.

During 2013-14, the domestic economy continued to operate with some degree of spare capacity, given the fragile external environment and weak growth of final consumption. A frail export growth mirrored underlying challenges facing key trading partners, although a moderate growth of commodity imports resulted in a decline in the trade deficit (as a percentage of GDP), compared to 2012-13. Growth in consumption expenditure remained low and fell short of the rates observed in the early 2000s. Final consumption expenditure grew by 2.3 per cent in 2013, compared to 2.8 per cent in 2012. Household consumption expenditure, which represented 83.7 per cent of total consumption expenditure, grew by 2.6 per cent in 2013, compared to 2.7 per cent in 2012. Growth in general Government consumption expenditure fell to 0.7 per cent, from 2.9 per cent in 2012. Final consumption expenditure is forecast to grow by 2.6 per cent in 2014, as a result of the increase in salaries in the public sector.

Table 4.1

Expenditure on GDP – Real Growth Rates (y-o-y)

	Per cent			
	2011	2012 ¹	2013 ¹	2014 ²
1. Final consumption expenditure	+2.6	+2.8	+2.3	+2.6
Households	+2.5	+2.7	+2.6	+2.8
General Government	+2.9	+2.9	+0.7	+2.0
2. Gross domestic fixed capital formation	+1.4	-0.8	-3.3	+0.4
Private sector	+3.4	-1.9	-2.8	-3.7
Public sector	-4.7	+2.9	-4.9	+13.7
3. Gross domestic fixed capital formation (exclusive of aircraft and marine vessel)	+1.4	-0.8	-6.7	-0.8
Private sector	+3.4	-1.9	-2.8	-3.7
Public sector	-4.7	+2.9	-4.9	+13.7
4. Exports of goods & services	+5.2	+3.5	+4.4	+4.3
Goods (f.o.b)	+2.0	+0.9	+4.7	+1.7
Services	+7.8	+5.4	+4.2	+6.3
5. Less Imports of goods & services	+6.2	+1.3	+6.0	+3.6
Goods (f.o.b)	+4.1	+2.5	+4.8	+3.8
Services	+10.6	-0.8	+8.3	+3.2

¹ Revised. ² Forecast.
Source: Statistics Mauritius.

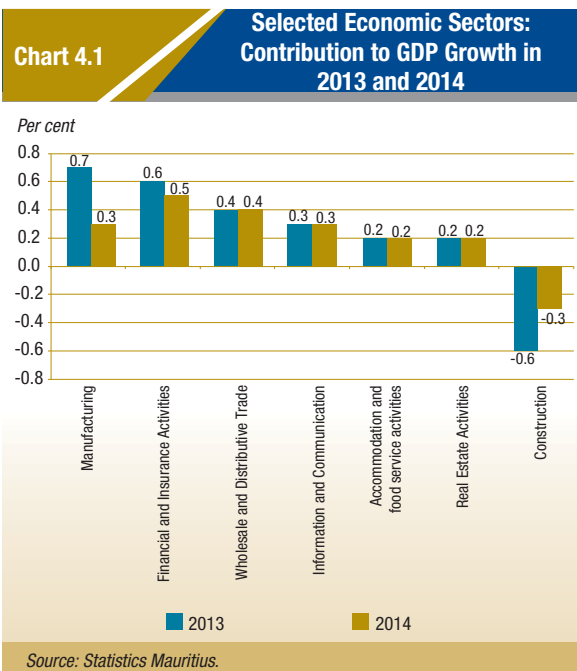
The sluggish growth momentum also reflected the dynamics of domestic investment. Total investment contracted in volume terms by 3.3 per cent in 2013, after shrinking by 0.8 per cent in 2012. Private investment declined to 16.2 per cent of GDP in 2013, down from 17.5 per cent in 2012, and it is projected to fall further to 15.2 per cent of GDP in 2014. It is expected that private investment will continue to be negatively affected by the muted business confidence, the slow recovery in our main export markets, and the high levels of corporate indebtedness. After declining in 2013, public investment is projected to recover from 5.0 per cent of GDP in 2013 to 5.5 per cent in 2014 due to berth extension at Mauritius Container Terminal, additional investment in Bagatelle Dam and acquisition of a patrol vessel.

Gross Domestic Savings (as a share of GDP) and Gross National Savings (as a share of Gross National Disposable income) have declined in tandem with the decline in private investment. In particular, the ratio of Gross Domestic Savings (GDS) to GDP declined from 12.6 per cent in 2012 to 11.9 per cent in 2013, while the ratio of Gross National Savings (GNS) to Gross National Disposable Income (GNDI) - including the activities of Global Business Companies (GBCs) - declined from 16.7 per cent in 2012 to 13.9 per cent in 2013. For 2014, GDS and GNS (as a share of GDP and GNDI, respectively) are projected to remain broadly unchanged vis-à-vis 2013.

The contribution of net exports of goods and services to GDP growth was in negative territory in 2013. Exports of goods and services

Table 4.2 Gross Domestic Product - Sectoral Real Growth Rates (y-o-y)				
	Per cent			
	2011	2012	2013 ¹	2014 ²
Agriculture, forestry and fishing	+4.1	-0.2	+0.4	+7.4
Manufacturing	+0.7	+2.2	+4.4	+1.7
<i>of which: Textile</i>	3.0	-1.1	+2.6	+1.5
Construction	-2.0	-3.0	-9.4	-4.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	+3.7	+3.9	+3.1	+3.3
Transportation and storage	+2.5	+2.1	+2.0	+2.7
Accommodation and food service activities	+3.5	+0.0	+2.5	+3.5
Information and communication	+9.0	+8.6	+6.9	+6.5
Financial and insurance activities	+5.6	+5.7	+5.4	+5.3
Real estate activities	+2.9	+2.8	+2.9	+2.7
Gross Domestic Product at basic prices	+3.6	+3.4	+3.2	+3.5

¹ Revised. ² Forecast.
Source: Statistics Mauritius.



important deceleration of imports of services, in particular. Table 4.1 shows the real growth rates of expenditure on GDP.

At a sectoral level, all major economic sectors, except construction, contributed positively to the 3.2 per cent growth rate registered in 2013. The manufacturing, financial and insurance activities and wholesale and distributive trade sectors made the highest contributions to GDP growth in 2013. Chart 4.1 shows the contribution of selected economic sectors to GDP growth in 2013 and 2014.

In 2014, key economic sectors appear to be weathering global uncertainties reasonably well, although the manufacturing sector's contribution to growth may decline. A sluggish growth of manufacturing reflects the subdued performance of a number of sectors, including 'food (non-sugar)', 'textiles' and 'other manufacturing'. Construction is projected to maintain its declining trend. However, Agriculture, forestry and fishing is forecast to post growth of 7.4 per cent in 2014 (Table 4.2).

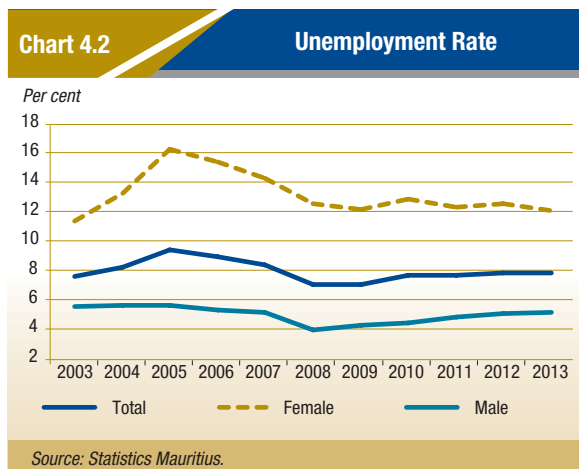
Risks to the domestic growth outlook still persist as the domestic economy continues to face low growth in final consumption and investment, while some structural sectoral challenges may prevent local businesses from taking full advantage of an eventual global recovery.

LABOUR MARKET

The labour market in Mauritius revealed a challenging picture in 2013-14:

- The labour force in Mauritius increased from 567,600 in 2013Q2 to 568,500 in 2014Q1, while employment rose from 522,000 to 523,200 over the same period.
- The unemployment rate rose to 8.0 per cent in 2014Q1 after declining to 7.5 per cent in 2013Q4. The seasonally-adjusted rate increased steadily from 7.8 per cent in 2013Q2 to 8.3 per cent in 2013Q4 before declining to 7.4 per cent in 2014Q1.
- Along recent trends, the male unemployment rate increased marginally from 5.2 per cent in 2012 to 5.3 per cent in 2013, while the female unemployment rate declined by 0.5 percentage point to 12.2 per cent over the same period. The unemployment rate for persons aged between 16-24 years and 25-29 years stood at 24.7 per cent and 9.6 per cent, respectively, in 2014Q1. Chart 4.2 shows the unemployment rate from 2003 to 2013.

Looking ahead, subdued economic conditions underpinned by low private sector investment and business confidence, as well as a structural mismatch between available jobs and skills, may continue to weigh on labour market conditions. The need to supplement the Youth Employment Programme



with other private sector initiatives, has become increasingly apparent, given the persistently high youth and female unemployment.

Unit Labour Cost and Productivity

Unit labour costs increased rapidly in 2013. They increased by 7.6 per cent in 2013, compared with a 2.7 per cent increase in 2012. Labour productivity, defined as the ratio of real output to labour input, grew by 0.2 per cent in 2013, compared to 2.1 per cent in 2012. At the same time, average employee compensation increased by 7.8 per cent relative to the 4.9 per cent increase in 2012, largely reflecting the impact of wage increases to civil servants in the wake of the PRB Report implementation. Chart 4.3 shows the growth rates of average compensation, unit labour cost and labour productivity for the total economy for the years 2003 through 2013.

FINANCIAL MARKETS DEVELOPMENTS

Domestic Foreign Exchange Market

Total turnover in the foreign exchange market increased during the period under review, while the exchange rate appreciated

Chart 4.3

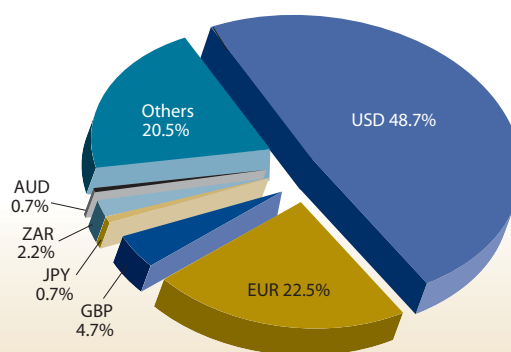
Growth Rates of Average Compensation, Unit Labour Cost and Labour Productivity – Total Economy



Source: Statistics Mauritius.

Chart 4.4

Foreign Exchange Transactions by Banks: Turnover by Currency (FY 2013-2014)



Source: Financial Markets Operations Division.

in nominal and real effective terms. Between July 2013 and June 2014, total turnover (including spot and forward dealt transactions, but excluding transactions conducted with the Bank of Mauritius) increased by 16.7 per cent to an equivalent of US\$8,757 million, from an equivalent of US\$7,506 million in 2012-13. Transactions were mostly denominated in the two largest reserve currencies, with 48.7 per cent in US dollars and 22.5 per cent in euros. Chart 4.4 shows the currency composition for dealt spot and forward transactions in 2013-14.

Between end-June 2013 and end-June 2014, on a point-to-point basis, the weighted average daily dealt ask rates of the rupee appreciated against the US dollar by 2.7 per cent but depreciated vis-à-vis the Pound sterling and euro by 7.5 per cent and 1.8 per cent, respectively. In nominal and real effective terms, the rupee appreciated between mid-2013 and early 2014 on account of the nominal appreciation of the rupee against the US dollar and the inflation spike recorded during that period. Since April 2014, however, there has been some partial unwinding of the appreciation recorded earlier in the period.

Chart 4.5 shows the evolution of the weighted average daily dealt ask rates of the rupee against major currencies in 2013-14 and Chart 4.6 shows the movements of MERI1, MERI2 and REER.

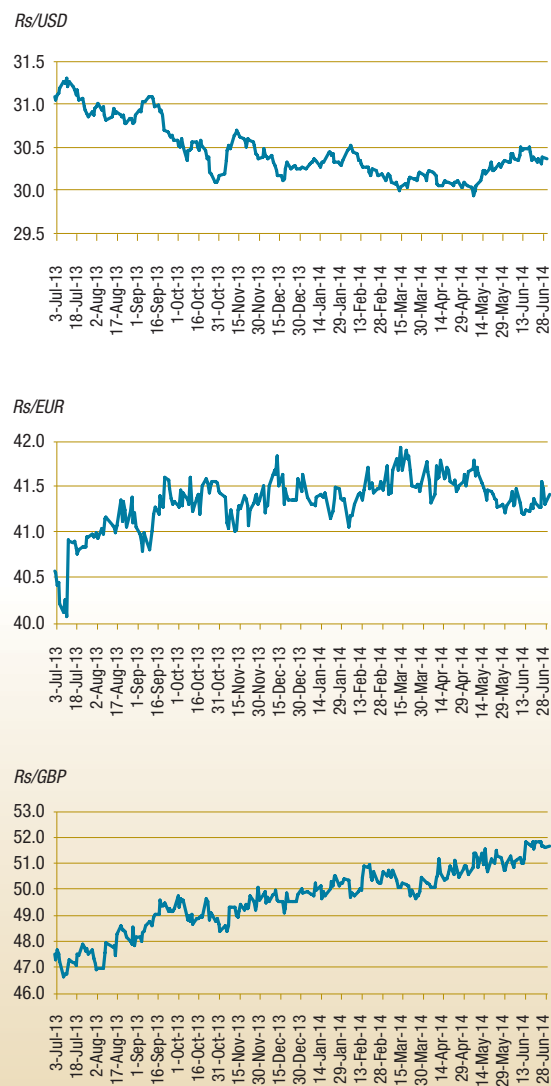
Domestic Stock Market

There were a number of key developments on the local stock market:

- The domestic stock market mostly tracked global equities and posted overall gains during 2013-14. The SEMDEX and SEM-7 reached new highs of 2,134.3 and 411.2, respectively, in January 2014, before retreating to some extent towards end-June 2014.
- The number of domestic listed companies on the Official Market totalled 46 as at end-June 2014, compared to 42 as at end-June 2013. Of these, 45 were local equities. On the Development and Enterprise Market (DEM), the number of listed companies decreased to 46, from 47 a year earlier.

Chart 4.5

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

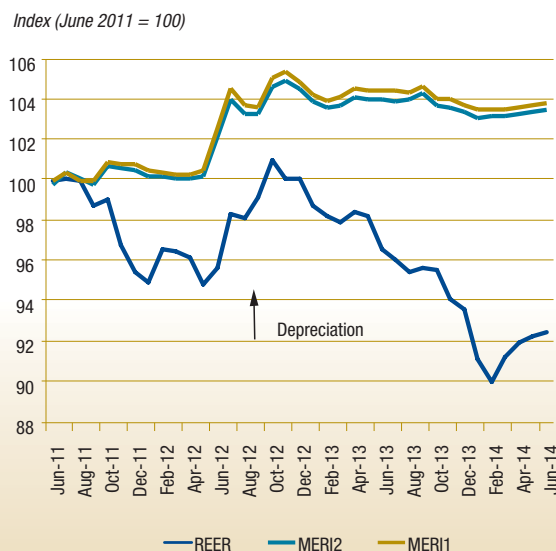


Source: Financial Markets Operations Division.

- Market capitalisation on the Official Market stood at Rs229.2 billion as at end-June 2014, compared to Rs194.5 billion as at end-June 2013. The aggregate value of transactions in 2013-14 amounted to Rs13.8 billion for a volume of 2,287.0 million shares traded, up from an aggregate value of Rs11.0 billion for a volume of 869.8 million shares traded in 2012-13.

Chart 4.6

Evolution of MERI1, MERI2 and REER

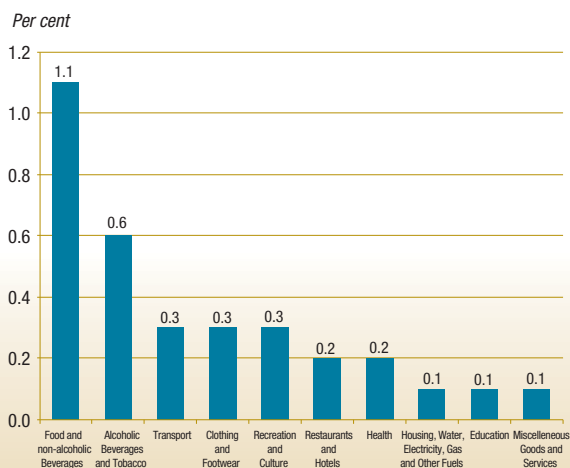


Source: Financial Markets Operations Division.

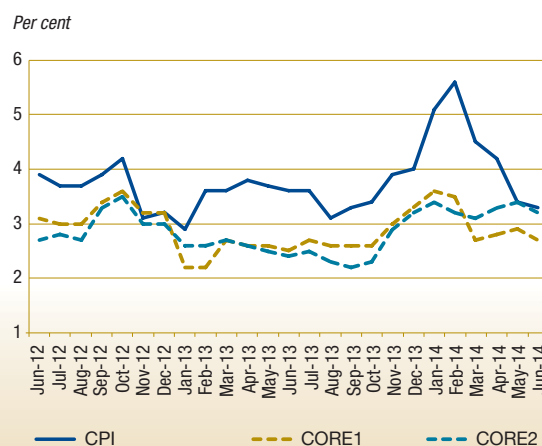
- During 2013-14, disinvestment by foreigners amounted to Rs123.9 million on the local stock market and was mostly related to the Official Market. On the DEM, purchases and sales of shares by foreigners amounted to Rs227.9 million and Rs132.1 million, respectively, representing a net investment of Rs95.8 million compared to Rs73.6 million in 2012-13.

PRICE DEVELOPMENTS

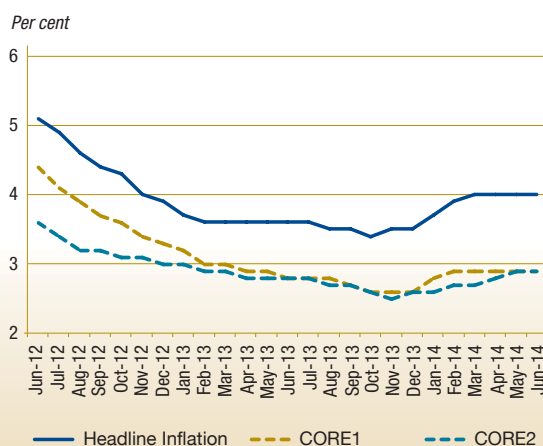
Inflation indices showed a rapid acceleration of inflation between mid-2013 and March 2014, before posting stability thereafter. Headline inflation, as measured by the percentage change in the yearly average Consumer Price Index (CPI) in Mauritius, increased from 3.6 per cent in July 2013 to 3.9 per cent in February 2014. Headline inflation remained unchanged at 4.0 per cent throughout the four months to June 2014. Y-o-y CPI inflation rose sharply between August 2013 and February 2014 in line with the hike in excise

Chart 4.7 Contribution to the Increase in CPI

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

Chart 4.9 CPI and Core Inflation based on Y-o-Y Methodology

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

Chart 4.8 Headline and Core Inflation

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

duties on alcoholic beverages and tobacco in November 2013 and substantial increases in the price of vegetables in January and February 2014 on account of poor weather conditions. Overall, the CPI increased from 103.4 in June 2013 to 106.8 in June 2014. Chart 4.7 shows the main contributors to the increase in CPI between June 2013 and June 2014.

³ The Depository Corporations Survey (DCS) shows consolidated data from the balance sheets of the Bank of Mauritius and Other Depository Corporations (ODCs), which comprised 23 banks and 8 non-bank deposit-taking institutions at end-June 2014.

Core Inflation

Underlying inflationary pressures remained tame as shown in the evolution of the core measures of inflation. In general, the evolution of core inflation has tracked headline and y-o-y CPI inflation. Chart 4.8 shows the movements of headline and core inflation over the period June 2012 through June 2014. Chart 4.9 shows the y-o-y movements of CPI and core inflation over the same period.

MONETARY AND CREDIT AGGREGATES

Depository Corporations Survey³

Broad Money Liabilities (BML) grew faster than nominal GDP growth, largely mirroring an expansion of domestic claims. Net foreign assets (NFA) of depository corporations declined along a fall in net foreign assets of Other Depository Corporations (ODCs), which more than offset an increase in central bank net international reserves between end-June 2013 and end-June 2014.

Table 4.3

Depository Corporations Survey¹

	Jun-12 (1)	Jun-13 (2)	Jun-14 (3)	Change Between (1) and (2)		Change Between (2) and (3)	
	(Rs million)	(Rs million)	(Rs million)	(Rs million)	(Per cent)	(Rs million)	(Per cent)
1. Net Foreign Assets	358,616	394,122	382,242	35,506	9.9	-11,880	-3.0
Claims on Non-residents	924,975	938,844	828,604	13,869	1.5	-110,240	-11.7
Liabilities to Non-residents	-566,360	-544,722	-446,363	21,637	-3.8	98,360	-18.1
2. Domestic Claims	367,427	395,942	426,481	28,516	7.8	30,539	7.7
A. Net Claims on Central Government	27,435	24,490	34,504	-2,944	-10.7	10,014	40.9
Claims on Central Government	62,494	63,203	74,355	709	1.1	11,151	17.6
Liabilities to Central Government	-35,060	-38,713	-39,851	-3,653	10.4	-1,138	2.9
B. Claims on other Sectors	339,992	371,452	391,977	31,460	9.3	20,525	5.5
3. ASSETS = LIABILITIES	726,043	790,064	808,723	64,022	8.8	18,658	2.4
4. Broad Money Liabilities	327,851	351,376	378,456	23,525	7.2	27,080	7.7
A. Currency outside Depository Corporations	19,014	20,523	21,685	1,510	7.9	1,162	5.7
B. Transferable Deposits	72,253	74,121	85,000	1,868	2.6	10,879	14.7
C. Savings Deposits	118,176	132,413	145,274	14,237	12.0	12,862	9.7
D. Time Deposits	116,534	120,353	123,269	3,820	3.3	2,916	2.4
E. Securities other than Shares	1,875	3,966	3,227	2,090	111.5	-738	-18.6
5. Other	398,192	438,688	430,266	40,497	10.2	-8,422	-1.9

Figures may not add up to totals due to rounding.

¹ Following IMF recommendations in January 2013, with effect from January 2010, liabilities to Central Government now include deposits of budgetary central Government, extra-budgetary units and social security funds, as well as their holdings of Bank of Mauritius securities, which were formerly classified as "Deposits and Securities Other than Shares, Excluded from Monetary Base".

Source: Statistics Division.

The expansion in domestic claims reflected important increases in depository corporations' net claims on Central Government and an expansion in claims on other sectors. Net claims on central Government expanded by 40.9 per cent from Rs24,490 million as at end-June 2013 to Rs34,504 million as at end-June 2014, as against a contraction of 10.7 per cent a year earlier. Claims on other sectors increased by 5.5 per cent as at end-June 2014 compared to an annual growth of 9.3 per cent as at end-June 2013.

BML increased by 7.7 per cent, from Rs351,376 million as at end-June 2013 to Rs378,456 million as at end-June 2014, compared to an increase of 7.2 per cent in the preceding financial year. Table 4.3 shows the Depository Corporations Survey as at end-June 2012, 2013 and 2014.

Central Bank Survey

The Central Bank Survey (CBS) shows the components of the monetary base, which

Table 4.4		Central Bank Survey						
	Jun-12 (1) <i>(Rs million)</i>	Jun-13 (2) <i>(Rs million)</i>	Jun-14 (3) <i>(Rs million)</i>	Change Between (1) and (2) <i>(Rs million) (Per cent)</i>		Change Between (2) and (3) <i>(Rs million) (Per cent)</i>		
1. Net Foreign Assets	85,159.2	103,579.9	119,619.6	18,420.6	21.6	16,039.7	15.5	
Claims on Non-residents	85,301.2	103,679.9	119,944.7	18,378.7	21.5	16,264.7	15.7	
less: Liabilities to Non-residents	141.9	100.0	325.0	-41.9	-29.5	225.0	224.9	
2. Domestic Claims	-10,587.5	-16,367.8	-16,338.4	-5,780.4	-54.6	29.5	0.2	
A. Net Claims on Central Government	-11,179.9	-18,112.1	-18,912.3	-6,932.1	-62.0	-800.2	-4.4	
B. Claims on Other Sectors	142.3	198.1	159.6	55.8	39.2	-38.5	-19.4	
C. Claims on Other Depository Corporations	450.1	1,546.1	2,414.3	1,096.0	243.5	868.2	56.2	
3. ASSETS = LIABILITIES	74,571.8	87,212.0	103,281.2	12,640.3	17.0	16,069.2	18.4	
4. Monetary Base	45,911.0	53,094.0	62,137.0	7,183.0	15.6	9,043.0	17.0	
A. Currency in Circulation	21,745.5	24,405.0	26,344.9	2,659.5	12.2	1,939.9	7.9	
B. Liabilities to Other Depository Corporations	23,977.4	28,377.5	35,505.5	4,400.1	18.4	7,128.0	25.1	
C. Liabilities to Other Sectors	188.1	311.5	286.6	123.4	65.6	-24.9	-8.0	
5. Other Liabilities to Other Depository Corporations	4,898.3	10,207.0	17,166.0	5,308.6	108.4	6,959.1	68.2	
6. Other	23,762.5	23,911.1	22,012.9	148.6	0.6	-1,898.1	-7.9	
Figures may not add up to totals due to rounding. Source: Statistics Division.								

comprises the central bank's liabilities that support the expansion of broad money and credit. The monetary base expanded by 17.0 per cent, from Rs53,094 million as at end-June 2013 to Rs62,137 million as at end-June 2014, compared to an increase of 15.6 per cent in 2012-13. Of the major components of the monetary base, currency in circulation rose by 7.9 per cent, which was lower than the rise of 12.2 per cent recorded in 2012-13, while banks' deposits with the Bank of Mauritius increased by 25.1 per cent compared to an increase of 18.4 per cent in 2012-13.

On the sources side of the monetary base, net foreign assets of the Bank expanded by 15.5 per cent, from Rs103,580 million as at end-June 2013 to Rs119,620 million as at end-June 2014, compared to an increase of 21.6 per cent in the previous year. Domestic claims of the Bank grew by 0.2 per cent as against a

drop of 54.6 per cent in 2012-13. Net claims on Government fell by 4.4 per cent, reflecting mainly a rise in Government deposits at the Bank. Claims on other depository corporations grew by 56.2 per cent from Rs1,546 million at end-June 2013 to reach Rs2,414 million at end-June 2014. Other liabilities to ODCs increased by 68.2 per cent between June 2013 and June 2014 due to an increase in holdings of BoM securities by ODCs. Table 4.4 shows the Central Bank Survey as at end-June 2012, 2013 and 2014.

Sector-wise Distribution of Banks' Credit

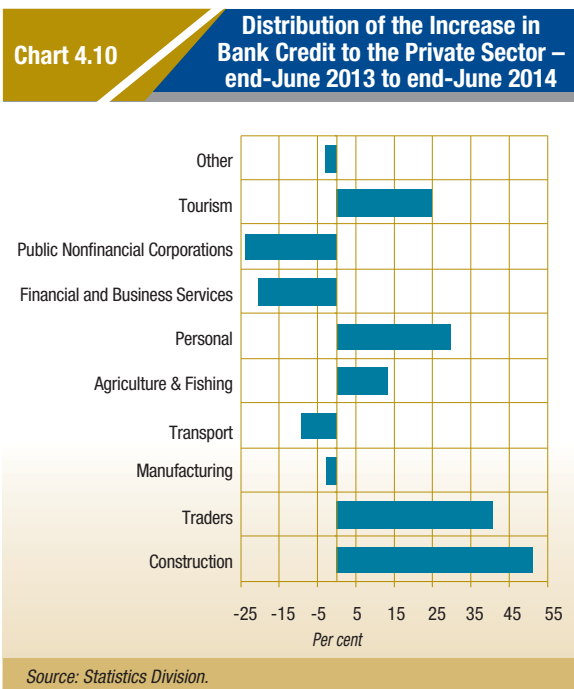
Credit extended by banks to the private sector grew by 3.6 per cent during 2013-14, with construction, traders, and personal loans taking the lion's share of this expansion. In particular, construction, traders and personal sectors accounted for 51.2 per cent, 40.8 per cent and 29.6 per cent of the rise in credit in

2013-14, respectively. Other important recipients of additional credit were the tourism and the agriculture and fishing sectors. Chart 4.10 shows the sector-wise contribution to the increase in credit to the private sector by banks in 2013-14.

Cash Reserve Ratio

During the year 2013-14, the Bank of Mauritius adjusted the base and the rate of banks' cash reserve ratio (CRR) in an effort to tackle excess bank liquidity, albeit with limited success. Main policy actions included:

- Effective 26 July 2013, the Bank broadened the deposit base for the computation of CRR to include Government deposits held with other depository corporations. In addition, banks were requested to keep cash reserves of their rupee-denominated deposits in Mauritian rupees only. For the foreign currency-denominated deposits, they were required to keep foreign currency balances with the Bank of Mauritius in US dollar, euro and Pound sterling, only. Banks' excess cash holdings amounted to Rs4.7 billion in early October 2013.
- To mop up the excess liquidity, the Bank raised the CRR on rupee deposits effective 4 October 2013. The fortnightly average CRR and the daily minimum CRR on rupee deposits were raised from 7.0 per cent and 5.0 per cent to 8.0 per cent and 5.5 per cent, respectively. In parallel, the Bank of Mauritius lowered the fortnightly average CRR and the daily minimum CRR on foreign currency deposits from 7.0 per cent and 5.0 per cent to 6.0 per cent and 4.5 per cent, respectively. The main objective was to encourage banks to hold deposits in foreign currency.



- The effect of the CRR increases was, however, temporary, as excess cash balances of banks with the central bank continued to increase fairly rapidly, reflecting inter alia: (i) the rupee liquidity counterpart of the Bank's intervention on the domestic foreign exchange market; (ii) the impact of foreign financing of the Government deficit; and (iii) the underlying low growth in private sector credit. Banks' excess cash balances with the central bank thus reached Rs11.0 billion for the maintenance period ended 23 January 2014 compared to Rs4.7 billion in October 2013.
- Effective 2 May 2014, the fortnightly average CRR and the daily minimum CRR on rupee deposits were raised from 8.0 per cent and 5.5 per cent to 9.0 per cent and 6.5 per cent, respectively. Banks' excess cash balances stood at Rs10.0 billion by end-June 2014.

Table 4.5

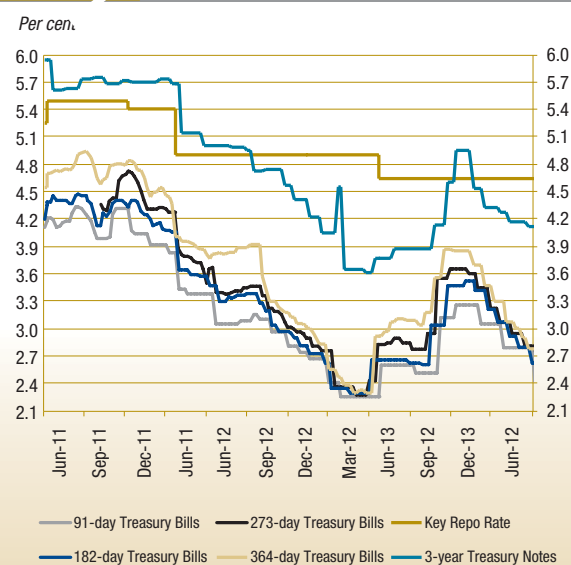
Banks' Interest Rate Structure

(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
2013						
Jul	6.75-8.50	2.75-3.40	1.00-16.00	2.00-19.65	3.21	8.22
Aug	6.75-8.50	2.75-3.40	1.15-16.00	2.00-19.78	3.24	8.18
Sep	6.75-8.50	2.75-3.40	1.00-16.00	2.00-21.00	3.26	8.15
Oct	6.25-8.50	2.50-3.40	1.00-16.00	2.00-19.91	3.26	8.10
Nov	6.25-8.50	2.50-3.40	1.15-14.00	2.00-21.00	3.25	8.09
Dec	6.25-8.50	2.50-3.40	1.15-12.00	2.00-21.18	3.22	8.07
2014						
Jan	6.25-8.50	2.50-3.40	1.15-12.25	2.00-22.11	3.27	8.14
Feb	6.25-8.50	2.50-3.40	1.15-12.00	2.00-21.91	3.16	8.12
Mar	6.25-8.50	2.40-3.40	1.15-12.00	2.00-19.50	3.18	8.12
Apr	6.25-8.50	2.40-3.40	1.00-12.00	2.00-21.90	3.16	8.08
May	6.25-8.50	2.40-3.40	1.15-12.00	2.00-19.89	3.38	8.11
Jun	6.25-8.50	2.40-3.40	1.00-12.00	2.00-19.68	3.30	8.04

Source: Statistics Division.

Chart 4.11

KRR, Weighted Average Yields on Treasury Bills and 3-Year Treasury Notes



Source: Statistics Mauritius.

Interest Rates

Interest rates generally declined during the period under review.

- In June 2013, the KRR was reduced by 25 basis points from 4.90 per cent to 4.65 per cent and was subsequently maintained at that level. Chart 4.11 shows the KRR and weighted average yields on Government securities.
- For the period ending June 2014, the Savings Deposits Rate and Prime Lending Rate were within a range of 2.40-3.40 per cent and 6.25-8.50 per cent, respectively, compared to 2.75-3.65 per cent and 7.00-8.50 per cent for the corresponding period in 2013.

- Banks' weighted average lending rate which stood at 8.26 per cent in June 2013 declined to 8.04 per cent in June 2014. Table 4.5 shows the movements of interest rates during 2013-14.
- During 2013-14, despite the KRR remaining unchanged, yields on Government securities fluctuated noticeably. This was partly explained by changes brought to the CRR and the persistent high excess liquidity in the system.

EXTERNAL TRADE AND BALANCE OF PAYMENTS

The current account deficit to GDP ratio increased to 9.7 per cent in 2013-14 from 8.8 per cent in 2012-13 on the back of the lower surpluses on the services and income accounts. In absolute terms, the current account deficit, inclusive of cross-border transactions of GBC1s, widened from Rs31.4 billion in 2012-13 to Rs36.4 billion in 2013-14. The merchandise trade deficit narrowed on the back of a rapid growth in exports that was more than twice the growth of imports. The surpluses in the services and income accounts declined mainly due to lower tourism earnings and net outflows of portfolio investment income than in 2012-13.

Year-on-year, exports of goods grew by a marked 9.4 per cent during 2013-14, outpacing the expansion in nominal imports. The significant exports growth was primarily led by a pickup in 're-exports' and 'ships, stores and bunkers'. Domestic exports rose by a marginal 0.8 per cent in 2013-14, reflecting to a large extent the sub-par growth in our main exports markets. In terms of commodity structure, exports of

'Machinery and transport equipment' accounted for 61 per cent of the overall increase in total exports. On a balance of payments basis, imports of goods f.o.b. grew by 4.6 per cent in 2013-14 compared with a 1.8 per cent growth 2012-13. The largest increase was recorded in imports of 'telecommunications and sound recording and reproducing apparatus and equipment' that were meant to a large extent for re-exports.

Services, Income and Current Transfers

The surpluses on the services account declined from Rs24.6 billion in 2012-13 to Rs22.2 billion in 2013-14. The lower surplus was largely due to lower travel receipts compared with the previous year that offset the lower deficit on the transportation account combined with the higher surplus recorded on the 'other services' account. Gross tourism earnings amounted to Rs41.1 billion in 2013-14, lower than the Rs42.9 billion registered in 2012-13, in spite of an increase in tourist arrivals. The drop in tourism receipts could be partly attributed to the performance of key source markets like France and Italy, from which a contraction in tourist arrivals was recorded. Tourists coming from UK and Germany continued to increase moderately.

The income account, inclusive of cross-border transactions of Global Business Companies (GBC1s), posted a net surplus of Rs6.2 billion. The 'Other investment income' account recorded lower net inflows in 2013-14, while the 'Portfolio investment income' account registered net outflows as against net inflows a year earlier. Net current transfers remained stable at Rs3.0 billion in 2013-14 as higher net inflows of private current transfers made up for the lower net inflows on Government current transfers.

Table 4.6 Balance of Payments Summary					
	2009-10	2010-11	2011-12	2012-13	2013-14 ¹
	(Rs million)				
Current Account	-24,655	-34,405	-36,021	-31,406	-36,430
Goods	-55,600	-62,339	-72,118	-68,538	-67,754
Exports f.o.b.	64,469	72,444	77,165	83,491	91,313
Imports f.o.b.	120,069	134,783	149,283	152,029	159,067
Services	22,031	23,089	27,484	24,588	22,153
Income	2,328	-1,745	5,332	9,711	6,202
Current Transfers	6,586	6,590	3,281	2,835	2,969
Capital and Financial Account	-14,162	57,741	58,786	17,257	31,306
Capital Account	-169	-58	-141	-183	-111
Financial Account	-13,992	57,799	58,927	17,440	31,417
Direct Investment	145,112	316,481	17,990	118,710	77,158
Portfolio Investment	-101,162	-81,767	164,022	58,219	40,117
Other Investment	-48,248	-168,517	-120,394	-139,153	-69,919
Reserve Assets	-9,694	-8,399	-2,692	-20,335	-15,939
Net Errors and Omissions	38,817	-23,336	-22,765	14,148	5,125
	(USD million)				
Current Account	-803	-1,164	-1,240	-1,020	-1,199
Goods	-1,810	-2,109	-2,483	-2,227	-2,230
Exports f.o.b.	2,090	2,451	2,657	2,713	3,005
Imports f.o.b.	3,909	4,561	5,140	4,940	5,235
Imports c.i.f.	4,134	4,792	5,372	5,202	5,489
Services	717	781	946	799	729
Income	76	-59	184	316	204
Current Transfers	214	223	113	92	98
Capital and Financial Account	-461	1,954	2,024	561	1,030
Capital Account	-6	-2	-5	-6	-4
Financial Account	-456	1,956	2,029	567	1,034
Direct Investment	4,724	10,709	619	3,857	2,539
Portfolio Investment	-3,294	-2,767	5,647	1,892	1,320
Other Investment	-1,571	-5,702	-4,145	-4,522	-2,301
Reserve Assets	-316	-284	-93	-661	-525
Net Errors and Omissions	1,264	-790	-784	460	169
¹ Provisional					
(a) Imports for 2009-10 are inclusive of aircrafts (Rs2,862 million).					
(b) As from 2010-11, the balance of payments includes cross-border transactions of GBC1s and are not strictly comparable with prior years' data.					
Source: Statistics Division.					

Capital and Financial Account

The capital and financial account, inclusive of reserve assets, posted higher net inflows of Rs28.2 billion in 2013-14 compared to Rs17.3 billion recorded in the previous year. Direct investment, inclusive of GBC1s cross-border transactions, recorded net lower inflows of Rs76.8 billion in 2013-14. Excluding cross-border transactions of GBC1s, non-residents' direct investment in Mauritius net of repatriation flows amounted to Rs11.1 billion in 2013-14 compared to Rs14.8 billion in 2012-13⁴. Residents' direct investment abroad net of repatriation and excluding cross-border transactions of GBC1s decreased to Rs3.4 billion in 2013-14 compared to Rs4.4 billion in 2012-13.

On a gross basis, excluding direct investment in GBC1s, Mauritius attracted Rs12.7 billion by way of foreign direct investment in 2013-14. However, the data exclude retained earnings and intra-company debt and are therefore not strictly comparable to the Rs17.2 billion recorded in the preceding fiscal year. Foreign direct investment was mainly channelled into real estate activities to the tune of Rs6.2 billion, out of which IRS/RES/IHS accounted for Rs4.4 billion.

The portfolio investment account, inclusive of GBC1s cross-border transactions, posted lower net inflows of Rs40.1 billion in 2013-14 compared to Rs58.2 billion registered in 2012-13.

The 'Other investment' account recorded lower net outflows of Rs70.0 billion in 2013-14 compared to net outflows of Rs139.2 billion in 2012-13. The Government sector registered net inflows of Rs8.5 billion in 2013-14 on account of long-term external loan disbursements of Rs10.1 billion that were partly offset by capital repayments of Rs1.6 billion. This compares to

net inflows of Rs7.6 billion in 2012-13. 'Private long-term capital' recorded net outflows of Rs0.8 billion in 2013-14 compared to net outflows of Rs0.6 billion during the preceding fiscal year. Table 4.6 provides a summary of the balance of payments from 2009-10 to 2013-14.

Gross Official International Reserves

The gross official international reserves of the country increased significantly during the period under review. Gross official reserves, which comprise the gross foreign assets of the Bank of Mauritius, the foreign assets of Government and the country's reserve position in the Fund, increased from Rs105.0 billion as at end-June 2013 to an all-time high of Rs121.4 billion as at end-June 2014. The gross foreign assets of the Bank increased from Rs103.4 billion to Rs119.6 billion over the same period, while the reserve position in the Fund went up to Rs1.8 billion as at end-June 2014. Based on the value of imports of goods *f.o.b.* and non-factor services for calendar year 2013, the level of GOIR as at end-June 2014 represented 6.0 months of imports, compared to 5.2 months as at end-June 2013.

Table 4.7 shows the monthly level of gross official international reserves of the country during 2013-14.

GOVERNMENT FINANCE

During 2013, the overall fiscal deficit doubled to 3.5 per cent of GDP along with a rapid increase in current expenditure. The deficit was mainly financed through net external borrowing. For 2014, the budget projects a marginal reduction in the overall fiscal deficit (as a percentage of GDP) along a rapid increase in taxes on goods and services, grants, and other revenue. Deficit financing will continue to depend heavily on foreign funding.

⁴ 2013 data are not strictly comparable to 2012 data as the latter have been supplemented with results obtained from the Foreign Assets and Liabilities Survey (FALS 2013). Data for 2013 would be revised once FALS 2014 results are finalised.

Table 4.7 Gross Official International Reserves					
End of Month	Gross Foreign Assets of Bank of Mauritius	Reserve Position in the IMF	Foreign Assets of the Government	Gross Official International Reserves	Gross Official International Reserves ¹
2013	(Rs million)				(US\$ million)
July	100,495	1,619	0.1	102,114.1	3,316.3
August	99,096	1,620	0.1	100,716.1	3,271.5
September	100,729	1,717	0.1	102,446.1	3,362.5
October	100,016	1,698	0.1	101,714.1	3,384.8
November	99,026	1,761	0.1	100,787.1	3,326.4
December	103,258	1,751	0.1	105,009.1	3,491.1
2014					
January	102,732	1,751	0.1	104,483.1	3,459.3
February	108,445	1,761	0.1	110,206.1	3,662.5
March	110,261	1,757	0.1	112,018.1	3,722.9
April	114,698	1,782	0.1	116,480.1	3,885.8
May	117,036	1,788	0.0	118,824.0	3,927.7
June	119,631	1,793	0.1	121,424.1	4,015.5

¹ Valued at end-of-period exchange rate.
Source: Statistics Division.

Government Revenue and Expense

Government revenue as a share of GDP remained rather stable in 2012 and 2013. It amounted to Rs78,224 million in 2013, representing 21.3 per cent of GDP at market prices compared to 21.5 per cent in 2012. However, total revenues were around 6.1 per cent lower than budget estimates. Taxes which constituted the major share of Government revenue (86.9 per cent) were 4.3 per cent below budget estimates. The remaining components of revenue were 'other revenue' (Rs7,562 million), grants (Rs1,403 million) and social contributions (Rs1,269 million).

Government expense as a share of GDP increased between 2012 and 2013. It totalled Rs79,886 million in 2013, representing 21.8 per cent of GDP at market prices compared to 20.4 per cent in 2012. Compensation of employees amounting to Rs22,698 million accounted for the largest share of expense (28.4 per cent). Subsidies and social benefits increased by 28.3 per cent and 13.7 per cent respectively, compared to the corresponding period of the previous year.

Table 4.8 provides details about budgetary central Government operations for the years 2010 to 2014.

Table 4.8

Statement of Budgetary Central Government Operations

(Rs million)					
	2010	2011	2012	2013	2014 ¹
	(Actual)	(Actual)	(Actual)	(Prov. Actual)	Estimates
1. Revenue	65,479.5	69,223.2	73,793.7	78,224.2	86,270.0
2. Expense	75,059.3	79,569.9	79,871.3	91,047.5	98,891.0
Current	66,983.2	70,937.5	70,255.3	79,886.4	86,709.9
of which Interest	10,261.9	9,629.2	10,129.3	9,629.4	10,870.0
Capital	8,076.1	8,632.5	9,616.0	11,161.1	12,181.1
3. Gross Operating Balance/Overall Balance (1-2)	-9,579.8	-10,346.8	-6,077.6	-12,823.3	-12,621.0
Primary Balance	682.1	-717.6	4,051.7	-3,193.9	-1,751.0
Financing	9,579.8	10,346.8	6,077.6	12,823.3	12,621.0
Domestic	4,680.2	5,316.4	3,461.2	2,315.7	4,537.7
Foreign	5,330.0	5,463.5	2,711.9	10,698.5	8,083.3
Other*	-430.4	-433.1	-95.5	-190.9	0.0
In Per cent of GDP					
1. Revenue	21.9	21.4	21.5	21.3	22.1
2. Expense	25.1	24.6	23.2	24.8	25.4
Current	22.4	22.0	20.4	21.8	22.2
of which Interest	3.4	3.0	2.9	2.6	2.8
Capital	2.7	2.7	2.8	3.0	3.1
3. Gross Operating Balance/Overall Balance (1-2)	-3.2	-3.2	-1.8	-3.5	-3.2
Primary Balance	0.2	-0.2	1.2	-0.9	-0.4
Financing	3.2	3.2	1.8	3.5	3.2
Domestic	1.6	1.6	1.0	0.6	1.2
Foreign	1.8	1.7	0.8	2.9	2.1
Other*	-0.1	-0.1	0.0	-0.1	0.0

* Refers to Monetary Gold and SDRs

¹ As per Programme Based Budget Estimates 2014.

Notes: (i) 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.

2014 Budget

The 2014 budget targeted fiscal consolidation along with efforts to support inclusive economic growth. The 2014 budget sought a rapid increase in revenue and expenditure along with a number of tax administration reforms and better quality spending. The budget aimed at a reduction in the overall budget deficit from 3.7 per cent of GDP in 2013 to 3.5 per cent in 2014. The theme of the 2014 Budget was 'Creating the Next Wave of Prosperity'. To realize this goal, a two-pronged strategy was set out and grounded in efforts to: (i) invigorate investment and growth, and (ii) build a modern, inclusive and caring society for all citizens. In general, the overriding objective was to put Mauritius back on a path of sustained, high, long-term growth centred on different pillars, including the ocean economy, the petroleum hub, the film industry, and the Africa strategy, while at the same time consolidating traditional pillars of the economy. More opportunities were being offered to SMEs. Provisions were being made for the Government to purchase more services from SMEs with a view to accelerating the process of democratization of the Mauritian economy. Moreover, efforts to improve the performance of the tourism sector were deepened through a focus on destination marketing, improved air access and product quality.

Public Sector Debt

Public sector debt increased by 10.2 per cent, from Rs207,438 million as at end-June 2013 to Rs228,551 million as at end-June 2014. As a percentage of GDP, total public sector debt increased by 2.4 percentage points to 60.8 per cent. The increase in debt has been broadly evenly distributed between foreign and domestic debt, with the latter registering a lengthening of maturity. Most of the external debt has been contracted at floating interest rates (Tables 4.9 and 4.10).

MONETARY POLICY

The KRR was kept unchanged at 4.65 per cent between June 2013 and June 2014. Summaries of the MPC discussions and announcements are presented below:

- In the September 2013 MPC meeting, members noted that the global economy had improved slightly with higher activity in the US and UK, while the euro area and Japan returned to positive growth. However, growth slowed down in several major emerging economies, including China and India. Members observed that the outlook for world growth continued to face downside risks mainly emanating from fiscal policy issues in the US, the still fragile financial and economic conditions in the euro area and the slowdown in emerging economies that could potentially drag on world growth. Global inflation was broadly benign with low pressures from commodity prices but in some emerging economies inflation increased as a result of depreciating currencies.
- On the domestic front, the economy continued to face headwinds from the soft economic conditions in main export markets. While some members emphasised the fragile economic environment, the negative output gap and the lingering downside risks to the growth outlook; others found that the economy was weathering the global economic slowdown rather well. The excess liquidity prevailing in the money market was a matter of concern as was the decline in private and public investment and the savings rate.

Table 4.9 Public Sector Debt				
(Rs million)				
	Dec-12	Jun-13	Dec-13	Jun-14 (Provisional)
1. Short-term Domestic Obligations ¹	31,093	29,880	27,497	22,984
o/w: Treasury Bills	29,486	29,861	27,497	22,984
2. Medium-term Domestic Obligations ¹	40,174	40,697	43,251	50,692
o/w: Treasury Notes	40,157	40,680	43,251	50,692
3. Long-term Domestic Obligations ¹	69,539	73,309	79,212	83,301
o/w: MDLS/Government of Mauritius Bonds	39,892	42,287	46,062	49,079
Five-Year Government of Mauritius Bonds	29,647	31,022	33,150	34,222
4. Domestic Central Government Debt (1+2+3)	140,806	143,886	149,960	156,977
	(41.0)	(40.5)	(40.9)	(41.8)
5. External Central Government Debt	35,918	42,106	47,133	51,427
	(10.4)	(11.9)	(12.9)	(13.7)
(a) Foreign Loans	31,134	37,434	42,214	46,483
(b) Foreign Investment in Government Securities	241	157	427	418
(c) IMF SDR Allocations	4,543	4,515	4,493	4,525
6. Extra Budgetary Unit Domestic Debt	105	105	24	24
7. Extra Budgetary Unit External Debt	180	171	160	147
8. Local Government Domestic Debt	2	1	0	0
9. Public Enterprise Domestic Debt	11,130	10,175	12,062	9,319
10. Public Enterprise External Debt	10,888	10,994	10,569	10,657
11. Domestic Public Sector Debt	152,043	154,167	162,046	166,320
	(44.2)	(43.4)	(44.2)	(44.3)
12. External Public Sector Debt	46,986	53,271	57,862	62,231
	(13.7)	(15.0)	(15.8)	(16.6)
13. Total Public Sector Debt (11+12)	199,029	207,438	219,908	228,551
	(57.9)	(58.4)	(60.0)	(60.8)

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

Table 4.10 Government External Debt by Interest Rate Mix				
(Per cent)				
	Dec-12	Jun-13	Dec-13	Jun-14 (Provisional)
Fixed Rate	21.7	19.1	19.5	17.1
Floating Rate	74.1	76.9	77.0	79.8
Interest-Free	4.2	3.9	3.5	3.1

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

Some members viewed the vulnerabilities building up in the economy as being attributed to the prolonged negative real savings deposit rate. Members took note of the decline in inflation but had divergent views on the outlook. A majority of members believed that risks to inflation were contained amid benign global inflation and spare capacity both in Mauritius and abroad. The Committee voted with a majority 5-3 to keep the KRR unchanged at 4.65 per cent.

- **At its February 2014 meeting, the MPC noted that global economic activity had firmed, with recovery taking hold in the US and UK.** The improvement in the US economy prompted the US Fed to reduce its asset-purchase programme. The euro area stayed out of recession but growth was expected to remain weak and uneven. Emerging markets economies continued to face external headwinds, mainly from US Fed tapering and internal rebalancing in China. While global inflation remained muted, a number of emerging economies experienced increases in inflation as a result of currency depreciations. The domestic economy continued to perform relatively well against the global backdrop. The recovery in global economic activity coupled with diversification efforts was projected to have a positive impact on external demand. However, some members pointed that domestic growth was still fragile and should continue to be supported by an accommodative monetary policy. Members continued to express concerns about the declining investment trends and domestic savings rate and discussed extensively the large increase in excess liquidity in the banking system. It was expected that the Ministry of Finance would

coordinate with the Bank to remove the excess liquidity from the banking system. Inflationary pressures had increased in the domestic economy but members appraised the inflation outlook differently. The Committee voted with a majority 5-3 to keep the KRR unchanged at 4.65 per cent.

- **At its April 2014 meeting, the MPC noted that the global economy had improved slightly but growth remained slow and uneven.** Economic activity was firming up in the US and UK but the pace of recovery was weak in the euro area. In emerging market economies, data released pointed to decelerating economic activity as they pursued policies to address internal imbalances. Global inflation was relatively low with few pressures from commodity prices. Monetary policy was accommodative in advanced economies but was being tightened in some emerging market economies to tackle inflationary pressures as a result of depreciating currencies.

The MPC viewed that the domestic economy had continued to perform well amid the challenging economic environment. Though some members pointed that the economy remained fragile, the pick-up in global economic activity as well as continued diversification efforts, were expected to have a positive impact on domestic growth. It was observed that inflation increased due to seasonal factors in 2014Q1 and was expected to remain subdued. However, some members underscored the need to stay cautious as upcoming wage awards in the private sector constituted an upside risk to the inflation outlook. Members also

discussed the need for normalising interest rates taking into consideration growing financial sector and external vulnerabilities. After weighing risks to growth and inflation outlook, a majority of members considered that the economic outlook in main export markets was still uncertain and that the domestic economy remained at risk from adverse developments in those countries. Other members were of the view that the domestic economy had withstood global headwinds relatively well and that growth will accelerate close to potential in 2014. The Committee voted with a majority 5-3 to keep the KRR unchanged at 4.65 per cent.

FINANCIAL STABILITY

The domestic financial system remains sound and resilient. In contrast to some other emerging economies, the impact of the US Fed tapering of its asset-purchase programme on the financial sector in Mauritius was limited during 2013-14. Yet, with potential sources of external and internal vulnerabilities on the horizon, the Bank has taken several initiatives including the implementation of macro-prudential policies to address high credit growth in some sectors; phasing in of Basel III capital standards; addressing the issue of domestic-systemically important banks; and simplifying the corporate structure of complex banks.

Despite the still challenging economic environment, banks in Mauritius remained broadly profitable and well capitalised, albeit confronting excess liquidity. Banks continued to operate with ample funding from domestic and international sources. Deposits from customers rather than short-term wholesale funding remained the main source of banks' funding. Excess liquidity increased and remained significantly high in the domestic money market

on account of part of the foreign exchange interventions that were not sterilised, foreign financing of the budget deficit, and low private sector credit growth. Excess liquidity has exerted downward pressures on interbank rates and led to concerns about the effectiveness of monetary policy transmission mechanism. Further, the high level of excess reserves can potentially increase credit risk, especially if banks reduce lending standards. Yet, stress tests carried on by the Bank showed that banks had enough capital to withstand a wide range of shocks.

Though credit expansion have slowed down, the high growth rates recorded in the past few years have led to an accumulation of debt in household and corporate sectors posing challenges to banks. In the household sector, a shift from housing to consumption loans has warranted greater vigilance amid signs of lower growth in household disposable income and eventual increase in nominal interest rate. Asset quality of banks has deteriorated with rising non-performing loans, especially in the construction and tourism sectors. Non-performing loans arising from cross-border exposures increased and were mainly related to India where asset quality has been declining. It is observed that banks have adopted a more cautious approach to lending to the construction sector after the implementation of macro-prudential measures.

Non-bank deposit-taking institutions performed well and were adequately capitalised during the period under review. According to the Financial Services Commission, the insurance sector recorded a sound performance with improving profitability. The interlinkages between banks and insurance companies were not considered as significant and contagion risks are deemed to be moderate. The payment and settlement system operated efficiently and without any major disruptions during the period under review.

5

Regulation and Supervision

The banking sector remained generally sound and profitable during 2013-14, although challenges remain in terms of credit concentration risk, increasing non-performing loans (albeit from a low base), and still high but declining return to asset and return to equity ratios. Two new banks to be engaged in private banking business were licensed in April 2014 and one of them started operations on 23 June 2014. The licensing of these two private banks is in line with the Bank's objective of fostering new lines of banking activities in Mauritius.

The Bank of Mauritius issued a number of new guidelines and reviewed existing ones with a view to enhancing the financial soundness of financial institutions falling under its purview. A set of macro-prudential measures were introduced in October 2013 that aim at addressing potential systemic risks and emerging vulnerabilities in the financial system. These measures include, *inter alia*, a loan-to-value ratio (LTV) for residential and commercial property loans; a debt-to-income ratio (DTI) for residential property loans; additional portfolio provision; and sectoral credit limits for the construction, tourism and personal sectors. The additional portfolio provision seeks to ensure provisioning against future credit losses that may materialise from rising corporate indebtedness and non-performing loans in some key sectors of the economy. The Bank also introduced a number of guidelines to improve the functioning of financial institutions (Box 1).

Eight non-bank deposit-taking institutions (NBDTIs) were in operation at end-June 2014.

Of these, four were involved exclusively in leasing activities; 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. During 2013-14, the non-bank deposit-taking sector has remained sound and stable. The balance sheet structure of NBDTIs indicates that deposits remained the sector's main source of funding.

BOX 1: POLICY GUIDELINES ISSUED IN 2013-14

The Bank issued a number of new guidelines and reviewed existing ones, with a view to enhancing the financial soundness of institutions falling under its purview.

Guideline on Scope of Application of Basel III and Eligible Capital

In response to shortcomings identified during the global financial crisis 2008-09, the Basel Committee on Banking Supervision (BCBS) introduced a number of fundamental reforms to the international regulatory framework, commonly known as Basel III. The reforms aim at strengthening global capital and liquidity rules, while improving the ability of the banking sector to absorb shocks arising from financial stress. Banks are expected to become more resilient, thereby reducing spillover risks from the financial sector to the real economy.

In line with the objective of the Basel III reform package, the Bank issued a *Consultation Paper on the Implementation of Basel III in Mauritius* in October 2012, which was followed by a draft *Guideline on Scope of Application of Basel III and Eligible Capital* in May 2013. Following consultation with the industry, the guideline was finalised and has come into effect on 1 July 2014. Through transitional arrangements to be phased in until 1 January 2019, the guideline aims at raising the quality of capital, with strong focus laid on common equity. During the transitional period, the banking sector is expected to meet the higher capital standards through reasonable earnings retention and capital raising exercise.

The guideline also introduces a Capital Conservation Buffer (CCB), designed to ensure that banks build up capital buffers to be drawn down if losses are incurred during a period of stress.

Guideline for dealing with Domestic-Systemically Important Banks

Large and complex banks can have systemic impact on the domestic economy because of their size, interconnectedness, complexity and lack of substitutability. In this context, the BCBS has, in November 2011, issued rules on the methodology for assessing Global Systemically Important Banks (G-SIBs) and their loss absorbency requirements.

Based on the recommendations of the BCBS, the Bank has issued a *Guideline for dealing with Domestic-Systemically Important Banks (D-SIBs)* that has come into effect on 30 June 2014. The guideline sets out the assessment methodology to be applied by the Bank for classifying an institution as being systemically important. In order to identify D-SIBs, five equally-weighted parameters have been identified namely (1) size; (2) interconnectedness; (3) substitutability/financial institution infrastructure; (4) structure and complexity; and (5) large exposures. The D-SIB framework focuses on the impact that the failure of large banks will have on the domestic economy. Based on the importance of the D-SIB, a capital surcharge will be applied to the bank and calibrated accordingly.

Guideline on Credit Concentration Risk

This guideline was reviewed to prescribe new regulatory credit concentration limits, effective 1 January 2014. For banks, other than subsidiaries and branches of foreign banks, aggregate large credit exposure to all customers and groups of closely-related customers, denominated in Mauritian Rupee and currencies other than the Rupee, shall not exceed **600 per cent** of the bank's capital base, or the group's capital base. For subsidiaries and branches of foreign-owned banks, the aggregate large credit exposures denominated in Mauritian Rupee, to all customers and groups of closely-related customers, shall not exceed **600 per cent** of the bank's capital base.

Concurrently, the aggregate large credit exposures of NBDTIs to all customers and groups of closely-related customers shall not exceed 600 per cent of the institution's capital base. With effect from 1 January 2015, the abovementioned limit of 600 per cent will be reduced further to 400 per cent. On 26 November 2013, a new section on sectoral concentration was introduced following the implementation of macroprudential measures issued by the Bank in October 2013.

Guideline on Standardised Approach to Credit Risk

The guideline was reviewed to incorporate new risk weights prescribed by the macroprudential measures in respect of claims secured by residential property and commercial real estate for construction purposes in Mauritius.

Guideline on Complaints Handling Procedures

Following an amendment brought to the Banking Act 2004, a *Guideline on Complaints Handling Procedures* was issued by the Bank that came into effect on 1 November 2013. Banks were henceforth required to appoint a Complaints Officer to handle complaints and grievances from their customers, and to report information thereof to the Bank on a quarterly basis.

Guideline on Disclosure of Information to Guarantors

Effective 1 January 2014, a *Guideline on Disclosure of Information to Guarantors* was issued by the Bank that prescribed the instances for issuing statements of accounts in written or electronic form to guarantors of credit facilities.

Guideline on Agent Banking

In accordance with Section 7(7B) of the Banking Act 2004, the Bank issued a *Guideline on Agent Banking* which sets the criteria to be observed by a bank when outsourcing its activities to service providers or an agent. The guideline also provides minimum standards and requirements for agent banking operations.

Guideline on Fit and Proper Person Criteria and Fit and Proper Person Questionnaire

The Guideline was reviewed in June 2014, calling for additional information to facilitate the process for assessing the independence, fitness and probity of senior officers, directors and shareholders who exercise significant influence, and for determining any conflict of interest in the exercise of their functions. The Questionnaire was also revised to simplify the reporting of information on shareholding structure of financial institutions.

Guideline on Transactions or Conditions respecting Well-being of a Financial Institution Reportable by the External Auditor to the Bank of Mauritius.

The guideline was reviewed in February 2014 to incorporate, *inter alia*, three new sections dealing with major conflict among directors and dissension among shareholders, aggressive strategies detrimental to the interest of depositors and financial institutions, and risks associated with complex group structures and overseas operations.

Guideline on Control of Advertisement

The guideline was amended in March 2014, stipulating that advertisement that invites deposits in foreign currency should not be made through billboards.

Guideline on Maintenance of Accounting and Other Records and Internal Control Systems

This guideline was issued in November 2013 and superseded the *Guidance Notes on General Principles for Maintenance of Accounting and Other Records and Internal Control Systems*.

PERFORMANCE OF THE BANKING SECTOR

As at end-June 2014, the banking sector comprised 23 banks licensed to carry out banking business in Mauritius, of which 10 were local banks, 8 were subsidiaries of foreign-owned banks, 4 were branches of international banks and 1 was a foreign-owned bank. Out of the 23 banks, 2 banks were involved in private banking business but only one of them was in operation as at end-June 2014. The banking sector comprised 228 branches (inclusive of head office), 9 counters, 1 mobile van and 454 Automated Teller Machines (ATMs), and reckoned 7,532 employee headcounts as at 30 June 2014. Four branches of banks operated in Rodrigues and accounted for 0.2 per cent and 0.3 per cent, respectively, of total banking sector's assets and total deposits. Besides traditional banking facilities, fifteen banks offered card-based payment services such as credit and debit cards and Internet banking, four banks offered phone banking facilities and one bank introduced mobile banking payments in Mauritius.

The banking sector's balance sheet has remained significant for the size of the economy, although it grew at a lower pace during 2013-14 than in 2012-13. The on-balance sheet assets of banks expanded by 1.0 per cent compared to 10.2 per cent in the preceding year. The off-balance sheet assets grew by 18.9 per cent compared to 7.1 per cent in the previous year. Deposits, which represent banks' main funding source, grew by 2.1 per cent during the year under review, mainly due to an increase of 8.4 per cent in Segment A deposits which was partly offset by a decline of 3.1 per cent in Segment B deposits.

CAMEL Rating

The CAMEL rating framework is a standard bank-rating system used by supervisory authorities to rate financial institutions. The rating is performed on the basis of five key components: Capital, Asset Quality, Management, Earnings and Liquidity. 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. It constitutes an expression of opinion on their overall financial conditions at a specific point in time.

Table 5.1 shows that fourteen out of twenty one banks were assigned a 'satisfactory' rating in June and December 2013. Six banks maintained a 'fair' rating in those periods.

Table 5.1 CAMEL Ratings of Banks		
Composite CAMEL rating	Number of banks awarded the respective ratings	
	Jun-13	Dec-13
2+	10	9
2-	4	5
3+	5	6
3-	1	0
4	1	1

Source: Off-site Division, Supervision.

Capital Adequacy

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 weighted 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 base reduces the risk of bank failure by providing a cushion against potential losses.

In Mauritius, capital adequacy ratios averaged 16.8 per cent between June 2013 and June 2014, compared to a required minimum capital adequacy ratio of 10 per cent (Table 5.2). Branches of foreign-owned banks are, however, exempt from this requirement for their operations conducted outside Mauritius.

During 2013-14, banks' aggregate capital base (net of capital deductions) increased by 12.7 per cent to Rs107,954 million. Tier 1 capital rose by 5.2 per cent to Rs96,208 million, which represented 83.4 per cent of gross capital. The rise is largely explained by undistributed balance in profit and loss account created by appropriations of retained earnings. Tier 2 capital registered a substantial increase of 63.4 per cent from Rs11,687 million as at end-June 2013 to Rs19,099 million as at end-June 2014 with its share rising to 16.6 per cent of gross capital. The rise in the Tier 2 capital is mainly attributed to term subordinated debt which increased sharply by 151.7 per cent to Rs13,368 million and represented 70.0 per cent of gross Tier 2 capital as at end-June 2014.

Risk Profile of On- and Off-Balance Sheet Assets

Total on-balance sheet assets of banks increased by 1.9 per cent, from Rs933,889 million as at end-June 2013 to Rs952,147 million as at end-June 2014. In terms of the risk profile of on-balance sheet assets, a decline was noted for the 20 per cent, 100 per cent and 150 per cent risk-weight buckets while an increase was observed for other risk-weight buckets. Table 5.3 compares banks' risk buckets as at end-June 2013 and end-June 2014. The average combined risk-weighted ratio moved from 40.8 per cent as at end-June 2013 to 42.7 per cent as at end-June 2014. There was a growth of 2.9 per cent in total risk-weighted assets amid a decline of 7.9 per cent in off-balance sheet assets. Table 5.4 sets out a comparison of the total on- and off-balance sheet assets of banks with corresponding risk-weighted values and average combined risk-weights as at end-June 2013 and end-June 2014.

Table 5.2

Risk-Weighted Capital Adequacy Ratio

	(Rs million)				
As at end of period	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Tier 1 capital	91,484	90,830	92,344	95,766	96,208
Tier 2 capital	11,687	16,353	16,846	17,703	19,099
Total Gross Capital	103,171	107,183	109,190	113,469	115,307
Capital Deductions	7,345	6,880	6,726	7,060	7,353
Total Net Capital (A)	95,826	100,303	102,464	106,409	107,954
Total Risk-Weighted Assets (B)	601,914	610,827	607,986	609,730	619,315
<i>Total on-balance sheet risk-weighted credit exposures</i>	<i>508,128</i>	<i>513,943</i>	<i>512,457</i>	<i>515,069</i>	<i>520,952</i>
<i>Total non-market-related off-balance sheet risk-weighted credit exposures</i>	<i>47,110</i>	<i>49,420</i>	<i>48,114</i>	<i>48,443</i>	<i>52,012</i>
<i>Total market-related off-balance sheet risk-weighted credit exposures</i>	<i>3,659</i>	<i>4,454</i>	<i>3,769</i>	<i>2,934</i>	<i>2,228</i>
<i>Total foreign currency exposures</i>	<i>1,908</i>	<i>2,007</i>	<i>1,866</i>	<i>2,039</i>	<i>2,824</i>
<i>Total risk-weighted assets for operational risk</i>	<i>41,109</i>	<i>41,003</i>	<i>41,780</i>	<i>41,245</i>	<i>41,299</i>
Capital Adequacy Ratio (A/B)	15.9%	16.4%	16.9%	17.5%	17.4%

Source: Off-site Division, Supervision.

Table 5.3 Risk-Weights of Banks' On-Balance Sheet Assets				
Risk Weights (%)	On-Balance Sheet Assets (Rs million)	Percentage to total On-Balance Sheet Assets (Per cent)	On-Balance Sheet Assets (Rs million)	Percentage to total On-Balance Sheet Assets (Per cent)
	Jun-13		Jun-14	
0	152,141	16.3	175,424	18.4
20	138,637	14.8	112,469	11.8
35	33,779	3.6	36,377	3.8
50	129,053	13.8	143,091	15.0
75	35,949	3.8	42,795	4.5
100	429,080	45.9	433,147	45.5
150	15,250	1.6	8,844	0.9
	933,889	100.0	952,147	100.0

Source: Off-site Division, Supervision.

Banking Sector Total Assets

Banks are required to maintain robust asset quality as this is a critical factor in the assessment of their financial soundness. Total assets of banks went up by 1.0 per cent to Rs1,013,723 million as at end-June 2014, from Rs1,003,347 million at end-June 2013. Ten banks registered reductions ranging from 0.1 per cent to 22.8 per cent in their total assets in 2013-14, while the remaining 10 banks recorded growth ranging from 9.6 per cent to 49.4 per cent⁵. Acceptances, guarantees and documentary credits that form part of off-balance sheet assets, went up by 18.9 per cent to Rs97,965 million as at end-June 2014, from Rs82,396 million as at end-June 2013.

Advances

Total advances, including debentures and fixed-dated securities, rose by 2.5 per cent in 2013-14 to Rs630,416 million, compared to an increase of 3.1 per cent in the preceding financial year. As at end-June 2014, total advances represented 89.4 per cent and 62.2 per cent of total deposits and total assets, respectively, compared to 89.1 per cent and 61.3 per cent as at end-June 2013, respectively.

Table 5.4 Combined Risk Weights of Banks' Assets			
		End-June 2012	End-June 2013
A	Total On-Balance Sheet Assets (Rs million)	933,889	952,147
B	Total Off-Balance Sheet Assets (Rs million)	541,085	498,610
C	Total On and Off-Balance Sheet Assets (A + B) (Rs million)	1,474,974	1,450,778
D	Total Risk-Weighted Assets (Rs million)	601,914	619,315
E	Average Combined Risk-Weighted Ratio (D/C) (Per cent)	40.8	42.7

Source: Off-site Division, Supervision.

Loans and overdrafts in Mauritian rupees amounted to Rs219,826 million, or 34.9 per cent of total advances, while loans and other financing in foreign currencies extended in Mauritius amounted to Rs73,296 million, or 11.6 per cent of total advances. Loans and other financing in foreign currencies outside Mauritius stood at Rs269,247 million as at end-June 2014, representing 42.7 per cent of total advances. The remaining facilities consisted of local and foreign bills purchased and discounted, bills receivable and other fixed-dated securities.

⁵ Of the 23 banks licensed as at end-June 2014, data relating to two banks, which started operations in February 2013 and June 2014, and to one bank, which was licensed in April 2014, are excluded from the change in total assets.

Concentration of Risks

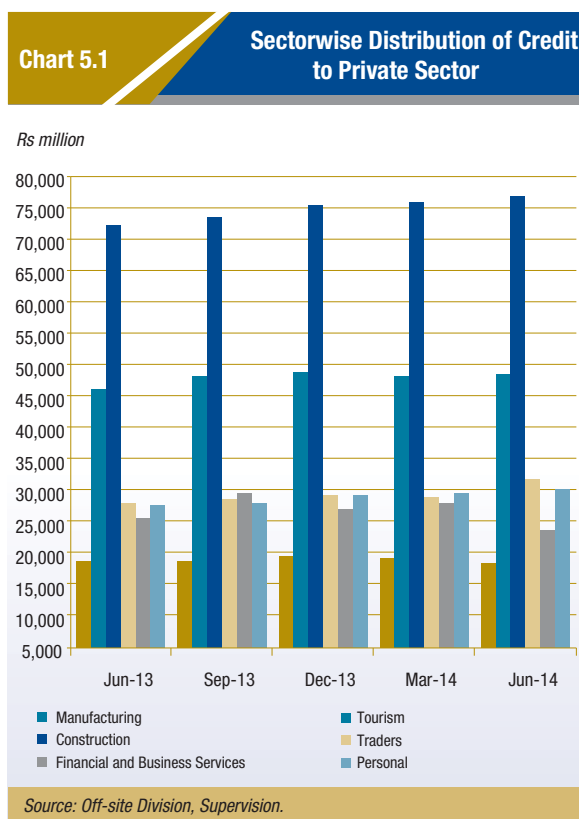
Credit concentration risk is one of the major risks faced by banks in Mauritius and refers to the risk of loss arising from a bank's exposure to different sectors of the economy and/or different entities. Large exposures in the banking sector, that is, credit exposures above 15 per cent of an institution's capital base, amounted to Rs230,907 million and represented 31.7 per cent of the total fund and non-fund based facilities extended as at end-June 2014. Aggregate large exposures to borrowers represented 213.9 per cent of the capital base of banks as at end-June 2014 compared to 186.0 per cent as at end-June 2013.

Sectorwise Distribution of Credit to the Private Sector in Mauritius

Bank credit to the private sector (excluding the GBL sector) continued to expand in 2013-14 at the rate of 3.6 per cent, though at a much lower pace than the growth rate of 8.0 per cent in 2012-13. The share of credit to the construction, traders and personal sectors in private sector credit (inclusive of the GBL sector) increased from 25.3 per cent, 9.7 per cent and 9.6 per cent as at end-June 2013 to 25.4 per cent, 10.4 per cent and 9.9 per cent, respectively, as at end-June 2014. The share of credit to the private sector to manufacturing, tourism and financial and business services declined from 6.5 per cent, 16.2 per cent and 8.9 per cent, respectively, as at end-June 2013 to 6.0 per cent, 15.9 per cent and 7.7 per cent, respectively, as at end-June 2014. Chart 5.1 shows the sectorwise distribution of credit to the private sector from June 2013 to June 2014.

Non-Performing Advances and Provisioning

Total non-performing advances of banks rose by 18.5 per cent, from Rs21,130 million



as at end-June 2013 to Rs25,031 million as at end-June 2014. Consequently, the ratio of non-performing advances to total advances deteriorated from 3.4 per cent to 4.0 per cent. Impaired credit on facilities extended in Mauritius went up by 16.0 per cent to Rs19,459 million. Concurrently, impaired credit extended outside Mauritius expanded by 28.0 per cent to Rs5,572 million in 2013-14.

Specific provisions for loan losses made by banks increased by 33.5 per cent, from Rs8,872 million as at end-June 2013 to Rs11,842 million as at end-June 2014. Specific provisions made on impaired credits in and outside Mauritius increased by Rs1,580 million and Rs1,390 million, respectively. The coverage ratio, that is, the ratio of specific provisions to non-performing advances improved from 42.0 per cent at end-June 2013 to 47.3 per cent as at end-June 2014.

Deposits

Deposits continued to be the principal source of funding and constituted the highest share of banks' total liabilities. The share of deposits in total liabilities went up from 68.8 per cent as at end-June 2013 to 69.5 per cent at end-June 2014. Total deposits increased by 2.1 per cent to Rs705,041 million as at end-June 2014, from Rs690,529 million at end-June 2013. The rise in the deposit base of the banking sector was largely driven by an expansion of 8.4 per cent in Segment A deposits which was partly offset by 3.1 per cent drop in Segment B deposits.

The share of foreign currency deposits in total deposits was 57.9 per cent as at end-June 2014, compared to 61.0 per cent as at end-June 2013. Demand, savings and time deposits accounted for 40.2 per cent, 24.6 per cent and 35.2 per cent of total deposits, respectively, compared to 38.3 per cent, 22.9 per cent and 38.8 per cent as at end-June 2013.

The advances-to-deposits ratio, which indicates the extent to which funds mobilised by way of deposits have been utilised to finance lending activities, increased from 89.1 per cent as at end-June 2013 to 89.4 per cent as at end-June 2014. This ratio stood at 78.6 per cent for Segment A activities and 99.5 per cent for Segment B activities as at end-June 2014 compared to 81.3 per cent and 95.6 per cent, respectively, as at end-June 2013.

Profitability

During 2013-14, a majority of banks operating in Mauritius realised profit after tax, although three banks incurred losses. The operating profits of one bank were offset by impairment charges while two banks being new entrants in the banking sector, incurred

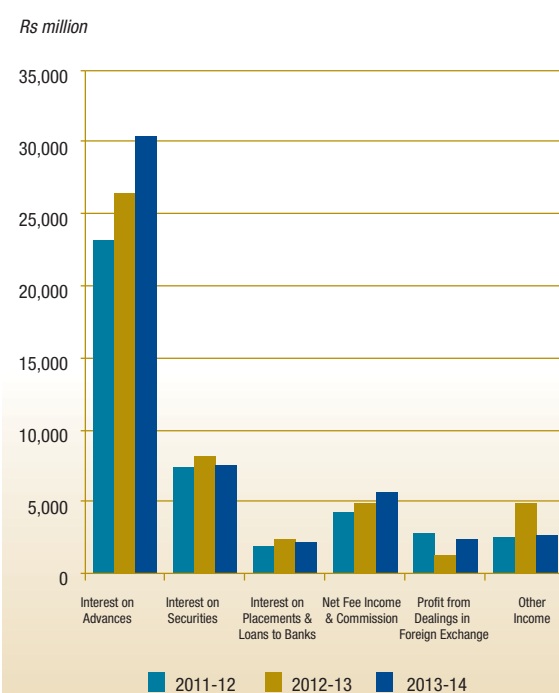
high operational expenses upon establishing business in Mauritius. Aggregate pre-tax profit of banks rose to Rs16,611 million in 2013-14, from Rs15,627 million in 2012-13. Table 5.5 shows the consolidated income statements of the banking sector for the past three years based on the audited results of banks. The data cover the financial years ended 30 June, 31 December and 31 March.

Components of Income

Total income of banks increased by 6.2 per cent, from Rs47,974 million in 2012-13 to Rs50,970 million in 2013-14, mainly on account of growth of 8.6 per cent in interest income but was offset by a decline of 2.1 per cent in non-interest income. Chart 5.2 shows the movements in components of total income of banks from 2011-12 through 2013-14.

Chart 5.2

Components of Income of Banks



Source: Off-site Division, Supervision.

Table 5.5

Consolidated Income Statements of Banks

	(Rs million)		
	2011-12	2012-13	2013-14
Interest Income	32,776	37,326	40,544
Interest on Advances	23,171	26,372	30,328
Interest on Securities	7,456	8,242	7,516
Interest on Placements and Loans to banks	1,896	2,411	2,206
Other Interest Income	253	301	494
Interest Expense	15,221	17,510	17,500
Interest on Deposits	10,922	11,582	12,329
Interest on Borrowings from banks	3,896	4,988	4,344
Other Interest Expenses	403	940	827
Net Interest Income	17,555	19,816	23,044
Non-Interest Income	9,363	10,648	10,426
Net Fee Income and Commission	4,233	4,848	5,735
Profit from Dealings in Foreign Currencies	2,904	1,259	2,441
Other Non-Interest Income	2,226	4,541	2,250
Operating Income	26,918	30,464	33,470
Non-Interest Expense	10,758	11,697	13,739
Staff Costs	5,767	6,170	7,502
Operating Expenses	4,975	5,527	6,237
Operating Profit before Provisions	16,176	18,767	19,731
Provision and Adjustments to Income from Credit Losses	1,777	3,140	3,120
Profit before Tax	14,399	15,627	16,611
Provision for Income Taxes	1,735	1,743	2,057
Profit after Tax	12,664	13,884	14,554

Source: Off-site Division, Supervision.

Interest Income

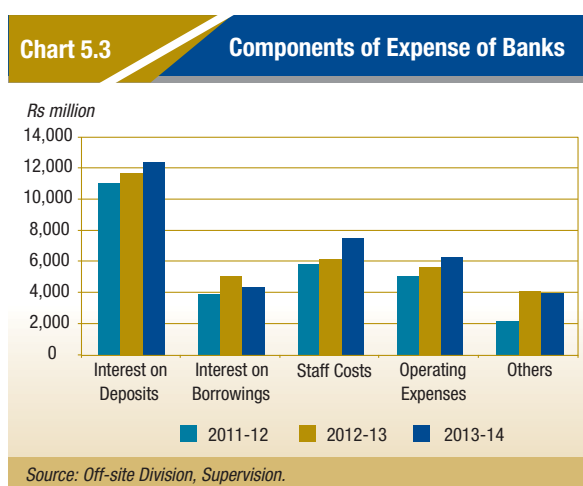
Interest income rose by 8.6 per cent to Rs40,544 million in 2013-14 lower than the increase of 13.9 per cent in 2012-13. Interest earned from advances, representing 74.8 per cent of total interest income, increased by 15.0 per cent to Rs30,328 million in 2013-14. Interest received from placements and loans to banks declined by 8.5 per cent to Rs2,206 million while interest earned on securities dropped by 8.8 per cent to Rs7,516 million in 2013-14.

Non-Interest Income

Non-interest income, which constitutes an important source of revenue for banks, decreased by Rs222 million, from Rs10,648 million in 2012-13 to Rs10,426 million in 2013-14. During the period under review, income derived from fees and commission grew by 18.3 per cent while profit arising from dealings in foreign currencies grew at a higher pace by 93.9 per cent. Together, they accounted for 78.4 per cent of total non-interest income in 2013-14 compared to 57.4 per cent in 2012-13.

Components of Expense

Total expenses of banks increased by 6.2 per cent, from Rs32,347 million in 2012-13 to Rs34,359 million in 2013-14, mainly driven by an expansion in non-interest expense of 17.5 per cent while interest expenses contracted by 0.1 per cent. Total expenses included Rs3.1 billion of credit impairment losses during 2013-14. Chart 5.3 shows the evolution of the components of expense of banks from 2011-12 to 2013-14.



Interest Expense

Total interest expense decreased from Rs17,510 million in 2012-13 to Rs17,500 million in 2013-14. A rise of Rs747 million, or 6.4 per cent, was registered in interest paid on deposits, which was offset by a decline in interest expense on borrowings and other interest expenses, by Rs757 million.

Non-Interest Expense

Non-interest expense, comprising staff costs and other operating expenses, grew by 17.5 per cent to Rs13,739 million in 2013-14. This was mainly driven by increases in staff costs and other operating expenses by 21.6 per cent and 12.8 per cent, respectively. During the year under review, the workforce of the banking sector rose from 7,300 to 7,307.

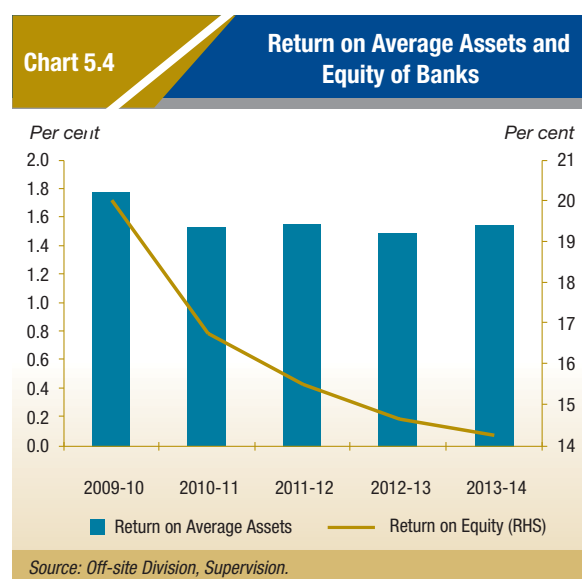
Overall, the cost-to-income ratio for the banking sector stood at 41.1 per cent in 2013-14, compared to 38.4 per cent in 2012-13.

Operating Profit

Banks' operating profit before provision for credit losses increased from Rs18,767 million in 2012-13 to Rs19,731 million in 2013-14. Concurrently, post-tax profits rose by 4.8 per cent to Rs14,554 million in 2013-14 compared to a growth of 9.6 per cent in the preceding year.

Return on Average Assets and Equity

The average banking sector's pre-tax return on average assets increased by 3 basis points to 1.53 per cent in 2013-14. It ranged between negative 16.5 per cent and positive 5.2 per cent for individual banks. Three banks achieved a return on average assets of above 2.0 per cent. On the other hand, post-tax return on equity for the banking sector declined from 14.7 per cent in 2012-13 to 14.3 per cent in 2013-14. It ranged from negative 18.7 per cent to positive 31.7 per cent in 2013-14 for individual banks. Chart 5.4 depicts the return on average assets and equity of banks from 2009-10 to 2013-14.



Interest Rate Spread

Interest rate spread rose to Rs3.04 during the period under review. Interest earned per Rs100 of advances increased from Rs4.60 to Rs4.85, while the cost per Rs100 of deposits increased from Rs1.77 to Rs1.81. Table 5.6 shows the interest rate spread for 2011-12 to 2013-14.

Table 5.6 Interest Rate Spread of Banks			
	(Rupees)		
	2011-12	2012-13	2013-14
Interest Earned per Rs100 of Advances	4.56	4.60	4.85
Cost per Rs100 of Deposits	1.80	1.77	1.81
Interest Rate Spread	2.76	2.83	3.04

Source: Off-site Division, Supervision.

Electronic Banking

As at end-June 2014, fifteen banks were providing electronic banking services. The monthly average number of transactions for the quarter ended June 2014 increased to 5.5 million compared to 5.0 million in corresponding period of 2013 as the number of credit, debit and other cards in circulation rose from 1,439,074 to 1,524,779.

Table 5.7 Electronic Banking Transactions					
	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Number of ATMs in operation at end of quarter	450	449	450	451	454
Monthly average number of transactions for the quarter	5,040,158	5,102,943	5,676,602	5,108,275	5,503,820
Monthly average value of transactions ¹ for the quarter (Rs million)	10,506	10,368	12,439	11,713	11,253
Number of Credit Cards in circulation at end of quarter	249,000	249,642	252,165	252,895	253,033
Number of Debit & other Cards in circulation at end of quarter	1,190,074	1,187,521	1,213,594	1,236,622	1,271,746
Total number of cards in circulation at end of quarter	1,439,074	1,437,163	1,465,759	1,489,517	1,524,779
Outstanding advances on credit cards at end of quarter (Rs million)	2,288	2,096	2,150	2,762	2,184

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

The number of ATMs in operation in Mauritius and Rodrigues went up from 450 as at end-June 2013 to 454 at end-June 2014. The monthly average value of credit, debit and other cards transactions at ATMs and merchant points of sale increased by 7.1 per cent to Rs11,253 million for the quarter ended June 2014 compared to the corresponding period of 2013. Outstanding advances granted on credit cards stood at Rs2,184 million as at end-June 2014, with a monthly average credit of Rs8,631 per card in 2013-14 compared to an average of Rs8,468 in 2012-13. Table 5.7 summarises electronic banking transactions from June 2013 to June 2014.

Internet Banking

The number of Internet banking users increased from 229,500 as at end-June 2013 to 260,171 as at end-June 2014. Users benefited from a wide range of Internet banking services provided by banks. Consequently the number of Internet banking transactions increased from 366,954 as at end-June 2013 to 420,177 as at end-June 2014, while the average value of Internet banking transactions increased from Rs112,076 million in June 2013 to Rs117,660 million in June 2014.

Phone Banking

Currently four banks are offering phone banking facilities. The number of phone banking customers increased from 315,092 as at end-June 2013 to 551,579 as at end June 2014. As at end June 2014, phone banking customers had conducted 790,655 transactions for a total amount of Rs164.7 million.

Mobile Banking

As from November 2013, one bank started to offer mobile payment facilities enabling subscribers to carry out transactions through appointed agents. As at end-June 2014, 9,136 subscribers had conducted 452 transactions worth Rs0.4 million.

PERFORMANCE OF NON-BANK DEPOSIT-TAKING INSTITUTIONS

As at end-June 2014, all non-bank deposit-taking institutions (NBDTIs) met the minimum required capital of Rs200 million. In addition, these institutions are required to maintain 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 increased by 12.0 per cent from end-June 2013 to reach Rs61,458 million as at end-June 2014. The share of loans to total assets rose from 57.8 per cent in June 2013 to 59.0 per cent in June 2014, whereas the share of investment in finance leases to total assets increased slightly from 15.2 per cent to 15.4 per cent over the same period.

Deposits remained the main source of funding, accounting 60.6 per cent for NBDTI's liabilities as at end-June 2014. During the year under review, deposits went up by 7.1 per cent to Rs37,264 million in June 2014. Chart 5.5 illustrates the composition of assets and liabilities of NBDTIs at end-June 2013 and end-June 2014.

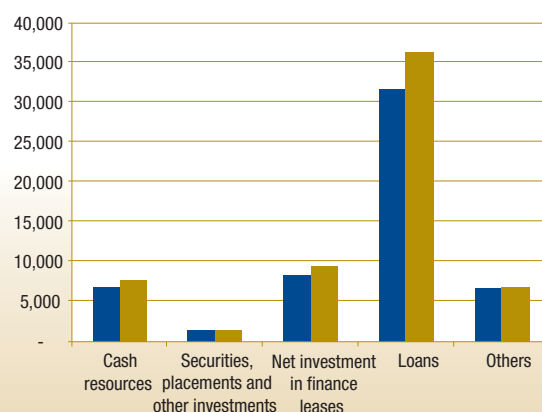
The advances-to-deposits ratio increased from 115.2 per cent at end-June 2013 to 122.4 per cent at end-May 2014.

Chart 5.5

Balance Sheet Structure of NBDTIs

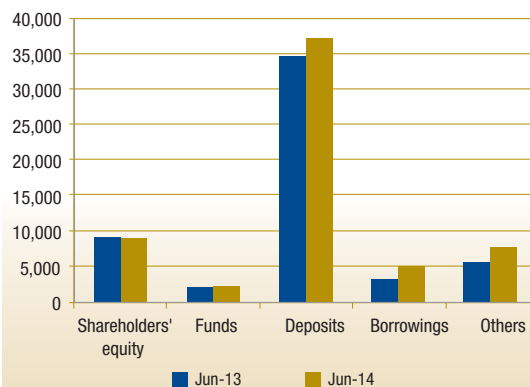
Assets – as at end-June 2013 and end-June 2014

Rs million



Liabilities – as at end-June 2013 and end-June 2014

Rs million



Source: Off-site Division, Supervision.

Capital Adequacy

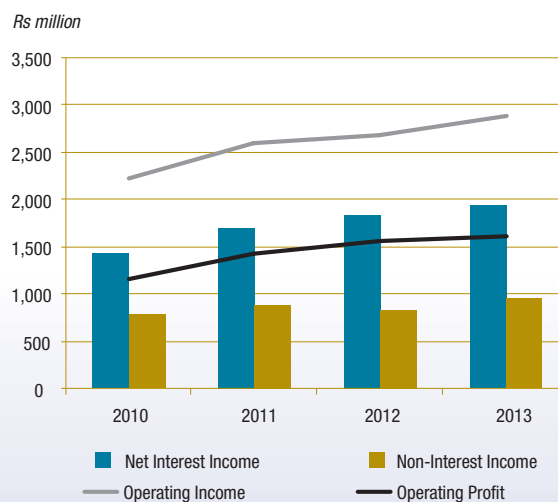
The capital adequacy ratio of NBDTIs improved from 23.8 per cent at end-June 2013 to 24.5 per cent at end-June 2014. The increase in the capital adequacy ratio was the result of a relatively higher increase of 14.4 per cent in aggregate capital base of the sector compared to an increase of 11.2 per cent in the total risk-weighted assets. As at end June 2014, the capital adequacy ratio maintained by NBDTIs ranged from 10.2 per cent to 60.3 per cent.

Profitability

The consolidated profitability figures for NBDTIs are based on the audited results covering financial periods ended 30 June, 30 September and 31 December 2013. In 2013, all NBDTIs realised profits with aggregate profit before tax growing by 7.5 per cent to Rs1,610 million. 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 2010 to 2013.

Chart 5.6

Profitability of NBDTIs



Source: Off-site Division, Supervision.

Return on Average Assets and Equity

The pre-tax return on average assets declined slightly from 3.2 per cent in 2012 to 3.1 per cent in 2013. Individual NBDTIs posted pre-tax return on average assets in the range of zero per cent to 4.8 per cent in 2013.

Table 5.8

Consolidated Income Statements of NBDTIs

	(Rs million)		
	2011	2012	2013
Interest Income	4,167	4,283	4,486
Interest Expense	2,471	2,442	2,540
Net Interest Income	1,696	1,841	1,947
Non-Interest Income	886	838	965
Operating Income	2,582	2,679	2,912
Non-Interest Expense	1,159	1,121	1,274
Operating Profit	1,423	1,558	1,638
Other Non-Operating Profit	19	11	
Profit before Provision & Adjustment for credit losses	1,442	1,569	1,638
Provision & Adjustment for credit losses	161	72	28
Profit before tax	1,281	1,497	1,610
Income Tax Expense	66	82	87
Profit after tax	1,215	1,415	1,523

Source: Off-site Division, Supervision.

The post-tax return on equity increased from 17.9 per cent in 2012 to 19.1 per cent in 2013. Chart 5.7 shows the return on average assets and equity over the years 2009 to 2013.

Liquidity

As at 30 June 2014, liquid assets held by NBDTIs amounted to Rs7,662 million, being much higher than the required minimum ratio of 10 per cent of deposit liabilities which amounted to Rs37,264 million.

CASH DEALERS

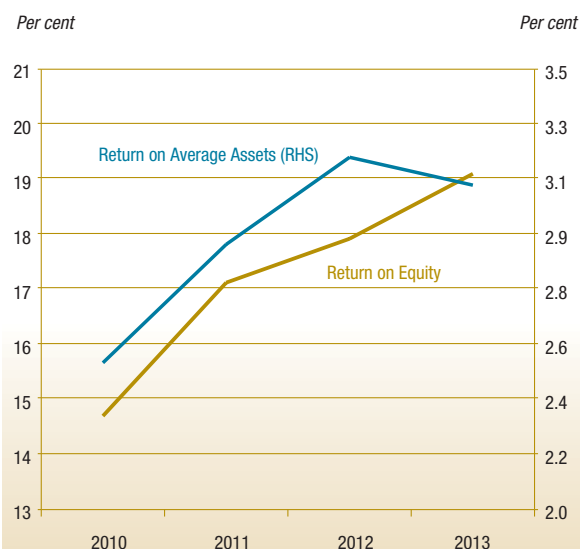
As at 30 June 2014, there were 10 money changers and 5 foreign exchange dealers, collectively known as cash dealers, in operation. Unlike money changers which deal principally in the exchange of foreign currency notes, foreign exchange dealers are authorised to carry out other activities in addition to the money changing business. A non-negligible part of their business comprises the provision of remittance facilities and the conduct of forward transactions.

Total assets of cash dealers amounted to Rs806 million as at 30 June 2014, with assets of foreign exchange dealers amounting Rs714 million. The bulk of the assets of these institutions consisted of cash in hand and at bank (33 per cent), receivables (29 per cent), inventories of foreign currencies (12 per cent) and investment in Treasury Bills/Government Securities (11 per cent).

During the year ended 30 June 2014, cash dealers sold foreign currencies for a total amount of Rs19,094 million, while the cost of sales amounted to Rs18,856 million. Operating expenses incurred by cash dealers amounted to Rs213 million during the period under review, of which staff costs accounted for Rs98 million.

Chart 5.7

Return on Average Assets and Equity of NBDTIs



Source: Off-site Division, Supervision.

SUPERVISORY COLLEGES

In the aftermath of the global financial crisis, the concept of supervisory college has evolved as an important tool for the enhancement of supervisory oversight. A supervisory college constitutes a multilateral working group of home and host supervisors of an international banking group for effective sharing of information and for the establishment of co-operation mechanisms for consolidated supervision. Moreover, the revised Core Principles for Effective Banking Supervision now include the enhanced Core Principle on Home-Host Relationships.

The Bank organised Supervisory Colleges for the two systemically important banking groups namely The Mauritius Commercial Bank Limited and State Bank of Mauritius Ltd, in November 2013. The Bank also held an inaugural workshop on Crisis Management for the two banking groups. The Bank is among the first central banks in Africa to have organised such Supervisory Colleges.

Memorandum of Understanding

During the period under review, the Bank achieved a new milestone in the sharing of information with foreign regulators. A Memorandum of Understanding (MOU) was signed with the Central Bank of Sudan on 22 May 2014 in the sidelines of the 11th Annual Summit of the Islamic Financial Services Board hosted by the Bank. At a time when Mauritian banks are extending their activities in the African continent, the conclusion of this MOU is testimony to the Bank's willingness to foster cross-border supervisory collaboration with African peers. The number of memoranda of understanding with regulators on the African continent stood at six as at end-June 2014.

Deposit Insurance Scheme

The implementation of a Deposit Insurance Scheme, which constitutes an additional safety net in the financial sector in Mauritius, will be subsequent to the enactment of a legislation on deposit insurance.

THE ECONOMIC AND FINANCIAL MEASURES

(MISCELLANEOUS PROVISIONS) ACT 2013

The Economic and Financial Measures (Miscellaneous Provisions) Act 2013, which was enacted in December 2013, brought amendment to, inter-alia, the Bank of Mauritius Act 2004 and the Banking Act 2004 as follows:

(1) BANK OF MAURITIUS ACT 2004

1. Section 2 – Interpretation

New definitions for “*electronic money*” or “*e-money*”, “*e-money instrument*”, “*financial market infrastructure*” and “*payment instrument*” were added in the light of new section 48 regarding facilities to financial market infrastructure and payment scheme providers.

2. Section 5 – Functions of the Bank

Section 5(3) of the Bank of Mauritius Act was amended to provide the Bank with additional functions as follows, in the attainment of its objects.

- (e) promote public understanding of the financial system, including awareness of the benefits and risks associated with different financial products regulated by the Bank, which are offered by financial institutions;
- (f) carry out investigations and take measures to suppress illegal, dishonourable and improper practices, market abuse and any potential breach of the banking laws.

3. Section 6 – Powers of the Bank

- (i) A new subsection (fb) was added to section 6(1) of the Bank of Mauritius Act to provide the Bank with additional powers to appoint, on such terms and conditions as it thinks fit, dealers registered under the Jewellery Act, to offer for sale to the public minted gold bars issued by the Bank.
- (ii) New provisions granting the Bank with additional powers as follows, have also been added to section 6.
 - The Bank may apply to the Judge in Chambers for an order in respect of any matter relating to any of its functions; directing a person to do a specified act or refrain from doing a specified act, for the purposes of -
 - (a) preventing a contravention of the banking laws;
 - (b) compelling any person to comply with a lawful request, direction or instruction made, issued or given by the Bank under the banking laws;

- (c) remedying the effects of a contravention;
- (d) ensuring that the person does not commit further contraventions of the banking laws;
- (e) preserving the assets of a financial institution; or
- (f) compensating any person who has suffered loss because of a contravention.
- The Judge in Chambers may order –
 - (a) the prohibition by the suspect or any other person acting on his behalf, or any person holding assets on his behalf, from disposing, transferring or pledging any of his assets or making any withdrawal from any account or deposit at a financial institution;
 - (b) the attachment in the hands of any other person named in the order of all moneys and other property due or owing, or belonging to, or held on behalf of, the suspect;
 - (c) the suspect to make a full disclosure within such time as may be specified in the order, of all his possessions and the nature and source of such possessions;
 - (d) any other person named in the order to make a full disclosure of all moneys and property held on behalf of the suspect; or
 - (e) the opening, in the presence of a person authorized by the Bank, of any safe deposit box held in any bank on behalf of the suspect.
- Where an order is made under this section, the Bank may (i) give public notice of the order, unless the Bank reasonably believes that such notice is likely to obstruct the conduct of any investigation under this Act; and (ii) give notice of the order to all notaries and to the head offices of all banks and branches, investment dealers, cash dealers and financial institutions and any other person who may hold or be vested with property belonging to or held on behalf of the suspect.
- The order under this section shall remain in force until the completion of the investigation, or until such time as the Bank or the Commissioner of Police decides not to proceed with the investigation or where the suspect is charged with an offence, until the final determination of that charge by a Court or until such time as the Director of Public Prosecutions decides not to proceed with the charge.

4. Section 43A – Reproduction of currency notes, bank notes or coins

A new Section 43A has been added to the Bank of Mauritius Act 2004 requiring every person, who intends to use in any size, scale or colour, any photograph of, or any drawing or design resembling, any Mauritius currency note, bank note or coin issued by the Bank under the Bank of Mauritius Act, in any advertisement or on any merchandise or product which that person manufactures, sells, circulates or otherwise distributes, to seek the prior written permission from the Bank to that effect.

5. Section 48 – Facilities to financial market infrastructure and payment scheme providers

Section 48 of the Bank of Mauritius Act 2004 entitled “Clearing house and payments system” has been repealed and replaced by a new section on facilities to financial market infrastructure and payment scheme providers. The new section 48(1) provides that the Bank may provide facilities, including intra-day credit, to payment, clearing and settlement systems and their participants, to ensure the safety, soundness and efficiency of such systems. The Bank may also not only organise, own, participate and operate the systems referred to in section 48(1), but it may also organise, own, participate in, operate or promote payment schemes with a view to promoting sound payment instruments.

For the purposes of this new section, the Bank may make regulations, with the approval of the Minister, or issue instructions or guidelines.

6. Section 50 – Power to issue instructions

New subsections (3A) and (3B) have been added to section 50 of the Bank of Mauritius Act 2004 to provide that the Bank may, for the purpose of regulating, developing or maintaining the proper functioning of the money market, the foreign exchange market or the derivatives market, issue rules, codes, standards, principles or guidelines as well as register or deregister dealers authorised to trade on these markets. The instructions or guidelines issued shall not apply where a loan taken by a person is guaranteed wholly or partly by Government under such scheme as the Minister may approve.

The new provisions further provide that no financial institution shall appoint as dealer any person who has not been registered as an authorized dealer by the Bank.

7. Section 51A – Balance of Payment Accounts

Section 51A of the Bank of Mauritius Act 2004 which provided that a person who fails to comply with the Bank’s notice to furnish information and data as the Bank may require for the preparation of the balance of payment accounts and the external assets shall commit an offence now provides that the Bank may impose such penalty or charge not exceeding 50,000 rupees for each day on which such breach occurs and such penalty may be recovered by deduction from any balance of or money owing to the Bank, as if it were a civil debt.

8. Section 52 – Establishment of a Credit Information Bureau

- (i) Subsection (1) has been amended to provide that the Bank may require any institution offering credit including leasing facilities and hire purchase or utility body, to furnish not only credit information but also such other information as it may require for the purpose of maintaining a data base on recipients of credit facilities and guarantors or such other information as may reasonably assist in ensuring the soundness of the credit information system.

- (ii) Subsection (2A) has further been amended to provide that the Bank may impart information maintained in the Credit Information Bureau to such bodies for credit rating purposes but also to (i) any public sector agency or law enforcement agency to enable the agency to discharge, or assist it in discharging, any of its functions; (ii) or to such institutions and for such purpose as it thinks fit, where the person from whom the information is being sought has given his written consent for the information to be disclosed to the institution.

9. Section 55A – Financial Stability Committee

Amendments were brought to review the composition of the Financial Stability Committee such that section 55A(1) now reads as follows:

- (1) There is set up a Financial Stability Committee which shall consist of –
 - (a) the Minister, who shall be the Chairperson of the Committee;
 - (b) the Governor;
 - (c) the Financial Secretary;
 - (d) the Chief Executive of the Financial Services Commission established under the Financial Services Act; and
 - (e) the Director of the Financial Intelligence Unit appointed under the Financial Intelligence and Anti-Money Laundering Act.

10. Section 69 – Compounding of offences

A new subsection (3) has been added to Section 69 of the Bank of Mauritius Act to provide that the Bank may cause to be published, in such form and manner as it thinks fit, a public notice setting out the particulars of the agreed amount with respect to compounding of offences under subsection (1), and the notice shall not contain any information which the Bank considers to be sensitive.

(2) BANKING ACT 2004

1. Section 2 - Interpretation

- (i) The definition of “banking business” has been extended to include the payment and collection of cheques drawn by or paid in by customers and making other payment instruments available to customers.
- (ii) New definitions for “credit union” and “money lending”, were added in the light of new sections 14D and 14E empowering the Bank to licence credit unions and moneylenders.

2. Section 4 – Restriction on use of word “bank”

A new subsection (4) has been added to section 4 of the Banking Act 2004 which provides that the Bank may authorise the holding company of a bank which has submitted an application for a transfer of its undertaking or has been required by the central bank to restructure its business, to use the word “bank” or any of its derivatives in any language.

3. Section 7 - Grant or refusal to grant banking licence

A new subsection (7A) has been added to section 7 of the Banking Act 2004 to provide for a bank, wishing to contract the services of an entity for the provision of its services on its behalf or entering into any agency agreement for that purpose, to seek the prior approval of the central bank.

4. Section 11A - Representative office of foreign bank

A new section 11A has been added to the Banking Act 2004 to provide for a foreign bank, with the approval of the central bank, to set up a representative office in Mauritius. The representative office shall, upon approval obtained, carry out such activities as may be specified by the Bank.

The central bank has the powers to inspect the operations and affairs of a representative office to be made so as to assess whether the representative office is complying with the banking laws and any guidelines or instructions issued by the central bank.

5. Section 14D – Licensing of moneylenders

The new section 14D which has been added to the Banking Act 2004 empowers the Bank to licence and regulate companies to carry out the business of moneylending in Mauritius.

6. Licensing of credit unions

The new section 14E of the Banking Act 2004 empowers the central bank to licence and regulate existing credit unions registered under the Co-operatives Act 2005 with total assets of Rs20 million or more. The central bank and the Registrar of Cooperative Societies under the Co-operatives Act may also collaborate and assist each other and exchange such information as they may consider appropriate for the effective supervision of credit unions.

7. Limitation on investments and non-banking operations

A new subsection (3B) has been added to section 30 of the Banking Act 2004 which provides that a financial institution may buy, sell, hold or manage such pool of assets with the approval of the central bank. The financial institution shall act in accordance with such guidelines or instructions as the central bank may issue.

8. Section 32A - Transfer of Undertaking by bank

A new subsection (5A) has been added to section 32A of the Banking Act 2004 which provides that the central bank may exempt a transferor bank from complying with the requirement of giving written notice to shareholders informing him of his right to require the transferor bank to purchase his shares in lieu of being allotted shares in the transferee bank, where the central bank is of the view that such compliance may lead to the impairment of the capital and capital adequacy ratio of the transferee bank, provided that the transferor bank gives an undertaking to the central bank that it shall give written notice to its shareholders of the proposed restructuring of the bank and inform them of their right to sell their shares at any time on the market.

9. Section 42 – Regular examination

Section 42 of the Banking Act has been amended to provide that where the Bank appoints a duly qualified person to conduct a regular examination, the costs incurred in that connection may be recovered, in whole or in part, by the Bank by deduction from any balance of, or money owing to, the financial institution, as if it were a civil debt.

10. Section 43 – Special examination

Section 43(2) of the Banking Act 2004 has been amended to include new provisions which provide that in cases where central bank has reason to believe that any person who, either as a principal or as an agent, carries on, advertises or holds himself out in any way as carrying on banking business, deposit taking business, business of foreign exchange dealer or money-changer or accepting deposits from the public, without a licence or written authorization, it may

- (i) cause a notice in writing to be issued, calling upon any person who is suspected to be involved in engaging in activities under the banking laws without holding the appropriate licence, to attend the central bank for the purpose of being examined orally in relation to any matter which may assist in its investigation and calling upon the person to produce any book, document or information in his possession within the period specified in the notice; and
- (ii) issue a warning alert to caution the public that the person specified in the alert may be engaging in activities under the banking laws without holding the appropriate licence issued by the central bank.

11. Section 44 – Powers of examiners and special examiners

Section 44 of the Banking Act 2004 has been amended to further provide that officers appointed by the central bank for the conduct of a regular examination under section 42 or a special examination under section 43 to have the power to have access to any program or data and take extracts of any file, document or record held electronically in any computer or other electronic device of the financial institution or of its affiliates in Mauritius or its branches and affiliates outside Mauritius.

12. Section 45A – Freezing of assets

A new section 45A has been added to the Banking Act 2004 which provides, inter alia, that where, on an application made by the central bank, the Judge in Chambers is satisfied that the central bank has reasonable ground to suspect that a person has committed, is committing or is likely to commit an offence under the banking laws, the Judge in Chambers, may order, amongst others:

- (i) the prohibition by the suspect from disposing, transferring or pledging any of his assets or making any withdrawal from any account or deposit at a financial institution;
- (ii) the attachment in the hands of any other person named in the order of all moneys and other property due or owing, or belonging to, or held on behalf of the suspect;
- (iii) the suspect to make a full disclosure of all his possessions, and the nature and source of such possessions.

Where such an order is made, the central bank may give notice of the order to the public, notaries, financial institutions, and any other person who may hold or be vested with property belonging to or held on behalf of the suspect.

13. Section 64 - Confidentiality

A new subsection (o) has been added to section 64(3) to provide that the duty of confidentiality shall not apply where the information is required by the central bank for the purpose of assisting the Financial Services Commission established under the Financial Services Act in the discharge of its functions under that Act or its obligations under any international agreement, convention or treaty to which it is a party.

14. Section 96B – Limitation of interest

A new section 96B on “Limitation of interest” has been added to the Banking Act 2004 which provides that where the amount of the principal of a non-performing loan or credit facility granted in Mauritius currency on or after 1 January 2014 in respect of an individual is outstanding and the interest, in accordance with the contract, is equal to the outstanding amount of the principal, only simple interest at the prevailing Repo rate determined by the central bank shall be charged on the outstanding balance of the principal.

The section further provides that notwithstanding section 16 of the Borrower Protection Act, no bank or non-bank deposit taking institution shall, in respect of any individual, charge penalty interest at a rate exceeding 2 per cent per annum above the normal interest rate chargeable under the contract. Penalty or interest shall also not be charged to the individual by a bank or non-bank deposit taking institution on the early repayment of any outstanding amount of such loan or credit facility.

FINANCIAL MARKETS OPERATIONS

The Bank implements monetary policy through open market operations to influence short-term interest rates. It also monitors developments in the money and foreign exchange markets to ensure that they function efficiently. Excess liquidity in the banking system increased from a daily average of Rs3.5 billion in 2012-13 to Rs7.5 billion in 2013-14. In an effort to mop up the excess liquidity, the Bank intervened on the money market through the issue of Bank of Mauritius' instruments. The outstanding nominal amount on those instruments reached a peak of Rs23.9 billion as at end-June 2014.

The Bank intervened on the domestic foreign exchange market to smooth out any excess volatility in the rupee exchange rate. At the same time, it maintained the Operation Reserves Reconstitution programme that was introduced in June 2012 with the aim of increasing the level of foreign currency reserves to six months of imports of goods and services.

Issue of Government Securities

In order to internationalise the issue of Government Securities, the Bank adopted the ISIN (International Securities Identification Number) effective 1 June 2014.

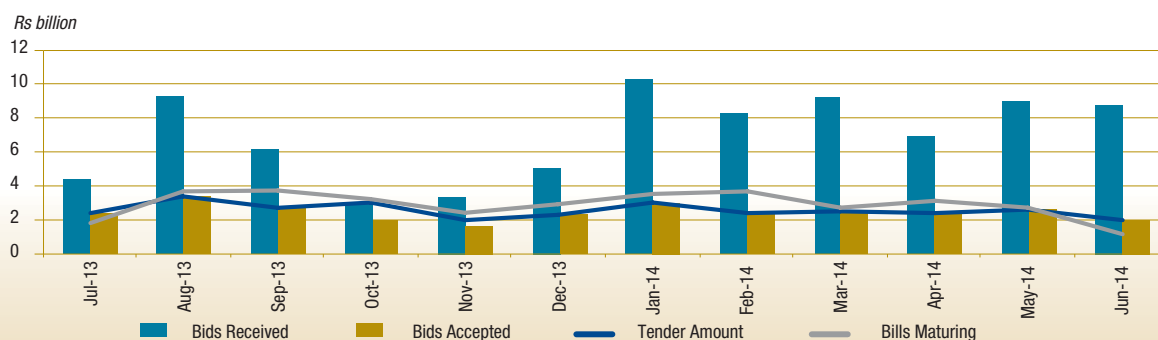
Treasury Bills

The Bank, in collaboration with the Ministry of Finance and Economic Development, maintained its smoothing exercise to mitigate the volatility in the weekly amount of Government of Mauritius Treasury Bills put on tender. Accordingly, the market is informed about the range of weekly issues of Treasury Bills two months in advance. However, the actual amount and tenor of Treasury Bills to be put on tender is communicated two weeks ahead of the auction.

During 2013-14, bids totalling Rs83,721 million were received for Government of Mauritius Treasury Bills against a tender amount of Rs30,700 million.

Chart 6.1

Auctioning of Treasury Bills



Source: Financial Markets Operations Division

Table 6.1

Auction of Three-Year Treasury Notes

	Amount put on Tender	Value of Bids Reveived (Rs million)	Value of Bids Accepted (Rs million)	Interest Rate (Per cent per annum)	Weighted Yield on Bids Accepted (Per cent per annum)
2013					
26-Jul	1,300	2,100.0	675.0	3.52	3.88
23-Aug	1,500	3,580.0	1,600.0	3.52	3.88
20-Sep	1,500	2,500.0	1,500.0	3.75	3.88
25-Oct	1,500	640.0	580.0	3.75	4.13
22-Nov	1,300	750.0	750.0	3.75	4.61
13-Dec	1,300	1,190.0	1,115.0	3.75	4.96
2014					
20-Jan	1,400	3,556.2	1,400.0	4.50	4.54
14-Feb	1,400	3,785.0	1,525.0	4.50	4.33
21-Mar	1,400	4,040.0	2,400.0	4.50	4.28
11-Apr	1,300	3,530.0	3,000.0	4.10	4.17
23-May	1,300	4,500.0	1,300.0	4.10	4.12
20-Jun	1,300	3,720.0	1,300.0	4.10	4.06
2013-14	16,500.0	33,891.2	17,145.0	3.52-4.50	3.88-4.96
2012-13	16,100.0	34,168.5	11,983.5	3.52-5.50	3.55-4.99

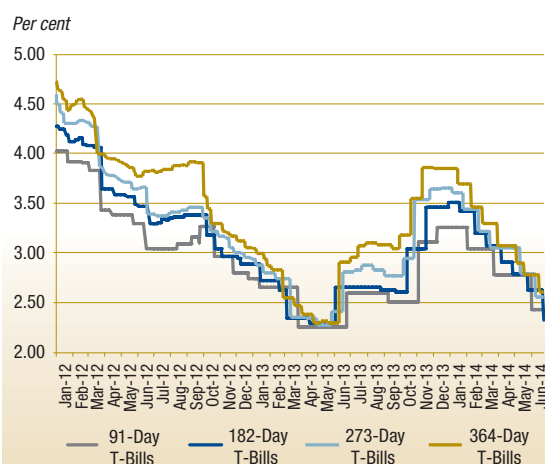
Source: Financial Markets Operations Division.

The value of bids accepted amounted to Rs29,307 million compared to maturing Treasury Bills of Rs34,710 million. The bid-cover ratio varied between 0.82 and 5.25 in 2013-14 compared to a

range of 0.36 to 4.49 in 2012-13. The total amount of bids accepted represented 95.5 per cent of the total tender amount and 35.0 per cent of the total value of bids received compared to 88.0 per cent and 43.1 per cent, respectively, in the preceding year.

Chart 6.2

Yields on Government of Mauritius Treasury Bills at Primary Auctions



Source: Financial Markets Operations Division

During 2013-14, the weighted average yields on Treasury Bills mirrored the efforts by the Bank of Mauritius to address excess liquidity in the banking system. As from October 2013 the yields on short-term Government Securities started to rise. Effective from 4 October 2013, the Bank had raised the fortnightly average CRR on rupee deposits from 7.0 per cent to 8.0 per cent and the daily minimum CRR for rupee deposits from 5.0 per cent to 5.5 per cent. The yields started to decrease as from January 2014 onwards as the excess liquidity started to build up again.

Charts 6.1 and 6.2 provide information on the auctioning and yields on Treasury Bills in 2013-14.

Treasury Notes

During 2013-14, the Bank continued the monthly auctions of Three-Year Treasury Notes. Three new benchmark issues and nine re-openings were held with a view to providing liquidity in each issuance of the securities. The total amount put on tender amounted to Rs16,500 million and the amount accepted stood at Rs17,145 million, while a total of Rs7,733.2 million matured. A total amount of Rs2,700 million, scheduled to be issued in 2014H2, was frontloaded by Government during the months of March and April 2014 in an effort to address excess liquidity in the system. Table 6.1 provides information on the auctioning of Three-Year Government of Mauritius Treasury Notes.

Long-Term Government of Mauritius Bonds

Between end-June 2013 and end-June 2014, the Government raised a total amount of Rs9,683 million through the net issue of long-term Government of Mauritius Bonds.

During 2013-14, six auctions of Five-Year Government of Mauritius Bonds were carried out and a total nominal amount of Rs8,890 million was accepted. These included the issue of two New Benchmark Bonds and four re-openings to foster the development of the secondary market trading of these Government securities. On 30 August 2013, the 4.30% Five-Year Government of Mauritius Bonds due on 22 February 2018 and initially issued on 22 February 2013 was re-opened for the third time. Table 6.2 provides details on the six auctions of Five-Year Government of Mauritius Bonds held in 2013-14.

During 2013-14, the Bank held five issues of Ten-Year Government of Mauritius Bonds namely on 17 July 2013, 11 September 2013, 27 November 2013, 22 January 2014 and 28 May 2014. The total nominal amount put on tender was Rs6,400 million and total bids received amounted to Rs14,836 million. A total amount of Rs6,513 million was accepted, including an amount of Rs400 million which was frontloaded at the auction held in May 2014. Details on the auctions of Ten-Year Government of Mauritius Bonds are given in Table 6.3.

Table 6.2

Auction of Five-Year Government of Mauritius Bonds

	Issue date					
	30-Aug-13	18-Oct-13	20-Dec-13	21-Feb-14	25-Apr-14	27-Jun-14
1. Amount of Bonds put on Tender (<i>Rs million</i>)	1,200.0	1,200.0	1,200.0	1,600.0	1,600.0	1,600.0
2. Value of Bids Received (<i>Rs million</i>)	3,810.0	920.0	1,688.0	2,926.0	3,536.0	5,105.0
3. Value of Bids Accepted (<i>Rs million</i>)	1,200.0	890.0	1,200.0	1,600.0	2,400.0	1,600.0
4. Interest Rate (% <i>p.a.</i>)	4.30	4.30	4.30	4.30	5.20	5.20
5. Highest Yield Accepted (% <i>p.a.</i>)	4.31	4.50	6.03	5.98	5.83	5.40
6. Weighted Average Yield on Bids Accepted (% <i>p.a.</i>)	4.28	4.40	5.70	5.83	5.54	5.32
7. Weighted Price of Bids Accepted (%)	100.080	99.556	94.158	93.835	98.533	99.487

Source: Financial Markets Operations Division.

Table 6.3

Auction of Ten-Year Government of Mauritius Bonds

	Auction held on	Auction held on	Auction held on	Auction held on	Auction held on
	17-Jul-13 ¹	11-Sep-13 ²	27-Nov-13 ³	22-Jan-14 ⁴	28-Jun-14 ⁵
1. Amount of Bonds put on Tender (Rs million)	1,200.0	1,200.0	1,200.0	1,400.0	1,400.0*
2. Value of Bids Received (Rs million)	3,405.8	2,750.0	1,448.1	2,418.2	4,814.0
3. Value of Bids Accepted (Rs million)	1,200.0	1,195.0	918.1	1,400.0	1,800.0
4. Interest Rate (% p.a.)	6.24	6.10	6.25	6.80	6.75
5. Highest Yield Accepted (% p.a.)	6.80	6.39	7.25	7.20	7.00
6. Weighted Average Yield on Bids Accepted (% p.a.)	6.52	6.22	6.71	7.07	6.91
7. Weighted Price of Bids Accepted (%)	97.966	99.116	96.688	98.087	98.858

¹ Issue of 19 July 2013 due 19 July 2023.² Issue of 13 September 2013 due 13 September 2023.³ Issue of 29 November 2013 due 29 November 2023.⁴ Issue of 24 January 2014 due 24 January 2024.⁵ Issue of 30 May 2014 due 30 May 2024.

*Tender Amount was for Rs1,400 million with option to accept higher amount.

Source: Financial Markets Operations Division.

Table 6.4

Auction of Fifteen-Year Government of Mauritius Bonds

	Auction held on	Auction held on
	25-Sep-13 ¹	05-Mar-14 ²
1. Amount of Bonds put on Tender (Rs million)	1,200.0	1,400.0
2. Value of Bids Received (Rs million)	3,376.8	3,296.0
3. Value of Bids Accepted (Rs million)	1,208.5	1,400.0
4. Interest Rate (% p.a.)	6.75	6.95
5. Highest Yield Accepted (% p.a.)	7.10	7.90
6. Weighted Average Yield on Bids Accepted (% p.a.)	6.96	7.60
7. Weighted Price of Bids Accepted (%)	98.064	94.241

¹ Issue of 27 September 2013 due 27 September 2028.² Issue of 07 March 2014 due 07 March 2029.

Source: Financial Markets Operations Division.

The Bank conducted two issues of the Fifteen-Year Government of Mauritius Bonds during 2013-14. The first issue was for a nominal amount of Rs1,208.5 million on 25 September 2013 and the second issue was held on 5 March 2014 for a nominal amount of Rs1,400 million. Both auctions were oversubscribed with a bid cover ratio of 2.8 and 2.4, respectively.

Details of the auctions of Fifteen-Year Government of Mauritius Bonds are given in Table 6.4.

Bank of Mauritius Securities

During 2013-14, the Bank continued to issue its own instruments to mop up the persistent excess liquidity prevailing in the banking sector. It issued Bank of Mauritius Bills

of different maturities ranging up to one year, Three-Year Bank of Mauritius Notes, Five-Year Bank of Mauritius Bonds and even Fifteen-Year Bank of Mauritius Bonds, all at the same weighted average yields obtained on bids accepted at the primary auctions of similar Government instruments. In 2013-14, the Bank issued Bank of Mauritius securities for a total nominal amount of Rs24.6 billion. A total amount of Rs18.7 billion of Bank of Mauritius securities matured in 2013-14.

PRIMARY DEALER SYSTEM AND SECONDARY MARKET TRADING

During the year under review, the Bank continued to strive towards the development of the Primary Dealer System in Mauritius. Its major objectives were the broadening of the Government of Mauritius Treasury Bills/Bank of Mauritius Bills market, developing an active secondary market with a view to deriving a reliable benchmark yield curve and improving liquidity in the money market. The Bank achieved its objective of setting up a bond market on the Stock Exchange of Mauritius for trading benchmark Bonds and Notes. The Bank allocated ISIN codes for the first time to all Government and Bank of Mauritius securities. For the period ended 30 June 2014, eleven banks held a primary dealer status.

In 2013-14, Primary Dealers carried out transactions of Treasury Bills for a total nominal amount of Rs7,236.9 million, compared to Rs8,554.0 million during 2012-2013. Transactions carried out among primary dealer banks amounted to Rs4,736.2 million for the period 2013-14, representing 65.4 per cent of total amount transacted compared to 23.2 per cent during the preceding year. Deals conducted with corporates and pension funds accounted for 27.3 per cent of total transactions for the period

under review, while transactions with non-primary banks accounted for the remaining 7.3 per cent.

The major share of transactions were carried out between Band 2 (31 to 60 days to maturity) and Band 7 (241 to 300 days to maturity) for a total amount of Rs6,475.7 million, representing 89.5 per cent of total transactions. Yields varied between 1.80 per cent and 3.85 per cent during 2013-14 compared to a range of 1.25-3.90 per cent in 2012-13.

Purchases and Sales of Foreign Currencies

During the period under review, the Bank purchased foreign currencies for an equivalent amount of US\$1,155 million, compared to US\$865 million in 2012-13. The Bank sold foreign currencies for a total amount of US\$486 million, compared to US\$476 million in 2012-13. The remaining amount of US\$669 million was used to consolidate its official foreign currency reserves. As at end-June 2014, gross official foreign currency reserves amounted to Rs120 billion or 6.0 months of imports of goods and services, up from 5.2 months of imports as at end-June 2013.

Reserves Management

Owing to the persistent uncertainty prevailing in the Eurozone and the low yield environment, the Bank continued to be cautious in managing its foreign reserves. It invested the major part of its foreign reserves as deposits with central banks and well-rated foreign commercial banks. It also increased its investment in fixed-income securities. In 2013-14, the Bank placed part of its gold holding on short-term deposits following a more favourable environment. The Bank continued its diversification strategy and during the year signed an agreement with the People's Bank of China (PBOC) for investing part of its reserves in the Chinese Interbank Bond market.

Lines of Credit

Special Line of Credit to the Mauritius Sugar Syndicate

With a view to supporting small and medium planters, the Bank renewed the **Special Line of Credit to banks for on-lending to the Mauritius Sugar Syndicate (MSS)**. The objective of this facility is to enable MSS to pay small and medium planters 80 per cent of the estimated MSS price of sugar upfront as from their first consignment. For the crop year 2013, the Bank made available to the MSS an amount of Rs1,200 million, of which a total of Rs1,040 million was disbursed. This amount was totally repaid by banks by end-May 2014. For crop year 2014, an amount of Rs1.0 billion has been earmarked for disbursement.

Special Line of Credit in Foreign Currency

The Bank had also introduced a **Special Foreign Currency Line of Credit to support the export and tourism operators**. The credit line aims at addressing the currency mismatch between income streams and existing debt-servicing requirements. The line of credit was for an amount of up to EUR600 million or its equivalent and could be drawn in multiples of GBP50,000, EUR50,000 and US\$50,000. Since the introduction of the facility, and up till 30 June 2014, the Bank has disbursed EUR40.299 million and US\$0.65 million to 5 banks. The line of credit was subsequently reduced to EUR100 million as from 1 March 2014.

PAYMENT SYSTEMS AND MCIB

Payment systems play a key role in maintaining stability of the financial system and the Bank has been working earnestly to ensure that payment infrastructure of the country is modern, resilient and stable. Over the past year, several new payment schemes were introduced while existing ones were being improved. Three notable measures were:

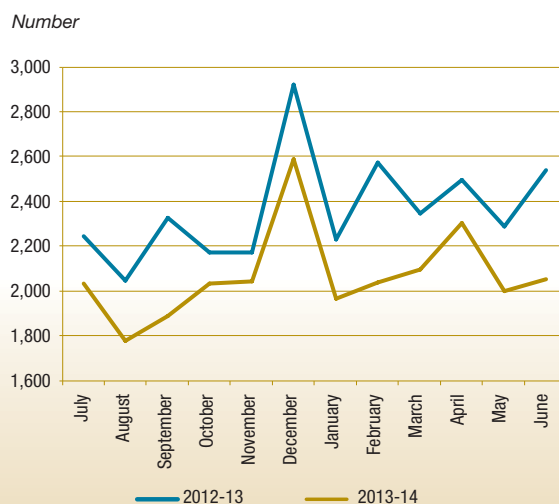
- The National Payment Switch, a project to route all domestic transactions to a central point for in-country clearing, settlement and sharing of infrastructures;
- The guideline on Mobile Banking and Mobile Payment Systems was amended to allow micro payments with the use of airtime; and
- Facilities like Direct Debits and On-line clearing of cheques were introduced on the Bulk Clearing System to enhance emerging payments.

Mauritius Automated Clearing and Settlement System

The Bank operates the **Mauritius Automated Clearing and Settlement System (MACSS)**. The system is the only Real Time Gross Settlement (RTGS) infrastructure for interbank funds transfers, settlements for money market instruments and Government securities in Mauritius. The MACSS is also used to:

Chart 6.3

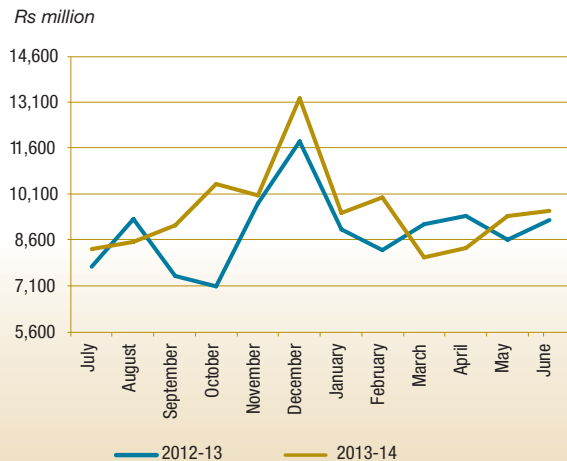
Daily Average Number of Transactions on MACSS



Source: Payment Systems and MCIB Division.

Chart 6.4

Daily Average Value of Transactions on MACSS



Source: Payment Systems and MCIB Division.

- settle cheque clearing positions of the Port-Louis Automated Clearing House (PLACH);
- effect the final settlements of the Contribution Network Project (CNP) to the accounts of the Mauritius Revenue Authority; and
- effect the settlements for the Central Depository System (CDS).

In addition to the Mauritian Rupee and US dollar, CDS transactions are now also settled in euros and Pound sterling.

The volume and value of transactions through MACSS over the year, increased by 14.7 per cent and 8.4 per cent, respectively. A total number of 586,207 transactions for a total value of Rs2.4 trillion were processed in 2013-14, equivalent to 6 times the annual GDP, compared with a total of 510,858 transactions for a total value of Rs2.2 trillion a year earlier. The amount of foreign currency transactions processed on MACSS during 2013-14 was equivalent to

USD3.7 billion, representing a decrease of 24.4 per cent compared to 2012-13. Charts 6.3 and 6.4 show the daily average number and value of MACSS Rupee transactions during 2012-13 and 2013-14.

Cheque Truncation and Bulk Clearing System

Retail payment refers to low value and high volume payments made through credit cards or bulk payments schemes like Direct Debit or Credit. Over the years, a number of innovative schemes have been introduced in this area, which now includes mobile and electronic payments. Consistent with its role in maintaining stability and efficiency of the financial system, the Bank has increased its interest in retail payment schemes. The Bank operates the Bulk Clearing System (BCS) which allows clearing of cheques electronically through truncation and electronic fund transfers.

During the year 2013-14, several new features of the BCS were introduced:

- Cheque Clearing has been further enhanced through on-line clearing facility to clear and settle cheques immediately;
- High Value Cheque (HVC), currently under final tests, allows cheques of value greater than Rs1 million to be removed from the main stream and settled immediately, thus relieving the holder from settlement risks;
- Office cheques, which are widely used and represent a safe mode of accepting payment, will be cleared on-line after a special distinguishing code has been introduced in the Magnetic Ink Character Recognition (MICR) line of office cheques for all banks;

- The Direct Debit feature of the BCS will allow a participant to send a batch of debit payments on the system on behalf of its clients. The scheme will comprise both pre-authorised and non pre-authorised direct debits. The rules governing their effective transactions will soon be implemented as part of the PLACH rules⁷ through the issue of an annex procedure;
- As a protective measure against fraudulent claims made on direct debit service users, the Direct Debit Guarantee Scheme, will be introduced to ensure that users can claim back any money transferred inadvertently; and
- A Direct Debit Indemnity will be introduced to allow banks that have compensated their clients to be in turn reimbursed by originators.

Transactions Throughput via the BCS

During the period under review, a daily average of 20,082 cheques for a value of Rs1.1 billion were cleared compared to an average of 20,568 cheques for the same value in 2012-13.

A total number of 3,074,468 Electronic Funds Transfers (EFTs) amounting to Rs75.4 billion were processed in 2013-14 compared to 2,856,847 EFTs for a total value of Rs70.9 billion in 2012-13. This represented an increase of 7.6 per cent and 6.3 per cent in terms of volume and value, respectively.

PLACH⁸ Rules

The PLACH Rules govern the operations and the use of the BCS as well as the roles and responsibilities of the participants and the Bank. In light of the changes in operations as well as in the roles and responsibilities of participants of the PLACH and the Bank following

the implementation of the BCS, the PLACH Rules were reviewed by the PLACH Committee and took effect as from 5 August 2013. Further amended in June 2014, the Rules enabled the Bank to take over all matters pertaining to standardisation of cheques and accreditation of security printers and MICR encoders.

Mobile Banking and Mobile Payment Systems

The objective relating to the Guideline on Mobile Banking and Mobile Payment Systems, which became effective in February 2013 seeks to address risks associated with mobile payments and to set a risk management framework to address those risks. The Bank amended the clause specific to the use of airtime to protect the rights of consumers in June 2014. In view of innovations taking place in this area, the Bank has adopted a balanced approach with regard to regulation of mobile payments.

Initially, the use of airtime for payments was banned because airtime is discounted for VAT, has an expiry date and is sometimes subject to bonuses which might exceed its initial monetary value. However, today, the country is witnessing a rise in SMS-based services and games where the SMS is charged at a higher price than the normal fee and where the surplus is deducted from the airtime but paid to the service provider in monetary terms. Wary of the fact that such schemes might give rise to situations where money would be created by operators and with a view to protecting the rights of consumers, the Bank has also deemed it necessary to amend the clause specific to the use of airtime.

COMESA Regional Payment and Settlement System and SADC Integrated Regional Electronic Settlement System

The development of regional payment systems offers several advantages to the countries of the

⁷ The rules will deal with the initiation, processing and termination of direct debit transactions, spelling out the obligations of each party: the originator, the payer and their respective banks.

⁸ PLACH: Port Louis Automated Clearing House

region in terms of cost savings and shrinking transaction time.

The Bank of Mauritius is participant in the COMESA Regional Payment and Settlement System (REPSS) and the SADC Integrated Regional Settlement System (SIRESS):

- The REPSS is a cross border fund transfer system for countries in the COMESA region with the objectives of enhancing intra-regional trade by decreasing the cost of transfer and reducing the time taken for effective transfer of funds from 5 days to same day. The Bank of Mauritius is the settlement bank for the twenty central banks in the REPSS set up and holds accounts in Euro and USD on their behalf. Currently, Malawi, Mauritius, Swaziland and Rwanda are fully participating, while Egypt, Kenya, Zambia, and Uganda have completed the testing procedures.
- The SADC payments modernisation project was initiated by the Committee of Central Bank Governors (CCBG) in the SADC region to achieve the objectives of the SADC Finance and Investment Protocol (FIP). According to the FIP, SADC countries should cooperate on payment, clearing and settlement systems in order to facilitate trade integration.
- The vision of the SADC Integrated Regional Settlement System is to establish a payment system with a single currency and a common central bank for the region. In the absence of a monetary convergence, SIRESS has been pilot tested in the Rand Common Monetary Area (CMA). Accordingly, banks in Lesotho, Namibia, Republic of South Africa and Swaziland successfully went live on 22-23 July 2013.

National Payment Switch

Retail payment in Mauritius is still predominantly cash-based although more payments are being handled electronically and new types of payment with increasing complexities are being introduced. While debit and credit cards remain a familiar mode of payment, mobile phone-enabled payments are increasingly being used in the areas of micro-payments. Mobile phones and Personal Digital Assistants can be used as digital wallets. Contactless payments will soon be introduced.

Currently, complex privately owned payment networks are used for card payments, with little room for effective oversight by the Bank. Accordingly, the Bank views a National Payment Switch (NPS) as a vehicle to raise cost effectiveness in the payment value chain by putting all players on a level playing field and ensuring consumer protection. The NPS will cater for the effective clearing of card-based transactions from ATMs and point-of sales as well as mobile transactions. Considered a public good, the NPS will enhance the domestic financial architecture.

Mauritius Credit Information Bureau (MCIB)

Credit reporting systems are key components in the financial infrastructure of a country in that they improve the credit delivery system. Under the Bank of Mauritius Act 2004, the MCIB helps to foster financial stability by providing up-to-date information on the financial standing of credit-seekers. This office helps to screen and filter risky transactions. The effectiveness of a credit bureau can only be achieved with integrity and completeness of data. The MCIB has therefore continuously improved the quality of data collected while the Bank continues to expand the coverage of the MCIB for more comprehensive risk assessments. To further enhance the coverage of the MCIB and its services, the Bank of Mauritius Act was amended:

- Section 52 of the Bank of Mauritius Act⁹ was amended to enable the MCIB to collect, in addition to information from institutions offering credit and utility bodies, any such other information which contributes in the operation of a sound credit information system. The ultimate objective is to reduce the information costs of lending and, hence, allow more credit to be made available at lower interest rates.
- As not all financial operators are regulated by the Bank and in the aftermath of some recent financial scams, it has been decided that the Bank may impart information from the MCIB database under specific terms and conditions as it deems fit to public agencies or law enforcement agencies to enable them to discharge, or assist in discharging, any of their functions.
- The amended legal framework also enables the Bank to impart information to such institutions and for such purpose as it deems fit, where the person from whom the information is being sought has given his written consent for the information to be disclosed to the institution.

The number of credit profile reports drawn by participants, which reflects to some extent the demand for credit, was slightly lower during 2013-14 than in 2012-13. Chart 6.5 shows the monthly number of reports drawn during the past four financial years.

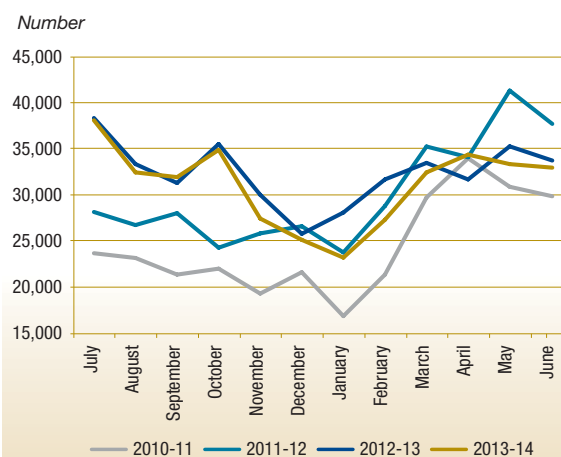
As per the “General Principles for Credit Reporting” issued by the World Bank in September 2011, credit reporting systems operated by central banks are classified as credit registries. The main objective of credit registries is to provide a database to financial

institutions regulated by the central banks in order to improve their credit portfolio. The coverage of the MCIB, which initially included only banks as participants, has now gone well beyond the boundaries of institutions regulated by the Bank. As such, emulating more the mode of a credit information bureau as per the World Bank, the MCIB collects data from sources encompassing regulated institutions as well as non-regulated institutions including utility bodies.

As at end-June 2014, the MCIB’s participation base comprised 44 institutions, including the Bank, 17 banks, 9 leasing companies, 9 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 and three utility bodies, namely, the Central Electricity Board, the Central Water Authority and the Waste Water Management Authority. As at end-June 2014, the MCIB database housed 2,580,597 credit records on 685,248 borrowers, of which 645,759 individuals and 39,807 firms, compared to 2,304,738 records and 652,639 borrowers a year earlier.

Chart 6.5

Monthly Credit Reports



Source: Payment Systems and MCIB Division.

⁹ The Economic and Financial Measures (Miscellaneous Provisions) Act 2013.

The MCIB envisages an increased coverage of the type of data it collects as well as the services it provides with a view to enriching data being used by lenders for underwriting credit facilities for better risk profiling of potential customers and improved risk management processes.

ISSUE OF BANKNOTES AND COINS

The Bank has the statutory obligation to ensure an adequate supply of banknotes and coins to meet the demand of the public in Mauritius. This includes:

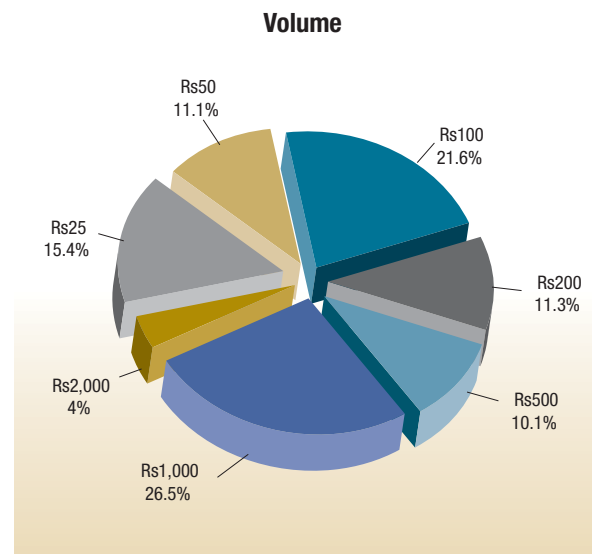
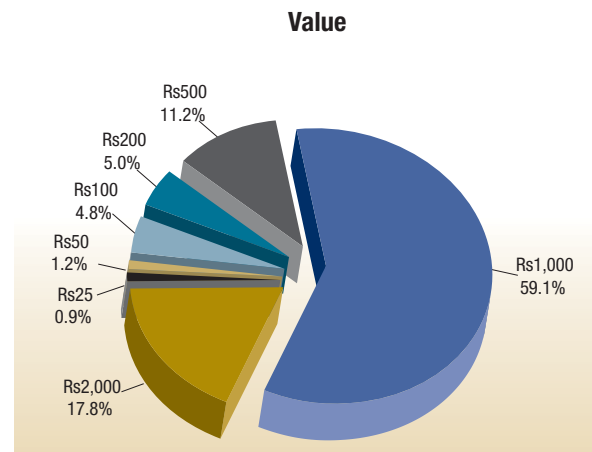
- ensuring the availability and supply of good quality banknotes and coins to banks;
- accepting the deposits of banknotes and coins from banks;
- attending to the destruction of soiled banknotes; and
- exchanging soiled and mutilated banknotes.

During 2013-14,

- banknotes and coins deposited at and issued by the Bank amounted to Rs34,647 million and Rs36,575 million, respectively. The Bank examined 60.2 million banknotes equivalent to an amount of Rs28,199 million, of which 19.2 per cent representing an amount of Rs2,347 million were found to be unfit for circulation and were destroyed.
- the value of banknotes in circulation rose by 7.9 per cent compared to 12.2 per cent in 2012-13 while the volume of banknotes rose by 9.1 per cent compared to 5.5 per cent in 2012-13.

Chart 6.6

**Banknotes in Circulation
as at 30 June 2014**



- the total value of coins in circulation increased by 7.5 per cent compared to 8.6 per cent in 2012-13. The volume of coins in circulation went up by 4.4 per cent in 2013-14 compared 3.8 per cent in 2012-13.

As at June 2014, Banknotes of Rs1,000 denomination represented 59.1 per cent of the total value of banknotes in circulation, followed by Rs2,000 denomination banknotes, which accounted for a share of 17.8 per cent. In

volume terms, Rs1,000 denomination banknotes represented 26.5 per cent of all banknotes in circulation followed by Rs100 denomination banknotes with a share of 21.6 per cent. Chart 6.6 depicts the total value and volume of banknotes in circulation by denominations.

Sale of Gold Minted Bars

The Bank offers bars of 10g, 50g, and 100g of Minted Gold (24 carats 999.9 assay) for sale. The selling and buying prices of each of the Minted Gold Bars are computed daily based on price of gold on the international market. The Bank offers a safe storage alternative in its vault free of charge for the first year. The Bank also guarantees a buyback option in cases where the certified packaging has not been tampered with.

Sale of Gold to Licensed Jewellers

The Bank imports and sells gold of high quality, that is, 24 carats 999.9 assay in bar forms of 1000 grams, 500 grams and 100 grams, as well as in grain forms to industrialists and licensed jewellers. The selling prices of industrial gold and gold bars are based on prevailing international gold market prices and 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 counter of the Bank of Mauritius, banks and the Mauritius

Duty Free Paradise at the SSR International Airport. 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.

Sale of Commemorative Coins

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

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. The selling price of the coin is Rs700.

2. *1997 Golden Wedding Collector Coin*

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

3. *'Father of the Nation' Platinum Coin Series*

The Bank sells a complete set of the unique, exclusive and prestigious collection of the three Platinum Coin Series released in 2009, 2010 and 2011 in a presentation box. These coins were issued in the 'Father of the Nation' Platinum Series to pay tribute to Sir Seewoosagur Ramgoolam. The selling price of each platinum coin is computed daily based on international market prices. These coins are also available in separate individual presentation cases with a certificate of authenticity.

The first platinum commemorative coin of Rs1,500 denomination in proof condition was issued in October 2009. The design on the obverse depicts the State House, Réduit with the inscription “Rs1,500” underneath. The second commemorative coin of Rs1,200 denomination in proof condition was issued in November 2010. The design on the obverse depicts the Aapravasi Ghat, with the inscription “Rs1,200” underneath. The third platinum commemorative coin of Rs1,200 denomination in proof condition was issued in December 2011. The design on the obverse depicts the Morne Brabant with the inscription “Rs1,200” underneath. The design on the reverse of the three coins bears an effigy of Sir Seewoosagur Ramgoolam.

Clean Banknote Programme

The Bank launched a Clean Banknote Programme in April 2010 in order to improve the overall quality of banknotes in circulation. This programme was subsequently revamped in June 2014.

Coin Deposit Campaign

The Bank launched a Coin Deposit Campaign in July 2012 with the objective of encouraging members of the public to deposit excessive coins in their possession with banks or to exchange them at the banking counter of the Bank of Mauritius. The Bank issued another Communiqué in June 2014 to inform members of the public that the campaign is on-going.

Issue of Polymer Banknotes

Polymer banknotes in denominations of Rs25, Rs50 and Rs500 were put into circulation by the Bank on 22 August 2013. These polymer banknotes are in circulation concurrently with the paper banknotes. The Rs25 and Rs500 polymer banknotes were shortlisted at the International Association of Currency Affairs (IACA) 2014 Technical Excellence in Currency Awards. The Rs25 polymer banknote came out second behind a banknote of Bank Al-Maghrib.

7

Regional Cooperation

INTRODUCTION

Long recognised as a key aspect of economic development given the associated benefits in terms of trade and investment, regional integration has been reinforced in recent years to further diversify the economy. The Bank participates in several regional initiatives with other central banks to co-ordinate monetary and financial policies and move forward the regional agenda. Several meetings are organised annually to review progress on regional initiatives and to deliberate on issues of common interest in the area of monetary and financial policies. These include, *inter alia*, reviewing:

- macroeconomic performance to ensure macroeconomic stability of the region; and
- progress on harmonisation of rules and regulation, and supervisory practices for promoting more integrated financial markets.

Meetings also aim at rendering cross-border activities in the region safer and developing infrastructure that supports regional integration like the regional payments system. Notwithstanding several challenges encountered, recent achievements indicate remarkable advancement in projects falling under the responsibility of central banks.

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

In terms of macroeconomic performance, the SADC region has continued to improve, with declining inflation rates and higher reserves accumulation. The average inflation rate for the region fell from 8.1 per cent in 2012 to 6.5 per cent in 2013, but was still higher than the convergence criteria's target inflation rate of 3 per cent. The average import cover rose from 4.6 months in 2012 to 5.2 months in 2013. Weak global economic conditions have had adverse impact on the average GDP growth in the region which stood at 4.8 per cent in 2013, compared to 5.0 per cent in 2012.

The 17th and 18th meetings of the Committee of Central Bank Governors (CCBG) were held in September 2013 and March 2014 in Swaziland and Namibia, respectively. Governors reviewed progress on numerous initiatives launched by the CCBG to support the regional integration agenda and noted that the SADC region had made significant headway towards the development, adoption and approval of the Policy Frameworks and Protocols.

Governors approved the setting-up of the framework for the SADC Macroeconomic Convergence Surveillance Mechanism. It was agreed that a third set of indicators relating to financial markets be formulated to strengthen and help harmonise the financial sector in the region as a pre-requisite for the attainment of the monetary and currency union. The Governors noted the comfortable levels of capital adequacy with average risk-weighted assets at 19.1 per cent as at end-September 2013. Banks' profitability in

the SADC region was stable with average return on assets and average return on equity at 2.5 per cent and 21.5 per cent, respectively.

In 2013, Mauritius' exports of goods to SADC countries represented 13.6 per cent of total exports while imports from SADC countries represented 8.6 per cent of total imports. Significant progress was made in the development of the SADC regional payment system - the SADC Integrated Regional Electronic Settlement System (SIRESS) - which is expected to boost trade and reduce transaction costs in the region. The Governors have also approved the inclusion of banks to the SADC Integrated Regional Electronic Settlement System from four non-CMA⁶ countries, including Mauritius. Technical experts visited Mauritius and conducted workshops and testing in June 2014. By end-June 2014, SIRESS had 48 participants comprising five central banks and 43 commercial banks. A total of 26,655 instructions had been settled for the value of ZAR357 billion. Mauritius is expected to join SIRESS by 15 September 2014.

FINANCIAL STABILITY BOARD REGIONAL CONSULTATIVE GROUP FOR SUB-SAHARAN AFRICA

During the year 2013-14, two meetings of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa were held. Discussions pertained to FSB policy priorities and work plan, the rise of Pan-African banking groups and associated risks, and key attributes of effective resolution for financial institutions. The Bank hosted the first of the two meetings, which also considered issues of shadow banking, credit rating agencies and risk management.

The FSB Plenary met on two occasions during 2013-14. As co-chair of the FSB RCG for Sub-Saharan Africa, the Governor of the Bank of Mauritius represented the region and briefed the

FSB Plenary on the work undertaken by the RCG for Sub-Saharan Africa and highlighted concerns pertaining to the region. The FSB has come up with *Key Attributes of Effective Resolution Regimes for Financial Institutions* that sets out twelve core features that should be part of the resolution regimes of all jurisdictions to address the 'Too big to fail' problem.

Weaknesses in information sharing and home-host cooperation among regulators remain a source of concern in Sub-Saharan Africa. Accordingly, the RCG for Sub-Saharan Africa has set up a working group to assess the arrangements in place, identify shortcomings and make appropriate recommendations to improve the existing processes.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

Macroeconomic performance in the COMESA region has been improving, although several macroeconomic challenges facing the region persist. The average inflation rate in COMESA fell from 10.4 per cent in 2012 to 8.0 per cent in 2013. Real GDP growth in the COMESA region, excluding Libya, was stable at 4.4 per cent. The main determinants of growth were:

- increased domestic demand;
- foreign direct investment into extractive industries;
- higher Government expenditure on infrastructure; and
- improving macroeconomic management.

Nonetheless, many countries in COMESA remained vulnerable to external shocks given weak reserve accumulation, high current account deficit and low savings rate.

⁶ CMA stands for the Common Monetary Area of the South African Rand.

The 19th Meeting of the COMESA Committee of Governors of Central Bank was held in November 2013 in Malawi. Governors reviewed:

- progress on decisions made since previous meeting;
- the performance of member countries with respect to the COMESA macroeconomic convergence criteria; and
- work of the COMESA Monetary Institute (CMI).

During the period under review, the CMI organised capacity building programmes in econometric modelling and stress testing for the benefit of member countries. The CMI prepared Manuals on stress testing and developed operational tools for the implementation of the COMESA Assessment Framework for Financial System Stability. Efforts are being pursued to make progress on the adherence to the 25 Core Principles for Effective Banking Supervision and the Core principles for Systematically Important Payment Systems of the Bank of International Settlements, in the COMESA region.

The COMESA Regional Payment Settlement System (REPSS) continues to develop. Currently, Malawi, Mauritius, Swaziland, Rwanda and Uganda are already using the REPSS, while Egypt, Kenya and Zambia have completed the testing procedures. It is estimated that COMESA member countries could save as much as US\$75.5 million per year, where no confirmation for letter of credit is required, if all intra-COMESA trade is routed through REPSS and, as such, is expected to boost intra-regional trade. Mauritius' exports of goods to countries in the COMESA region represented 7.1 per cent of total exports of goods, while Mauritius' imports of goods from COMESA member countries represented 3.3 per cent of total imports of goods in 2013.

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

The Bank hosted for the first time in its history the 37th Assembly of Governors of the AACB in August 2013. The meeting was attended by thirty-two Governors of central banks and representatives of key international institutions. The Assembly was preceded by a Symposium on the theme: *"Financial Inclusion in Africa: the Challenges of Financial Innovations for Monetary Policy and the Stability of Financial System"*. Officially opened by Dr The Honourable Navinchandra Ramgoolam, Prime Minister of the Republic of Mauritius, the Symposium underscored the importance of financial inclusion in fostering inclusive growth among member countries and examined the implications of financial innovation on monetary policy and financial stability.

The Assembly of Governors elected the Governor of Bank of Mauritius and Governor of Banque des Etats de l'Afrique Centrale as the Chairman and Vice-Chairman of the AACB for the year 2013-2014. Examining the conclusions of the African Union Commission-AACB Joint Committee Report on the strategy for the creation of the African Central Bank, Governors agreed to take into account the political and institutional context of each country and to proceed step-by-step while focusing on economic integration.

Other issues addressed by the Assembly of Governors included the timing for meeting the convergence criteria and the outstanding request by African countries for a third chair at the IMF Board:

- The Assembly took note of the adverse impact of the international economic environment, regional and domestic factors on the macroeconomic performance of member countries, which made it difficult to meet the convergence criteria under Stage III (2009-2012). The Assembly decided to defer the proceeding to stage IV (2013-15) of

the Programme for two years, during which the criteria under Stage III would remain valid. It also endorsed the initiative of South African Reserve Bank reiterating the AACB's support for a third Chair on the Executive Board of the IMF. The Assembly authorised the AACB Chairman to write formally to the IMF Managing Director with a copy to the Executive Directors of IMF and the Chair of the African Union Commission, to reiterate the long-standing demand for a third seat representing Sub-Saharan Africa on the IMF Board.

- Governors also took note of the establishment of the Community of African Banking Supervisors (CABS) and directed that a Working Committee comprising experts in Banking Supervision to develop a comprehensive work plan and budget for submission to its next meeting. It was agreed that the theme for the 2014 AACB Symposium would be *"Central Banks' Independence: Myth or Reality?"* and *"The Imperatives for Improvement and Integration of Payment Systems in Africa"* was selected as the theme for the 2014 Continental Seminar. The Banque d'Algérie volunteered to host the Continental Seminar.

Community of African Banking Supervisors (CABS)

The CABS was established under the joint AACB/Making Finance Work for Africa framework as a platform for deepening the dialogue between African banking supervisors on priority policy issues. CABS meetings are expected to reflect on relevant global regulatory and supervisory issues and help in voicing the concerns of the continent. The inaugural CABS meeting was held in January 2013, in Algeria. The CABS Working Committee comprises experts from the supervision division of central banks, representing the five sub-regions of the

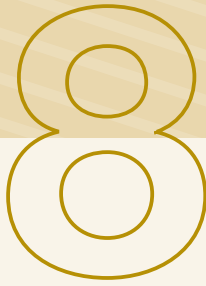
AACB. The Bank was appointed Chair of CABS for the year 2013-14. In line with the decision of the 37th Assembly of Governors of the AACB, a Working Committee was set up to prepare the work program of CABS for the years 2014-2016. During the meeting of the Working Committee, which the Bank hosted in January 2014, the CABS work plan and related budget for the period 2014-16 were drafted.

Three Working Groups were established to address issues of:

- Cross-Border Supervision;
- Crisis management and banking resolution; and
- Carrying out a comprehensive diagnosis to identify regulatory and supervisory strengths and weaknesses of each member country.

First Ordinary Meeting of the Bureau Meeting of the AACB

At its first Ordinary Meeting in February 2014, the Bureau of the AACB adopted the Report on the 2013 Annual Symposium and the Report of the 37th Ordinary Meeting of the Assembly of Governors. The Bureau noted with satisfaction that, in 2013, African economies were resilient despite prevailing uncertainties in the global economy. More countries met their inflation criteria due to prudent monetary policy and enhanced fiscal discipline. However, severe external vulnerabilities remain, especially for a number of countries with limited foreign exchange reserve buffers. The Bureau encouraged member countries to pursue efforts in meeting convergence criteria prescribed by the African Monetary Cooperation Programme. The Bureau welcomed the Banque Centrale de Madagascar, which resumed its activities within the AACB. The Bureau approved the work plan (2014-16) of CABS, as well as the interim work program and budget for 2014.



Financial Statements

BANK OF MAURITIUS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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INTRODUCTION

The net loss for the financial year ended 30 June 2014 in terms of section 11(1) of the Bank of Mauritius Act 2004 (the Act) was Rs320.6 million compared to a net profit of Rs71.0 million for the previous financial year. Persistent low yield environment in the international market continued to exert downward pressure on interest income from foreign assets. In addition, the cost of issuing Bank of Mauritius securities to absorb the excess liquidity in the rupee market negatively impacted on the results of the Bank.

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 25 September 2014 to consider the Financial Statements of the Bank for the financial year ended 30 June 2014 and determined the net loss for the year then ended.

Assets

Purchases of foreign exchange under the Operation Reserves Reconstitution led to an increase in the foreign assets of the Bank. Domestic assets also increased due to disbursements under the Special Line of Credit in Foreign Currency.

Liabilities

Liabilities recorded an increase mainly on account of a substantial growth in the issue of Bank of Mauritius Securities and also due to an increase in both Government's and banks' deposits.

Capital and Reserves

Total reserves increased due to gain on Revaluation of Foreign Currencies, SDR, Gold and portfolio 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. The net loss for the year in terms of section 11(1) of the Act was met out of transfer from 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 states 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 reports 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 three other Directors. The Act provides for not less than five but not more than seven other Directors. The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

We have audited the financial statements of Bank of Mauritius (the "Bank") which comprise the statement of financial position as at 30 June 2014 and the statements of profit or loss and other 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, as set out on pages 102 to 146.

This report, including the opinion, has been prepared for and only for, the Board of Directors ("the Board") and for no other purpose. Our audit work has been undertaken so that we might state to the Board 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 Board, 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.



KPMG
John Chung, BSc FCA
Ebène, Mauritius
Licensed by FRC
Date: 25 September 2014

Auditors' Responsibility

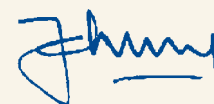
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 102 to 146 give a true and fair view of the financial position of the Bank as at 30 June 2014 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.



John Chung, BSc FCA
Licensed by FRC

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 Rs	2013 Rs
ASSETS			
<i>Foreign Assets:</i>			
Cash and Cash Equivalents	6	59,615,507,853	62,862,652,325
Other Balances and Placements	7	59,862,914,412	40,382,784,174
Interest receivable		152,221,498	179,138,050
Other Investments	8	227,397,412	223,455,138
		119,858,041,175	103,648,029,687
<i>Domestic Assets:</i>			
Loans and Advances	9	2,314,995,798	1,497,577,281
Investment in Government Securities	10	6,215,892,739	6,620,341,688
Computer Software	11	5,169,565	426,637
Property, Plant and Equipment	12	1,653,378,324	1,730,916,044
Other Assets	13	551,269,585	521,635,665
TOTAL ASSETS		130,598,747,186	114,018,927,002
LIABILITIES			
Currency in Circulation	14	26,583,439,329	24,644,007,420
<i>Demand Deposits:</i>			
Government		16,871,009,961	16,088,970,127
Banks		35,505,536,267	28,377,491,471
Other Financial Institutions		100,195,342	101,562,119
Others		379,412,551	176,694,394
		52,856,154,121	44,744,718,111
Bank of Mauritius Securities	15	23,676,009,722	17,857,231,334
Provisions	16	100,000,000	100,000,000
Employee Benefits	17	276,927,702	251,535,190
Other Liabilities	18	5,238,283,590	5,022,061,366
TOTAL LIABILITIES		108,730,814,464	92,619,553,421
CAPITAL AND RESERVES			
Stated and Paid up Capital	5	2,000,000,000	2,000,000,000
Reserves	5	19,867,932,722	19,399,373,581
TOTAL CAPITAL AND RESERVES		21,867,932,722	21,399,373,581
TOTAL LIABILITIES, CAPITAL AND RESERVES		130,598,747,186	114,018,927,002



A.K. Tohooloo
Head-Accounting and Budgeting



M.I. Soormally
Second Deputy Governor



R. Bheenick
Governor

Date: 25 September 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rs	2013 Rs
<i>Income from Financial Assets</i>			
Interest and Similar Income on Foreign Assets	19 (a)	691,195,117	794,011,948
Interest and Similar Income on Domestic Assets	19 (b)	275,896,501	362,498,278
Others	19 (c)	(1,057,220)	(50,334,435)
	19	966,034,398	1,106,175,791
Gain/(Loss) on Foreign Exchange Transactions, Revaluation of Foreign Currencies and SDR		231,184,086	(552,173,290)
Other Income	20	96,551,441	69,496,533
Gain/(Loss) on Financial Instruments at Fair Value Through Profit or Loss		642,938,951	(1,302,304,093)
REVENUE		1,936,708,876	(678,805,059)
Interest Expense and Similar Charges	21	6,954	26,143
Staff Salaries and Other Benefits	22	356,181,952	375,892,524
General Expenditure		170,572,455	156,989,980
Fees Payable		38,202,360	32,267,523
Coin Issue Expenses		19,539,064	8,477,489
Note Issue Expenses		75,169,638	45,853,521
Depreciation and Amortisation		109,311,448	125,716,004
Directors' Remuneration	23	17,277,673	16,599,962
IMF Charges	32	3,161,724	2,370,305
Other Expenditure	24	21,642,028	18,096,795
EXPENDITURE		811,065,296	782,290,246
OPEN MARKET OPERATIONS	25		
Interest on Bank of Mauritius Securities		656,065,169	384,330,134
NET PROFIT/(LOSS) FOR THE YEAR		469,578,411	(1,845,425,439)
OTHER COMPREHENSIVE INCOME			
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurements of defined benefit liability		(1,019,270)	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		468,559,141	(1,845,425,439)

STATEMENT OF DISTRIBUTION FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rs	2013 Rs
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR - AS PER IFRS		468,559,141	(1,845,425,439)
Transfer (to)/from Special Reserve Fund in terms of sections 47(1) and 47(1A) of the Bank of Mauritius Act 2004	5	(789,207,116)	1,916,421,982
NET (LOSS)/PROFITS FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004		(320,647,975)	70,996,543
Transfer from/(to) General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004		320,647,975	(10,649,482)
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004		-	60,347,061

The above Statement of Distribution has been prepared according to the requirements of the Bank of Mauritius Act 2004. It does not form part of the primary statements, but has been compiled from information contained in the Statement of Changes in Equity.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Accumulated Profit	Total
	Rs	Rs	Rs	Rs	Rs
Balance at 1 July 2012	2,000,000,000	3,236,869,674	18,068,276,407	-	23,305,146,081
Total Comprehensive Income					
- Net loss for the year	-	-	-	(1,845,425,439)	(1,845,425,439)
<i>Other Comprehensive Income</i>					
Total comprehensive income	-	-	-	(1,845,425,439)	(1,845,425,439)
Transfer from Special Reserve Fund	-	-	(1,916,421,982)	1,916,421,982	-
Transfer to General Reserve Fund	-	10,649,482	-	(10,649,482)	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	(60,347,061)	(60,347,061)
Balance at 30 June 2013	2,000,000,000	3,247,519,156	16,151,854,425	-	21,399,373,581
Balance at 01 July 2013	2,000,000,000	3,247,519,156	16,151,854,425	-	21,399,373,581
Total Comprehensive Income					
- Net profit for the year	-	-	-	469,578,411	469,578,411
<i>Other Comprehensive Income</i>					
- Remeasurement of Defined Benefit Liability	-	-	-	(1,019,270)	(1,019,270)
Total comprehensive income	-	-	-	468,559,141	468,559,141
Transfer to Special Reserve Fund	-	-	789,207,116	(789,207,116)	-
Transfer from General Reserve Fund	-	(320,647,975)	-	320,647,975	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	-	-
Balance at 30 June 2014	2,000,000,000	2,926,871,181	16,941,061,541	-	21,867,932,722

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	<u>Note</u>	<u>2014</u> Rs	<u>2013</u> Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated From Operating Activities	26	15,159,071,443	18,056,914,341
CASH FLOWS FROM INVESTING ACTIVITIES			
Movement in Other Balances and Placements		(19,147,411,842)	(8,464,928,752)
Movement in Investment in Government Securities		383,598,869	2,700,279,406
Additions to Computer Software		(7,552,937)	(374,089)
Acquisition of Property, Plant and Equipment		(30,230,635)	(104,595,272)
Proceeds from Sale of Property, Plant and Equipment		787,372	2,749,389
Change in Other Investments		4,265,472	-
Dividend Received		1,618,187	1,301,557
Net Cash Generated From Investing Activities		(18,794,925,514)	(5,865,567,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
Balance of net profits paid into the Consolidated Fund		(60,347,061)	(336,041,435)
Net (decrease)/Increase in Cash and Cash Equivalents		(3,696,201,132)	11,855,305,145
Cash and Cash Equivalents at 1 July		62,862,652,325	53,040,392,255
Effect of exchange rate fluctuations on Cash and Cash Equivalents		449,056,660	(2,033,045,075)
Cash and Cash Equivalents at 30 June	6	59,615,507,853	62,862,652,325

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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;
- the liability for defined benefit obligations is recognised as the fair value of plan assets less the present value of the defined benefit obligations.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

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

(e) New Standards and Amendments applicable for the first time

IFRS 13: Fair Value Measurement

IFRS 13 establishes single framework for measuring fair value and making disclosure about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Bank has included additional disclosures in this regard (see Note 29).

In accordance with the transitional provisions of IFRS 13, the Bank has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Bank's assets and liabilities.

IAS 19 Employee Benefits (amended 2011)

The amendments to IAS 19 have been adopted by the Bank for the first time for the financial reporting period ended 30 June 2014.

One of the significant changes in the amended standard is the elimination of the 'corridor method' under which the recognition of actuarial gains and losses could be deferred. Instead, all actuarial gains and losses are recognised immediately in other comprehensive income.

The impact on the Bank is as follows: immediately recognising all past service costs; and replacing interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). In addition, actuarial gains and losses are reported under other comprehensive income.

(f) New Standards and Amendments not yet effective for 2014

Recoverable Amount Disclosures for Non-Financial Assets (Amendment to IAS 36)

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted. The Bank will adopt the amendments for the year ending 30 June 2015.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

service is rendered. The Bank's defined benefit plan meets these requirements and consequently the Bank intends to apply this amendment and will recognise the contributions as reduction of the service costs in the period in which the related service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.

The Bank will adopt the amendments for the year ending 30 June 2015.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The Bank currently has several intangible assets and plants that are amortised or depreciated using a revenue-based method. The Bank cannot overcome the rebuttable presumption above for its intangible assets, and consequently will have to change the amortisation and depreciation method for these items.

The amendments apply prospectively for annual periods beginning on or after 1 July 2016 and early adoption is permitted.

IFRS 9 Financial Instruments

This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different.

The standard is effective for annual periods beginning on or after 1 July 2018 with retrospective application, early adoption is permitted.

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 and measurement

Financial assets and financial liabilities at *fair value through profit or loss* are initially recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated. Financial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss and subsequently measured at fair value. The Bank's Foreign Investments, Gold deposits, Other Investments and Investment in Government Securities fall under this category.

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

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

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

(iii) Derecognition

Financial assets are derecognised when the

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

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Fair Value Measurement Principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation wholly supported by observable market data or the transaction is closed out.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Gold Deposits

Gold Deposits are held by the Bank for reserve management purposes. IAS 39 specifically excludes from its scope gold deposits and therefore *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, has been

considered to assess the most appropriate accounting for the gold deposits. As a result, IAS 39 has been applied by analogy and gold deposits are classified as a financial asset reported at fair value through profit or loss. Accordingly, all gains and losses on revaluation of gold are recognised in profit or loss. Gold is valued at the price ruling on the international market.

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 Treasury Notes, Bonds and Mauritius Development Loan Stocks (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.

Gains and Losses on Subsequent Measurement

Gains or losses on FVTPL financial assets and financial liabilities arising from changes in their fair value are recognised in profit or loss in the period in which they arise. For those financial instruments carried at amortised cost, gains or losses are recognised in profit or loss when the financial instrument is de-recognised or impaired and through the amortisation process.

(vi) Bank of Mauritius Securities

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(vii) 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.

Other balances and placements

Other balances and placements comprise balances with more than three months' maturity from the date of acquisition, including deposits held with banks abroad.

(b) Computer Software

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

(c) Property, Plant and Equipment

Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they

are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives (except for motor vehicles which are depreciated as stated below), and is generally recognised in profit or loss. Freehold land and capital work in progress are not depreciated.

Depreciation is provided at the following annual percentage rates:

Buildings	-	2%
Furniture, Equipment, Fixtures and Fittings	-	10%
Computer Equipment, Cellular Phones and ICT Systems	-	$33\frac{1}{3}\%$
Motor Vehicles	-	40% for 1 st year then 20% for each of the three subsequent years

Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(d) Industrial Gold, Dodo Gold Coins and Gold Bars

Inventories of Industrial Gold, Dodo Gold Coins and Gold Bars are measured at the lower of cost 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 profit or loss when incurred.

(f) Employee Benefits

Defined Benefit Pension Plan

The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary. Currently, the Bank employs the State Insurance Company of Mauritius as its actuary. When the calculation results in a potential asset for the

Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in staff expenses and other benefits in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination Benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits. If benefits are not expected to be settled wholly within 12 months at the end of the reporting period then they are discounted.

State Pension Plan

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

(g) Income and Expenditure Recognition

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

Dividend income from equity investments is accounted for in profit or loss as “others” when the right to receive payment is determined.

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

(g) Income and Expenditure Recognition (Cont'd)

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis,
- Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in gain or loss from other financial instruments carried at fair value through profit or loss.

(h) Foreign Currencies

Transactions in foreign currencies are recorded in Mauritian Rupees using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupees using the rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are included in profit or loss in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates). However, for the purpose of determining the net profits of the Bank in terms of section 11 of the Bank of Mauritius Act 2004, foreign exchange differences are excluded in accordance with section 47(2) of the Act. Non-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transactions.

(i) Impairment

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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) Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by the Bank through their best estimate of the expenditure required to settle the obligation at the reporting date. These are calculated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. USES OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Particular areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3 (a) (vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Employee benefits

The present value of the employee benefits, consisting of gratuity and compensation, depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

The main assumption used in determining the net cost or income for employee benefits is the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations.

In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds or its equivalent that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Details of the defined benefit obligation is disclosed in Note 17.

Key judgements

Determination of Functional Currency

Functional currency is the currency of the primary economic environment in which the Bank operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Management has determined that the functional currency of the Bank is Mauritian Rupees ("Rs") as majority of the Bank's transactions, operating expenses and liabilities are denominated in Mauritian Rupees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. CAPITAL AND RESERVES

Stated and Paid up Capital

The stated and paid up capital of the Bank is Rs 2 billion in accordance with section 10(4) of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government of Mauritius (refer to Note 1).

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with section 11 of the Bank of Mauritius Act 2004 (refer to Note 1).

Special Reserve Fund

In terms of section 47(1) of the Bank of Mauritius Act 2004, the Special Reserve Fund is a reserve built up from any net realised gains or losses in any financial year of the Bank arising from changes in the valuation of its assets or

liabilities in, or denominated in gold, SDR, or foreign currencies subsequent to any change in the values or exchange rates of gold, SDR, or foreign currencies in terms of the domestic currency.

Section 47(1A) of the Bank of Mauritius Act 2004 introduced in December 2011 provides that any unrealised gains or losses of the Bank in any financial year arising from changes in the valuation of investments held by the Bank shall be credited to or debited from the Special Reserve Fund.

As per section 47(2) of the Bank of Mauritius Act 2004, neither net gains nor net losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, SDR, or foreign currencies shall be included in the computation of annual income of the Bank.

	<u>2014</u> Rs	<u>2013</u> Rs
(Gain)/Loss on revaluation of Foreign Currencies and SDR	(146,268,165)	614,117,889
(Gain)/Loss on Financial Instruments at Fair Value Through Profit or Loss	(642,938,951)	1,302,304,093
Transfer (to)/from Special Reserve Fund in terms of sections 47(1) and 47(1A) of the Bank of Mauritius Act 2004	(789,207,116)	1,916,421,982

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Short Term Deposit Accounts	43,102,433,042	42,972,959,216
Special Drawing Rights (SDR)	4,667,987,768	4,662,191,138
Repurchase Agreement	4,717,268,400	8,159,572,920
Current Accounts	3,256,023,830	2,299,599,864
Foreign Currency Notes and Coins	3,279,019	450,300
Gold Deposits	3,802,889,925	4,698,951,122
Foreign Liquid Securities	65,625,869	68,927,765
Total - current	<u>59,615,507,853</u>	<u>62,862,652,325</u>

Gold deposits under cash and cash equivalents represent gold bars held by the Bank for reserve management purposes and are readily convertible into cash.

7. OTHER BALANCES AND PLACEMENTS

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Foreign Investments	28,645,207,964	28,128,997,602
Long Term Deposit Accounts	30,019,632,443	12,253,786,572
Gold Deposits	1,198,074,005	-
	<u>59,862,914,412</u>	<u>40,382,784,174</u>

Foreign Investments represent funds outsourced to Fund Managers and comprise long term deposits, securities and bonds. Gold deposits refer to gold bars held for long term investment purposes.

8. OTHER INVESTMENTS

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Unquoted Investments	<u>227,397,412</u>	<u>223,455,138</u>

Basis of valuation

Unquoted Investments have been valued on the basis of the latest available data in respect of the investee entities. Investments, for which there is no active market, have been stated at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. LOANS AND ADVANCES

	<u>2014</u> Rs	<u>2013</u> Rs
Special Line of Credit in Foreign Currency	2,302,416,940	1,485,189,813
Others	12,578,858	12,387,468
	<u>2,314,995,798</u>	<u>1,497,577,281</u>

Advances under Special Lines of Credit are granted to banks 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

	<u>2014</u> Rs	<u>2013</u> Rs
Government of Mauritius Treasury Bills	2,170,016,102	2,992,213,115
Other Government Securities	4,045,876,637	3,628,128,573
	<u>6,215,892,739</u>	<u>6,620,341,688</u>

11. COMPUTER SOFTWARE

	Rs
COST	
At 1 July 2012	122,825,841
Additions	<u>374,089</u>
At 30 June 2013	123,199,930
Additions	<u>7,552,937</u>
At 30 JUNE 2014	<u>130,752,867</u>
AMORTISATION	
At 1 July 2012	117,369,211
Charge for the year	<u>5,404,082</u>
At 30 June 2013	122,773,293
Charge for the year	<u>2,810,009</u>
At 30 JUNE 2014	<u>125,583,302</u>
NET BOOK VALUE	
At 30 JUNE 2014	<u>5,169,565</u>
At 30 June 2013	<u>426,637</u>
At 30 June 2012	<u>5,456,630</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2012	1,536,391,792	4,806,099	686,191,033	111,510,778	27,921,212	2,366,820,914
Additions	80,864,310	3,894,216	7,664,128	5,170,618	7,002,000	104,595,272
Reclassification	-	-	24,609	(24,609)	-	-
Scrapped	-	-	(119,704)	(1,232,058)	-	(1,351,762)
Disposals	(3,637,595)	-	(793,999)	(12,097,606)	(7,076,325)	(23,605,525)
At 30 June 2013	1,613,618,507	8,700,315	692,966,067	103,327,123	27,846,887	2,446,458,899
Additions	17,702,711	2,759,425	2,521,641	6,474,205	772,653	30,230,635
Reclassification	-	-	(867,670)	-	-	(867,670)
Scrapped	-	-	(28,915,152)	-	-	(28,915,152)
Disposals	-	-	(790,326)	(1,169,679)	(583,530)	(2,543,535)
At 30 JUNE 2014	1,631,321,218	11,459,740	664,914,560	108,631,649	28,036,010	2,444,363,177
DEPRECIATION						
At 1 July 2012	148,349,403	-	361,728,616	87,704,447	20,088,667	617,871,133
Charge for the year	29,682,569	-	66,983,385	17,510,193	6,135,775	120,311,922
Reclassification	-	-	(96,178)	96,178	-	-
Scrapped	-	-	(107,733)	(1,228,958)	-	(1,336,691)
Disposals	(1,384,416)	-	(765,462)	(12,078,306)	(7,075,325)	(21,303,509)
At 30 June 2013	176,647,556	-	427,742,628	92,003,554	19,149,117	715,542,855
Charge for the year	29,692,124	-	66,324,096	6,530,472	3,954,746	106,501,438
Reclassification	-	-	(86,767)	-	-	(86,767)
Scrapped	-	-	(28,915,152)	-	-	(28,915,152)
Disposals	-	-	(323,401)	(1,151,590)	(582,530)	(2,057,521)
At 30 JUNE 2014	206,339,680	-	464,741,404	97,382,436	22,521,333	790,984,853
CARRYING AMOUNT						
At 30 JUNE 2014	1,424,981,538	11,459,740	200,173,156	11,249,213	5,514,677	1,653,378,324
At 30 June 2013	1,436,970,951	8,700,315	265,223,439	11,323,569	8,697,770	1,730,916,044
At 30 June 2012	1,388,042,389	4,806,099	324,462,417	23,806,331	7,832,545	1,748,949,781

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. OTHER ASSETS

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Net balances due in clearing	111,219,105	60,442,908
Staff Loans	90,049,691	95,312,457
Prepayments	84,861,470	86,101,544
Industrial Gold and Dodo Gold Coins	93,853,302	101,375,825
Gold Bars	99,442,640	108,385,020
Interest Receivable on domestic assets	67,352,428	65,528,350
Others	4,490,949	4,489,561
	<u>551,269,585</u>	<u>521,635,665</u>

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

14. CURRENCY IN CIRCULATION

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Notes issued		
Face value		
2,000	4,531,968,000	2,861,192,000
1,000	15,064,127,000	15,537,772,000
500	2,870,911,500	2,417,909,000
200	1,282,888,400	1,241,391,200
100	1,236,647,200	1,119,334,700
50	314,396,800	275,671,600
25	218,479,825	185,266,375
Demonetised Notes	216,261,785	216,737,145
Total	<u>25,735,680,510</u>	<u>23,855,274,020</u>
Coins issued		
Face value		
20 rupees	200,999,760	177,628,380
10 rupees	266,089,100	249,494,240
5 rupees	119,363,575	112,832,085
1 rupee	145,387,776	136,388,647
50 cents	32,408,239	31,061,406
25 cents **	6,332,104	6,334,285
20 cents	42,151,481	40,405,377
10 cents **	2,419,590	2,421,636
5 cents	9,915,294	9,523,018
2 cents **	330,419	330,478
1 cent	222,728	222,800
Others***	22,138,753	22,091,048
Total	<u>847,758,819</u>	<u>788,733,400</u>
Total face value of Notes and Coins in Circulation	<u>26,583,439,329</u>	<u>24,644,007,420</u>

** These denominations have ceased to be issued by the Bank.

*** Others include Gold Coins and Commemorative Coins.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

15. BANK OF MAURITIUS SECURITIES

	<u>2014</u> Rs	<u>2013</u> Rs
Bank of Mauritius Savings Bonds	907,400	907,400
Bank of Mauritius Bonds	2,665,967,927	758,271,385
Bank of Mauritius Notes	7,688,860,791	5,773,684,581
Bank of Mauritius Bills	13,320,273,604	11,324,367,968
	<u>23,676,009,722</u>	<u>17,857,231,334</u>

16. PROVISIONS

	<u>2014</u> Rs	<u>2013</u> Rs
Balance at 30 June	<u>100,000,000</u>	<u>100,000,000</u>

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:

	<u>2014</u> Rs	<u>2013</u> Rs
Defined Benefit Plan (Note (a))	179,196,680	153,860,926
Short Term Employee Benefits (Note (b))	97,731,022	97,674,264
	<u>276,927,702</u>	<u>251,535,190</u>

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17. EMPLOYEE BENEFITS (CONT'D)

The plan is exposed to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

The report dated 27 June 2014 submitted by The State Insurance Company of Mauritius Ltd is produced hereunder.

The application of IAS 19 (Revised) does not have a significant impact on the 2013 comparatives. As a result, the latter have not been restated.

Amounts recognised in profit or loss:

	<u>2014</u> Rs	<u>2013</u> Rs
Current Service Cost	12,582,271	20,217,159
Employee Contributions	(11,098,066)	(9,723,125)
Fund Expenses	777,781	681,459
Net interest expense	50,072,394	36,726,504
Actuarial Loss	-	11,221,480
Net Periodic Pension Cost included in Staff Costs	<u>52,334,380</u>	<u>59,123,477</u>

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

Actuarial Loss	<u>1,019,270</u>	<u>-</u>
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Movements in liability recognised in the Statement of Financial Position:

	<u>2014</u> Rs	<u>2013</u> Rs
At 1 July	153,860,926	119,236,333
Total Expenses as per above	52,334,380	59,123,477
Actuarial Losses recognised in OCI	1,019,270	-
Bank of Mauritius share of pension(topping-up)	(226,916)	(149,076)
Employer Contributions	<u>(27,790,980)</u>	<u>(24,349,808)</u>
At 30 June	<u>179,196,680</u>	<u>153,860,926</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17. EMPLOYEE BENEFITS (CONT'D)

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

	<u>2014</u>	<u>2013</u>
	Rs	Rs
At 1 July	(874,011,682)	(721,614,162)
Current Service Cost	(12,582,271)	(20,217,159)
Interest Cost	(83,031,110)	(68,553,345)
Actuarial losses	(1,106,277)	(106,395,485)
Benefits Paid	<u>90,222,128</u>	<u>42,768,469</u>
At 30 June	<u>(880,509,212)</u>	<u>(874,011,682)</u>

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

	<u>2014</u>	<u>2013</u>
	Rs	Rs
At 1 July	372,875,820	339,633,346
Expected Return on Plan Assets	32,958,716	31,826,841
Actuarial Gains	87,007	10,643,552
Contributions from the Employer	27,790,984	24,349,808
Employee Contributions	11,098,066	9,723,125
Benefits Paid (Excluding BOM share of pension)	(89,995,212)	(42,619,393)
Fund Expenses	<u>(777,781)</u>	<u>(681,459)</u>
At 30 June	<u>354,037,600</u>	<u>372,875,820</u>

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

	<u>30 June 2014</u>	<u>30 June 2013</u>
	%	%
<i>Major categories of Plan Assets</i>		
Local Equities	22	22
Overseas Equities and Bonds	16	12
Fixed Interest	61	65
Others	1	1
Expected return on Plan Assets	9.5	9.5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17. EMPLOYEE BENEFITS (CONT'D)

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

The actual return on plan assets was Rs25.4 million (2013: Rs39.2 million).

The history of experience adjustments is as follows:-

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Experience (losses)/gains on plan liabilities	(109,899,068)	(106,395,485)
Experience (losses)/gains on plan assets	8,643,402	10,643,552

The Bank expects to make a contribution of Rs25.5 million (2013: Rs24.5 million) to the defined benefit plans during the next financial year. This estimate may be amended by the Bank of Mauritius on the basis of availability of more accurate information.

Additional disclosure on assets issued or used by the reporting entity

	<u>2014</u>	<u>2013</u>
	%	%
Percentage of assets at end of year		
Assets held in the entity's own financial instruments	0	0
Property occupied by the entity	0	0
Other assets used by the entity	0	0
Weighted average duration of the defined benefit obligation (Calculated as a % change in PV of liabilities for a 1% change in discount rate)		12 years

The principal actuarial assumptions used for accounting purposes were:

	<u>2014</u>	<u>2013</u>
Discount Rate	9.5%	9.5%
Expected Return on Plan Assets	9.5%	9.5%
Future Long-term Salary Increases	4.0%	7%
Post Retirement Mortality Tables Increases	2.5%	5%
Mortality before retirement	A 6770 Ultimate Tables	
Mortality in retirement	PA (90) Tables (adjusted)	
Retirement age	As per Statutory Bodies Pension Funds Act	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17. EMPLOYEE BENEFITS (CONT'D)

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period.

If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs 68 million (increase by Rs 91 million) if all other assumptions were held unchanged.

If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs 40 million (decrease by Rs 27 million) if all assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs 18 million (decrease by Rs 18 million) if all assumptions were held unchanged.

(b) Short Term Employee Benefits

	<u>2014</u> Rs	<u>2013</u> Rs
Provision for Annual and Sick Leaves	59,649,312	63,061,767
Provision for Passage Benefits	38,081,710	34,612,497
	<u>97,731,022</u>	<u>97,674,264</u>

(c) Defined Contribution Pension Fund

	<u>2014</u> Rs	<u>2013</u> Rs
Contributions Expensed (Note 22)	<u>26,369,313</u>	<u>26,721,568</u>

(d) State Pension Plan

	<u>2014</u> Rs	<u>2013</u> Rs
National Pension Scheme Contributions (Note 22)	<u>1,702,621</u>	<u>886,313</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18. OTHER LIABILITIES

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	60,347,061
Creditors	263,675,190	333,037,780
Abandoned Funds from Financial Institutions	962,060,107	762,444,820
Interests and Charges Payable	117,287,354	85,246,330
Foreign Bills sent for Collection	15,607	14,221
Interest accrued on Bank of Mauritius Savings Bonds	97,200	97,200
Special Drawing Rights (SDR) (Note 32)	3,784,386,042	3,780,855,831
Other Deposits	110,743,967	-
Others	18,123	18,123
	<u>5,238,283,590</u>	<u>5,022,061,366</u>

19. INCOME FROM FINANCIAL ASSETS

(a) Interest and Similar Income on Foreign Assets

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Deposit Accounts	664,644,714	764,512,358
Fixed Income	19,381,151	13,717,201
Special Drawing Rights	4,637,710	3,589,437
Repurchase Agreements	1,501,987	11,909,025
Current Accounts	1,029,555	283,927
	<u>691,195,117</u>	<u>794,011,948</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(b) Interest and Similar Income on Domestic Assets

	<u>2014</u> Rs	<u>2013</u> Rs
<i>Loans and Advances</i>		
Special Line of Credit - Sugar Industry	21,367,472	21,030,297
Special Foreign Currency Line of Credit	28,525,793	8,416,982
Loans and Advances to Banks	102,136	931,709
Special Line of Credit – National Equity Fund	-	673,951
	<u>49,995,401</u>	<u>31,052,939</u>
Government Securities	223,422,590	328,583,537
Other Loans	2,478,510	2,861,802
	<u>275,896,501</u>	<u>362,498,278</u>

(c) Others

	<u>2014</u> Rs	<u>2013</u> Rs
Dividend and other income	1,618,187	1,301,557
Loss on Sale/Revaluation of Industrial Gold and Dodo Gold Coins	(1,734,286)	(15,061,796)
Loss on Sale/Revaluation of Gold Bars	(1,110,366)	(36,820,452)
Profit on Issue of Mauritius Commemorative Coins	144,745	245,744
Profit on Sale of Coins	24,500	512
	<u>(1,057,220)</u>	<u>(50,334,435)</u>
Total Income from Financial Assets	<u>966,034,398</u>	<u>1,106,175,791</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20. OTHER INCOME

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Processing and Licence Fees	41,633,508	40,695,645
MACSS & MCIB Fees	30,195,081	20,617,863
Commissions	689,975	512,327
Rent	2,600	19,450
Profit on Sale of Property, Plant and Equipment	296,142	432,302
Sponsorship income	14,764,700	2,223,946
Penalty	8,398,797	4,850,000
Sundry income	570,638	145,000
	<u>96,551,441</u>	<u>69,496,533</u>

21. INTEREST EXPENSE AND SIMILAR CHARGES

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Government of Mauritius Accounts	<u>6,954</u>	<u>26,143</u>

22. STAFF SALARIES AND OTHER BENEFITS

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Staff Salaries and Allowances	309,243,572	338,808,504
Pension Cost (Note 17(c))	26,369,313	26,721,568
Staff Family Protection Scheme	18,204,941	9,476,139
National Savings Fund (Note 17(d))	1,702,621	886,313
HRDC Levy	661,505	-
	<u>356,181,952</u>	<u>375,892,524</u>

The amount of Rs 309,243,572 includes an increase in the liability for short term employee benefits amounting to Rs8,566,858 (see Note 17(b)).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

23. DIRECTORS' REMUNERATION

	<u>2014</u> Rs	<u>2013</u> Rs
Governor	7,569,198	6,733,315
Deputy Governors (2)	8,628,475	8,666,647
Other Directors (3)	1,080,000	1,200,000
	<u>17,277,673</u>	<u>16,599,962</u>

Directors are paid a monthly fee of Rs 30,000.

24. OTHER EXPENDITURE

	<u>2014</u> Rs	<u>2013</u> Rs
Stationery and Library	4,617,807	3,486,720
Postage, Telephone and Reuters	16,146,332	13,923,602
Others	877,889	686,473
	<u>21,642,028</u>	<u>18,096,795</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

	<u>2014</u>	<u>2013</u>
	Rs	Rs
Net profit/(loss) for the year	468,559,141	(1,845,425,439)
<i>Adjustments for:</i>		
Non-Cash Increase in Employee Benefits	25,392,513	48,620,616
Amortisation of Intangible Assets	2,810,009	5,404,082
Depreciation of Property, Plant and Equipment	106,501,438	120,311,922
Profit on Sale of Property, Plant and Equipment	(296,142)	(432,302)
Dividend Received	(1,618,187)	(1,301,557)
(Gain)/Loss on Financial Instruments at Fair Value Through Profit or Loss	(642,938,951)	1,302,304,093
Loss/(Gain) on revaluation of foreign currencies and SDR	(146,268,165)	614,117,889
Gain on revaluation of Government Securities	20,850,080	(83,310,402)
Operating Profit Before Working Capital Changes	(167,008,264)	160,288,902
Change in Interest Receivable	26,916,552	63,910,874
Change in Loans and Advances	(817,418,517)	(1,054,453,945)
Change in Other Assets	(29,633,920)	(206,064,372)
Change in Notes and Coins in Circulation	1,939,431,909	2,658,161,833
Change in Government Demand Deposits	782,039,834	1,472,796,449
Change in Banks' Demand Deposits	7,128,044,796	4,400,121,990
Change in Other Financial Institutions' Demand Deposits	(1,366,777)	(42,093,639)
Change in Other Demand Deposits	202,718,157	45,054,502
Change in Bank of Mauritius Securities	5,818,778,388	10,103,425,713
Change in Other Financial Liabilities	276,569,285	455,766,034
Net Cash Generated From Operating Activities	15,159,071,443	18,056,914,341

27. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2014 is as follows:

Capital Subscription in the African Export - Import Bank

The Bank has a commitment to pay on call USD 936,000 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 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

28. OPERATING LEASE COMMITMENTS

	1 year Rs	1 - 5yrs Rs	Above 5 yrs Rs	Total Rs
New Staff Quarters - Rodrigues	24,000	120,000	288,000	432,000
New Office Building - Rodrigues	100	500	1,200	1,800
Archiving - Plaine-Lauzun DBM	129,500	-	-	129,500
Fallback Site – Cyber Tower	1,017,889	933,064	-	1,950,953
Others	498,249	83,041	-	581,290
	1,669,738	1,136,605	289,200	3,095,543

An amount of Rs2,223,362 (2013: Rs2,246,092) has been expensed in profit or loss for the year. The leases in Rodrigues run for a period of 20 years, with an option to renew the lease after that date. The other leases cover a period of one year and are renewable.

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, liquidity risk, price risk and foreign exchange risk. A significant proportion of these risks arise from the management of foreign exchange reserves of the Bank.

The foreign exchange risk or the capital loss as a consequence of fluctuations in the exchange rates is managed mainly through diversification of currency portfolios in which the Bank invests. In the management of foreign exchange reserves, minimising liquidity risk and maximising safety and preservation of capital are the prime considerations in order to achieve its prime objectives.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) (i) Categories of financial instruments

	Carrying Amount 2014 Rs	Fair Value 2014 Rs	Carrying Amount 2013 Rs	Fair Value 2013 Rs
Financial Assets				
<i>Fair value through profit or loss (FVTPL)</i>				
Investment in Government Securities	6,215,892,739	6,215,892,739	6,620,341,688	6,620,341,688
Foreign Investment	28,645,207,964	28,645,207,964	28,128,997,602	28,128,997,602
Gold deposits	5,000,963,930	5,000,963,930	4,698,951,122	4,698,951,122
Other Investment	227,397,412	227,397,413	223,455,138	223,455,138
	<u>40,089,462,045</u>	<u>40,089,462,046</u>	<u>39,671,745,550</u>	<u>39,671,745,550</u>
Loans and receivables				
Cash & Cash Equivalents (Excl. Gold deposits)	55,812,617,928	55,812,617,928	58,163,701,203	58,163,701,203
Long Term Deposits				
Accounts	30,019,632,443	30,019,632,443	12,253,786,572	12,253,786,572
Loan & Advances	2,314,995,798	2,313,178,587	1,497,577,281	1,497,270,036
Staff Loans	90,049,691	88,171,125	95,312,457	93,429,665
Interest Receivable on foreign assets	152,221,498	152,221,498	179,138,050	179,138,050
Interest Receivable on domestic assets	67,352,428	67,352,428	65,528,350	65,528,350
	<u>88,456,869,786</u>	<u>88,453,174,009</u>	<u>72,255,043,913</u>	<u>72,252,853,876</u>
Total Financial Assets	<u>128,546,331,831</u>	<u>128,542,636,055</u>	<u>111,926,789,463</u>	<u>111,924,599,426</u>
	2014 Rs	2014 Rs	2013 Rs	2013 Rs
Financial Liabilities				
Amortised cost	<u>108,353,871,155</u>	<u>108,315,305,801</u>	<u>92,268,003,832</u>	<u>92,254,194,263</u>

(b) (ii) Fair value of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or

assumptions are required to reflect differences between the instruments. Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

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:

	Level 1	Level 2	Level 3	Total carrying amount	Total fair value
	Rs	Rs	Rs	Rs	Rs
2014					
Financial Assets					
Gold Deposits	5,000,963,930	-	-	5,000,963,930	5,000,963,930
Foreign Investments	-	28,645,207,964	-	28,645,207,964	28,645,207,964
Other Investments	-	-	227,397,412	227,397,412	227,397,412
Investment in Government Securities	-	6,215,892,739	-	6,215,892,739	6,215,892,739
2013					
Financial Assets					
Gold Deposits	4,698,951,122	-	-	4,698,951,122	4,698,951,122
Foreign Investments	-	28,128,997,602	-	28,128,997,602	28,128,997,602
Other Investments	-	-	223,455,138	223,455,138	223,455,138
Investment in Government Securities	-	6,620,341,688	-	6,620,341,688	6,620,341,688

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 2013	223,455,138
Additions during the year	1,355,816
Change in fair value	2,586,458
Closing balance at 30 June 2014	227,397,412

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

Reasonable possible changes to one of the

significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

Valuation techniques used

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For those investments where there is

no active market, these are stated at cost less impairment. However, for the other financial instruments, the Bank determines fair values using the valuation technique as per table below:

Description	Valuation technique	Sensitivity analysis
Other investments	Net asset value of the investee company	The estimated fair value would increase if the net asset value of the investee company increases.

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

	Level 1	Level 2	Level 3	Total carrying amount	Total fair value
2014	Rs	Rs	Rs	Rs	Rs
Financial Assets					
Cash & Cash Equivalents (Excl. Gold deposits)	-	55,812,617,928	-	55,812,617,928	55,812,617,928
Long Term Deposits Accounts	-	30,019,632,443	-	30,019,632,443	30,019,632,443
Loan & Advances	-	2,314,995,798	-	2,314,995,798	2,313,178,587
Staff Loans	-	90,049,691	-	90,049,691	88,171,125
Interest Receivable on foreign assets	-	152,221,498	-	152,221,498	152,221,498
Interest Receivable on domestic assets	-	67,352,428	-	67,352,428	67,352,428
Financial Liabilities					
Currency in circulation	-	-	-	26,583,439,329	26,583,439,329
Demand deposits	-	-	-	52,856,154,121	52,856,154,121
Bank of Mauritius Securities	-	23,676,009,722	-	23,676,009,722	23,637,444,368
Other liabilities	-	-	-	5,238,267,983	5,238,267,983
2013					
Financial Assets					
Cash & Cash Equivalents (Excl. Gold deposits)	-	58,163,701,203	-	58,163,701,203	58,163,701,203
Long Term Deposits Accounts	-	12,253,786,572	-	12,253,786,572	12,253,786,572
Loan & Advances	-	1,497,577,281	-	1,497,577,281	1,497,270,036
Staff Loans	-	95,312,457	-	95,312,457	93,429,665
Interest Receivable on foreign assets	-	179,138,050	-	179,138,050	179,138,050
Interest Receivable on domestic assets	-	65,528,350	-	65,528,350	65,528,350
Financial Liabilities					
Currency in circulation	-	-	-	24,644,007,240	24,644,007,240
Demand deposits	-	-	-	44,744,718,111	44,744,718,111
Bank of Mauritius securities	-	17,857,231,334	-	17,857,231,334	17,843,407,546
Other liabilities	-	-	-	5,022,061,366	5,022,061,366

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

The Bank's accounting policies provide scope for financial assets and financial liabilities to be designated on inception into different accounting categories in certain circumstances as described in note 3 (a) (ii).

(c) Credit Risk

Disclosure of credit risk enables the users of financial statements to assess the extent to which failures by counterparties to discharge their obligations could adversely impact on the Bank's future cash inflows from financial assets held at the reporting date.

The Bank is exposed to credit risk which is the

risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk on the securities held by the Bank is managed by holding only high quality marketable securities issued chiefly by 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:

	<u>2014</u> Rs	<u>2013</u> Rs
Mauritius	8,692,370,026	8,279,709,612
USA	12,494,370,175	15,991,629,959
United Kingdom	17,876,122,822	5,187,216,550
Europe	85,649,024,950	82,083,064,242
Others	3,834,443,858	385,169,100
	<u>128,546,331,831</u>	<u>111,926,789,463</u>

(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:

	<u>2014</u> Rs	<u>2013</u> Rs
Government	11,077,941,631	14,914,370,723
Supranational Financial Institutions	7,768,889,349	7,821,142,782
Foreign Banks and Financial Institutions	107,305,878,332	87,597,206,510
Other	2,393,622,519	1,594,069,448
	<u>128,546,331,831</u>	<u>111,926,789,463</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Credit Exposure by Credit Rating

The following table presents the credit ratings of respective financial assets based on the ratings of Moody's. The Bank's investment in equity shares which typically do not obtain ratings and in Gold are denoted as NR (Not Rated). The Bank's investments with foreign central banks are presented separately.

	Credit Rating	2014 Rs	%	2013 Rs	%
Cash & Cash Equivalents	Central Banks	45,364,441,968	37.85	49,935,693,636	48.18
	Aaa	2,219,515,456	1.85	2,289,080,000	2.21
	Aa	5,760,483,351	4.81	4,702,261,363	4.54
	A	2,467,472,828	2.06	1,236,166,667	1.19
	Baa	704,324	0.00	499,537	0.00
	NR	3,802,889,926	3.17	4,698,951,122	4.53
Other Balances and Placements	Central Banks	55,187,018,260	46.05	36,934,757,932	35.63
	Aa	2,322,288,819	1.94	3,448,026,242	3.33
	A	2,353,607,333	1.96		
Interest Receivable	Central Banks	113,665,985	0.09	128,121,103	0.12
	Aaa	13,583,487	0.01	10,041,702	0.01
	Aa	17,823,677	0.01	35,753,560	0.03
	A	7,148,349	0.01	5,221,685	0.01
Other Investments	NR	227,397,412	0.19	223,455,138	0.22
Total External Assets		119,858,041,175	100.00	103,648,029,687	100.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

	Credit Rating	2014 Rs	%	2013 Rs	%
Loans and Advances	Baa	278,654,175	3.21	293,412,575	3.54
	NR	2,036,341,623	23.44	1,204,164,707	14.54
Investment in Government Securities	NR	6,215,892,739	71.54	6,620,341,688	79.97
Other Assets	NR	157,402,119	1.81	160,840,807	1.95
Total Domestic Financial Assets		8,688,290,656	100.00	8,278,759,777	100.00
	Credit Rating	2014 Rs	%	2013 Rs	%
Summary by Major Credit Category					
External Assets	Central Banks	100,665,126,213	83.99	86,998,572,671	83.94
	Aaa	2,233,098,943	1.86	2,299,121,702	2.22
	Aa	8,100,595,847	6.76	8,186,041,165	7.89
	A	4,828,228,510	4.03	1,241,388,352	1.20
	Baa	704,324	0.00	499,537	-
	NR	4,030,287,338	3.36	4,922,406,260	4.75
Total External Assets		119,858,041,175	100.00	103,648,029,687	100.00
Domestic Financial Assets	Baa	278,654,175	3.21	293,412,575	3.55
	NR	8,409,636,481	96.79	7,985,347,201	96.45
Total Domestic Financial Assets		8,688,290,656	100.00	8,278,759,776	100.00
Total Financial Assets		128,546,331,831		111,926,789,463	

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2014	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs	Nominal Cash Flows Rs
Non Derivative Financial Assets							
Foreign Assets	59,710,996,453	30,058,182,542	29,861,464,767	-	227,397,413	119,858,041,175	119,858,041,175
Loans and Advances	850,903,872	59,979,705	161,466,476	979,399,395	263,246,350	2,314,995,798	2,314,995,798
Investment in Government Securities	868,351,579	1,389,687,563	598,370,560	3,020,471,093	339,011,944	6,215,892,739	6,210,250,000
Other Assets	67,352,429	-	-	41,824,480	48,225,210	157,402,119	157,402,119
Total Financial Assets	61,497,604,333	31,507,849,810	30,621,301,803	4,041,694,968	877,880,917	128,546,331,831	128,540,689,092
Non Derivative Financial Liabilities							
Currency in circulation	26,583,439,329	-	-	-	-	26,583,439,329	26,583,439,329
Demand Deposits	52,856,154,121	-	-	-	-	52,856,154,121	52,856,154,121
Bank of Mauritius Securities	4,741,339,902	3,295,746,164	6,369,116,929	8,797,985,676	471,821,051	23,676,009,722	23,880,910,000
Other Liabilities	433,160,037	58,661,800	3,784,386,041	962,060,105	-	5,238,267,983	5,238,267,983
Total Financial Liabilities	84,614,093,389	3,354,407,964	10,153,502,970	9,760,045,781	471,821,051	108,353,871,155	108,828,771,433
Net Liquidity Gap	(23,116,489,056)	28,153,441,846	20,467,798,833	(5,718,350,813)	406,059,866	20,192,460,676	19,981,917,659

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (cont'd)

(d) Liquidity Risk (cont'd)

At 30 JUNE 2013	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Carrying Amount Rs	Nominal Cash Flows Rs
Non Derivative Financial Assets							
Foreign Assets	63,002,042,979	12,274,834,577	28,147,696,994	-	223,455,137	103,648,029,687	103,648,029,687
Loans and Advances	2,043,837	42,172,069	106,899,961	838,717,704	507,743,710	1,497,577,281	1,497,577,281
Investment in Government Securities	1,085,412,594	1,321,729,034	1,012,279,082	2,861,000,330	339,920,648	6,620,341,688	7,184,950,000
Other Assets	33,744,610	31,783,740	-	47,374,390	47,938,067	160,840,807	160,840,807
Total Financial Assets	64,123,244,020	13,670,519,420	29,266,876,037	3,747,092,424	1,119,057,562	111,926,789,463	112,491,397,775
Non Derivative Financial Liabilities							
Currency in circulation	24,644,007,240	-	-	-	-	24,644,007,240	24,644,007,240
Demand Deposits	44,744,718,111	-	-	-	-	44,744,718,111	44,744,718,111
Bank of Mauritius Securities	5,055,368,578	2,235,005,913	5,980,982,642	4,585,874,201	-	17,857,231,334	17,982,307,400
Other Liabilities	375,758,146	102,970,228	3,780,855,830	762,462,943	-	5,022,047,147	5,022,047,147
Total Financial Liabilities	74,819,852,075	2,337,976,141	9,761,838,472	5,348,337,144	-	92,268,003,832	92,393,079,898
Net Liquidity Gap	(10,696,608,055)	11,332,543,279	19,505,037,565	(1,601,244,720)	1,119,057,562	19,658,785,631	20,098,317,877

The Bank did not have any derivative financial assets and liabilities at 30 June 2014 (2013: Nil)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 and equity 2014 Rs	Effect on Profit and equity 2013 Rs
Foreign Currency Portfolio	+50	571,812,795	500,003,381
	-50	(443,030,002)	(314,759,866)
Government Securities	+50	(40,233,968)	(44,899,849)
	-50	40,871,857	45,658,620

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2014														
Financial Assets														
Foreign Assets	54,521,929,723		30,058,182,542		1,216,256,803		28,645,207,964		-		5,416,464,143		119,858,041,175	
Loans and Advances	850,127,210		59,979,705		18,712,387		142,754,089		1,230,843,549		12,578,858		2,314,995,798	
Investment in Government Securities	868,351,579		1,389,687,563		334,167,760		264,202,800		3,359,483,037		-		6,215,892,739	
Other Assets	-		-		-		-		90,049,690		67,352,429		157,402,119	
Total Financial Assets	56,240,408,512		31,507,849,810		1,569,136,950		29,052,164,853		4,680,376,276		5,496,395,430		128,546,331,831	
Financial Liabilities														
Currency in circulation	-		-		-		-		-		26,583,439,329		26,583,439,329	
Demand Deposits	-		-		-		-		-		52,856,154,121		52,856,154,121	
Bank of Mauritius Instruments	4,741,339,902		3,295,746,164		4,516,223,627		1,852,893,302		9,269,806,727		-		23,676,009,722	
Other Liabilities	-		-		-		-		-		5,238,267,983		5,238,267,983	
Total Financial Liabilities	4,741,339,902		3,295,746,164		4,516,223,627		1,852,893,302		9,269,806,727		84,677,861,433		108,353,871,155	
Interest Sensitivity Gap	51,499,068,610		28,212,103,646		(2,947,086,677)		27,199,271,551		(4,589,430,451)		(79,181,466,003)		20,192,460,676	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

At 30 JUNE 2013	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Over 12 months Rs	Non-interest bearing Rs	Total Rs
Financial Assets							
Foreign Assets	58,017,991,879	12,235,147,639	18,638,933	28,128,997,602	-	5,247,253,634	103,648,029,687
Loans and Advances	1,517,651	42,172,069	9,004,731	97,895,230	1,334,600,132	12,387,468	1,497,577,281
Investment in Government Securities	1,085,412,594	1,321,729,034	663,485,390	348,793,692	3,200,920,978	-	6,620,341,688
Other Assets	-	-	-	-	95,312,457	65,528,350	160,840,807
Total Financial Assets	59,104,922,124	13,599,048,742	691,129,054	28,575,686,524	4,630,833,567	5,325,169,452	111,926,789,463
Financial Liabilities							
Currency in circulation	-	-	-	-	-	24,644,007,240	24,644,007,240
Demand Deposits	-	-	-	-	-	44,744,718,111	44,744,718,111
Bank of Mauritius Instruments	5,055,368,578	2,235,005,913	4,597,625,156	1,383,357,486	4,585,874,201	-	17,857,231,334
Other Liabilities	-	-	-	-	-	5,022,047,147	5,022,047,147
Total Financial Liabilities	5,055,368,578	2,235,005,913	4,597,625,156	1,383,357,486	4,585,874,201	74,410,772,498	92,268,003,832
Interest Sensitivity Gap	54,049,553,546	11,364,042,829	(3,906,496,102)	27,192,329,038	44,959,366	(69,085,603,046)	19,658,785,631

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Effective Interest Rates

For assets:

The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 2.32% p.a. to 8.75% p.a. (2013: 3.00% p.a. to 8.90% p.a.) and from -0.09% p.a. to 4.76% p.a. (2013: 0% p.a. to 4.65% p.a.) for foreign currency denominated assets.

For liabilities:

The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 2.32% p.a. to 6.95% p.a. (2013: 2.28% p.a. to 4.73% p.a.) and from 0.0075% p.a. to 0.17% p.a. (2013: 0% p.a. to 0.18% 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:

	2014 Rs	2013 Rs
SDR Basket	70,646,666,433	60,153,162,190
Non SDR Basket	49,211,374,742	43,494,867,497
	119,858,041,175	103,648,029,687

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 Profit and Equity 2014 Rs	Effect on Profit and Equity 2013
Foreign Currency Portfolio	+50 cents -50 cents	3,140,032,483 (3,140,032,483)	2,909,483,960 (2,909,483,960)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair Values and Carrying Amounts

The fair values of financial assets and liabilities classified as loans and receivables at amortised cost approximate to their carrying values at reporting date.

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 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 Rs 682,328 (2013: Rs681,893)

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 (Rs3,780,855,831) was allocated to Mauritius, bringing the total allocations to SDR 96,805,549. IMF charges the Bank on the SDR allocations and also remunerates it on the SDR holdings on a quarterly basis. IMF charges for the current year amounted to Rs3,161,724 (2013: Rs2,370,305).

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.

33. SUBSEQUENT EVENTS

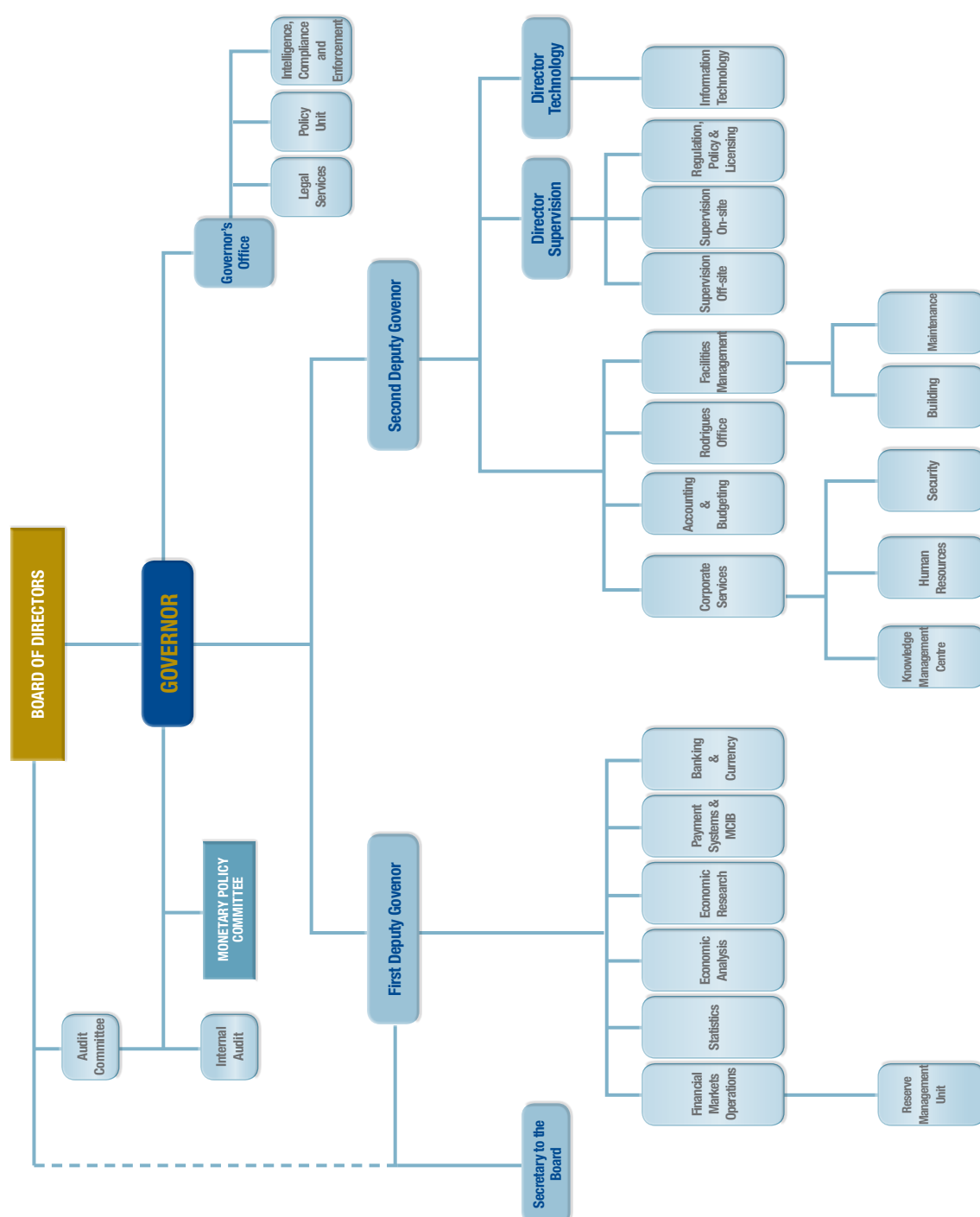
There were no material subsequent events after the reporting date.

Appendices

Appendix I	The Organisation Structure of the Bank as at 30 June 2014
Appendix II	Senior Management Officials as at 30 June 2014
Appendix III	Meetings attended by Governor, First Deputy Governor and Second Deputy Governor
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Appendix I

The Organisation Structure of the Bank as at 30 June 2014



Appendix II

Senior Management Officials as at 30 June 2014

Governor	Mr Rundheersing Bheenick, GOSK
First Deputy Governor	Mr Yandraduth Googoolye
Second Deputy Governor	Mr Mohamad Issa Soormally
Secretary	Mrs Hemlata Sadhna Sewraj-Gopal
Director - Technology	Mr Mooneesing Janna Naikeny
Director - Supervision	(Vacant)
Head - Corporate Services Division	Mr Jayendra Kumar Ramtohul
Head - Supervision, On-Site Division	Mr Ramsamy Chinniah
Head - Financial Markets Operations Division	Mr Jaywant Pandoo
Head - Economic Analysis Division	Mrs Marjorie Marie-Agnes Heerah Pampusa
Head - Statistics Division	Mr Mahendra Vikramdass Punchoo
Head - Accounting & Budgeting Division	Mr Anil Kumar Tohooloo
Head - Regulation, Policy & Licensing Division	Mrs Sudha Hurrymun
Head - Facilities Management Division	Mr Yuntat Chu Fung Leung
Head - Payments System & MCIB Division	Mr Dhanesswurnath Thakoor
Head - Supervision, Off-Site Division	Mr Deenesh Ghurburrin
Head - Governor's Office	Ms Lakshmi Appadoo
Head - Banking & Currency Division	Dr Daneshwar Doobree
Head - Economic Research	Dr Premduth Aubeeluck
Head	Mr Jitendra Nathsingh Bissessur (on leave)
Head - Internal Audit	(vacant)

Appendix III

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

Governor Rundheersing Bheenick attended:

- i. The 13th Ordinary Meeting of the Association of African Central Banks (AACB) Eastern Africa Sub Region, from 17 to 18 July 2013, Arusha, Tanzania.
- ii. The meeting of the Committee of Central Bank Governors in SADC held on 13 September 2013, Swaziland.
- iii. The IMF/World Bank Annual Meetings as well as various meetings in the sidelines including the Commonwealth Meeting of Governors, the 2013 Small States Forum, the Group of Thirty 28th Annual International Banking Seminar, the 2013 IIF Annual Membership Meeting, the African Caucus Meeting and the Roundtable on Infrastructure Financing in Africa hosted by the African Development Bank, from 7 to 14 October 2013, Washington, U.S.A.
- iv. The Plenary Meeting of the Financial Stability Board, from 7 to 8 November 2013, Moscow, Russia, followed by the Africa Financial Summit of the Institute of International Finance, from 10 to 12 November 2013, Johannesburg, South Africa.
- v. The 11th Governing Board Meeting of the International Islamic Liquidity Management Corporation, and the 23rd Meeting of the Council of the Islamic Financial Services Board, held back to back with the 8th Islamic Financial Stability Forum organized by the IFSB, and Conference entitled "Global Finance Re-Engineered" hosted by the Governor of the Central Bank of Qatar, from 7 to 13 December 2013, Qatar.
- vi. Mission to Mumbai, India, for bilateral meetings, among others, with the Governor of the Reserve Bank of India, 11 February 2014
- vii. Meetings of the AACB Bureau of Governors, from 24 February to 1 March 2014, Dakar, Senegal.
- viii. The Plenary Meeting of the Financial Services Board on 31 March 2014, London, United Kingdom, followed by the IMF/WB Spring Meetings as well as various meetings on the sidelines including a Roundtable of Governors jointly organized by the AACB, the World Bank and the African Development Bank, a high-level IMF Conference on "Monetary Policy in the New Normal", the 6th Annual Conference of the G-24/Alliance for Financial Inclusion (AFI) Policymaker's Roundtable on Financial Inclusion, the Banknote 2014 Conference, from 5 to 13 April 2014, Washington, U.S.A.
- ix. Meeting of the Financial Stability Board's Regional Consultative Group for Sub-Saharan Africa, from 5 to 6 May 2014, Ghana.

- x. A high-level conference organized jointly by the Government of Mozambique and the International Monetary Fund, from 27 May to 1 June 2014, Maputo, Mozambique.
- xi. The Annual General Meeting of the Bank for International Settlements and the Roundtable meeting of Governors from Africa, from 28 to 29 June 2014, Basel, Switzerland, and Roundtable of Central Bank Governors from Africa organized jointly by JP Morgan and Oxford University's Centre for the Study of African Economies, from 30 June to 2 July 2014, Oxford, United Kingdom.

First Deputy Governor Yandraduth Googoolye attended:

- i. The Regional Workshop on Competitiveness in Africa organised by the World Economic Forum and the African Union in collaboration with the SADC Secretariat, 24 October 2013, Gaborone, Botswana.

He represented the Governor at:

- i. The 19th Meeting of the COMESA Committee of Governors of Central Banks and the Second Joint Meeting of the COMESA Ministers of Finance and Central Bank Governors, from 27 to 30 November 2013, Lilongwe, Malawi.
- ii. The Meeting of the SADC Central Bank Governors, from 18 to 19 March 2014, Swakopmund, Namibia.
- iii. The 21^{ème} *Conférence des Gouverneurs des Banques Centrales des Pays Francophones*, from 14 to 16 May 2014, Dakar, Senegal.

Second Deputy Governor Mohamad Issa Soormally attended:

- i. The Inaugural OMFIF Main Meeting in North America, from 2 to 3 June 2014, St Louis, U.S.A.
- ii. The 14th Annual International Conference on Policy Challenges for the Financial Sector, from 4 to 6 June 2014, Washington D.C., U.S.A.

He represented the Governor at:

- i. The 2nd Leaders Roundtable of the African Mobile Phone Financial Services Policy Initiative, from 5 to 6 February 2014, Naivasha, Kenya.
- ii. The Islamic Financial Services Board Annual Meetings 2014; 24th Meeting of the Council; 12th General Assembly of the Islamic Financial Services Board and 9th Islamic Financial Stability Forum, from 25 to 27 March 2014, Negara Brunei Darussalam.
- iii. The 12th Governing Board Meeting and 5th General Assembly Meeting of the International Islamic Liquidity Management Corporation, 2 April 2014, Abu Dhabi, United Arab Emirates.

Appendix IV

Overseas Meetings/Training Courses/Seminars/Workshops

Overseas Meetings/Trainings Courses/Seminars/ Workshops Attended by Directors

Mr. Kalyanaraman Chandrachoodan, Director–Supervision, attended

- i. The Seminar for Senior Bank Supervisors from Emerging Economies hosted by the World Bank, Federal Reserve System and IMF, from 21 October to 1 November 2013, Washington D.C., U.S.A.

Mr Mooneesing Janna Naikeny, Director–Technology, attended

- i. A Study tour at the RBI, from 15 to 17 January 2014, Mumbai, India, followed by a Programme on Payment and Settlement Systems (Advanced) hosted by the Reserve Bank Staff College, from 20 to 22 January 2014, Chennai, India.
- ii. The 19th Annual Conference of the CCBG ICT Subcommittee hosted by the CCBG in SADC and Bank of Namibia, from 17 to 21 February 2014, Swakopmund, Namibia.

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

Ms Lakshmi Appadoo, Head–Governor’s Office, accompanied the Governor to

- i. The Plenary Meeting of the Financial Stability Board, back to back with the

Africa Financial Summit of the Institute of International Finance, from 7 to 12 November 2013, Moscow, Russia, and Johannesburg, South Africa.

- ii. Meetings with International Investors, Zurich; BIS Roundtable of Central Bank Governors from Africa; Roundtable of Central Bank Governors from Africa organized jointly by JP Morgan and Oxford University’s Centre for the Study of African Economies, Oxford; a Central Governor’s Think Tanking, London, from 24 June to 6 July 2014.

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

- i. The Meeting of the Group of International Finance Centre Supervisor hosted by the GIFCS & Superintendency of Banks of Panama, from 13 to 15 November 2013, Panama City, Panama.

Mr Deenesh Ghurburrin, Head–Off-Site, Supervision, attended

- i. The Seminar on Problem Banks Resolution hosted by SADC Training and Development Forum, from 7 to 10 April 2014, Pretoria, South Africa.

Mrs Sudha Hurrymun, Head–Regulation, Policy and Licensing, Supervision

- i. Attended the Meeting of the Committee of Central Bank Governors in SADC hosted by CCBG in SADC, from 17 to 19 March 2014, Swakopmund, Namibia.

- ii. Attended the 5th Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa, back to back with the FSB - RCG Sub Saharan Africa Workshop - Implementing the FSB Key Attributes of Effective Resolution Regimes: Issues and Challenges hosted by the Financial Stability Board, from 6 to 8 May 2014, Accra, Ghana.

She accompanied the Governor to

- i. The CCBO & CCBG Meeting hosted by CCBG in SADC, from 11 to 13 September 2013, Swaziland.
- ii. The Annual Meeting of the CCBG Subcommittee of Banking Supervisors hosted by Secretariat of the CCBG in SADC back to back with the Africa Rising Conference hosted by Government of Mozambique and the IMF, from 26 to 30 May 2014, Maputo, Mozambique.

Mr Jaywant Pandoo, Head–Financial Markets Operations, attended

- i. The Africa Sovereign Funds Roundtable hosted by Sovereign Investor Institute, from 12 to 14 March 2014, Dar Es Salaam, Tanzania.
- ii. The Workshop on Managing an External Asset Manager Program hosted by World Bank Treasury & RAMP, from 2 to 6 June 2014, Washington, D.C., U.S.A.

Mr Mahendra Vikramdass Punchoo, Head–Statistics, attended

- i. The 59th World Statistics Congress hosted by International Statistical Institute, from 25 to 30 August 2013, Hong Kong.
- ii. The Workshop on the Presentation of Research Work on Issues emanating

from Meetings of Ministers of Finance and Investment and the Peer Review Panel & the Meeting of the Macroeconomic Subcommittee hosted by SADC Secretariat, from 27 to 29 November 2013, Gaborone, Botswana.

Mr Jayendra Kumar Ramtohol, Head–Corporate Services, attended

- i. The Performance Management Course hosted by CCBG - SADC Training and Development Forum, from 10 to 12 September 2013, Gaborone, Botswana.
- ii. The IILM Workshop for Multilateral Development Banks and Potential Asset Providers back to back with the 7th Board Audit Committee Meeting, hosted by IILM, from 25 to 27 September 2013, Kuala Lumpur, Malaysia.
- iii. The 11th Governing Board Meeting of the International Islamic Liquidity Management Corporation; the 23rd Meeting of the Council of the Islamic Financial Services Board; Conference entitled “Global Finance Re-Engineered” hosted by the Governor of the Central Bank of Qatar and the 8th Islamic Financial Stability Forum, from 7 to 13 December 2013, Qatar.
- iv. The 9th Board Audit Committee Meeting hosted by IILM, 11 March 2014, Kuala Lumpur, Malaysia.
- v. The 10th Board Audit Committee Meeting hosted by IILM, 17 June 2014, Kuala Lumpur, Malaysia.

He accompanied the Governor to

- i. Official mission and meetings, RBI, 11 February 2014, Mumbai, India.

Mr Dhanesswurnath Thakoor, Head-Payment Systems and MCIB, attended

- i. The 2nd Meeting of the REPSS Closed User Group Meeting hosted by COMESA, from 21 to 24 October 2013, Kampala, Uganda.
- ii. AACB 2014 Continental Seminar on the theme: "The imperatives for improvement and integration of payment systems in Africa" hosted by AACB, from 5 to 7 May 2014, Algiers, Algeria.

Mr Anil Kumar Tohooloo, Head-Accounting and Budgeting attended

- i. The Symposium for Central Bank Finance Directors in the COMESA Region hosted by the KSMS & US Department of the Treasury, Office of Technical Assistance Banking and Financial Services, from 1 to 4 April 2014, Nairobi, Kenya.

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

Mr Dooneshsingh Audit, Chief-Policy Unit, attended

- i. The 19th Meeting of the Committee of Experts on Finance & Monetary Affairs, back to back with the 19th Meeting of the COMESA Committee of Governors of Central Banks hosted by COMESA & Reserve Bank of Malawi, from 24 to 28 November 2013, Lilongwe, Malawi.
- ii. The CCBG in SADC Macroeconomic Subcommittee and Research Review Panel Meetings hosted by Secretariat

of the CCBG in SADC, from 28 to 30 January 2014, Swaziland.

Mr Jean Claude Benoit Chamary, Chief-Off-Site, Supervision, attended

- i. The Seminar on Safeguards Assessments of Central Banks hosted by IMF and JPA, from 15 to 19 July 2013, Pretoria, South Africa.

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

- i. The SADC Payment System Integration Workshop hosted by SADC, from 28 to 29 January 2014, Pretoria, South Africa.

Mr Fadil Ibnee Dookhy, Chief-Reserve Management Unit, attended

- i. The Standard Bank 5th Annual African Central Bank Reserves Management Conference hosted by Standard Bank, from 5 to 8 November 2013, Johannesburg, South Africa.
- ii. The BIS Asset Management Associate Programme 2014 hosted by the Bank for International Settlements, from 28 April to 9 May 2014, Lucerne, Switzerland.

Mr Chitananda Ellapah, Chief-Financial Markets Operations, attended

- i. The CCBG Financial Markets Steering Committee hosted by Secretariat of the CCBG in SADC, from 27 to 28 May 2014, Pretoria, South Africa.

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

- i. The SADC Payment System Legal and Regulatory Framework and SIRESS Post – Implementation Workshop hosted by

SADC Payment System Project, from 28 to 29 August 2013, Pretoria, South Africa.

- ii. The Pan African Seminar on Money Transfers for Migrants hosted by African Development Bank Group, from 27 to 28 March 2014, Tunis, Tunisia.

Mrs Padma Sandhya Hurree Gobin, Chief-Statistics, conducted

- i. A technical assistance mission in external sector statistics at the Central Bank of Samoa, from 21 October to 1 November 2013, Apia, Samoa.

Mr Atmanand Jhary, Chief-Internal Audit, attended

- i. The 6^{ème} *Conférence des Chefs d'Audit Interne des Banques Centrales des Pays Francophones* hosted by Banque Nationale de Roumanie, from 3 to 5 October 2013, Bucharest, Romania.
- ii. The Workshop on Managing an External Asset Manager Program hosted by World Bank Treasury & RAMP, from 2 to 6 June 2014, Washington, D.C., U.S.A.

Mrs Rajshri Jutton-Gopy, Chief-Intelligence, Compliance and Enforcement, attended

- i. The SADC Payment System Integration Workshop hosted by SADC, from 27 to 29 January 2014, Pretoria, South Africa.
- ii. The Regional Market Conduct Supervision Training Program hosted by GLZ, from 3 to 7 February 2014, Windhoek, Namibia.

Mr Neetyanand Kowlessur, Chief-Economic Research, accompanied the Governor to

- i. The Association of African Central Banks Technical and Bureau Meeting hosted

by AACB, from 24 to 26 February 2014, Dakar, Senegal.

Dr Ashwin Kumar Madhou, Chief-Economic Research, presented

- i. A Paper entitled Productivity Competitiveness as Determinants of Growth: Empirical Evidence from Small Island Economy – Mauritius at the 45th Annual Monetary Studies Conference, from 2 to 4 October 2013, Kingston, Jamaica.

Mrs Hemlata Nundoochan, Chief-Reserve Management Unit, attended

- i. The CCBG Financial Markets Subcommittee Meeting hosted by CCBG in SADC, from 6 to 7 August 2013, Pretoria, South Africa.
- ii. The Users' Forum on PAT2 and Related IT Infrastructure hosted by World Bank Treasury, from 24 to 28 March 2014, Washington D.C., U.S.A.

Mr Keshwarajsingh Ramnauth, Chief-Economic Analysis, attended

- i. The African Caucus Meeting 2013 hosted by IMF and the Ministry of Finance and National Economy of Sudan, from 21 to 22 August 2013, Khartoum, Sudan.
- ii. The Caucus Meeting for the Governors of the African Central Banks hosted by Central Bank of Nigeria, 27 March 2014, Abuja, Nigeria.
- iii. The 7th 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 hosted by Central Bank of Nigeria & United Nations Economic Commission for Africa, from 29 to 30 March 2014, Abuja, Nigeria.

Mr Chandradeo Sharma Rutah, Chief-On-Site, Supervision, attended

- i. The Seminar on Currency Technology 2013 hosted by G & D - Giesecke & Devrient, from 15 to 18 July 2013, Munich, Germany.
- ii. The Invitation to Supervisory College of Bank of Baroda hosted by the RBI, 4 February 2014, India.

Mr Sameer Kumar Sharma, Chief-Reserve Management Unit, attended

- i. The Workshop on Fundamentals of Fixed Income Risk Management hosted by World Bank Treasury, from 20 to 24 January 2014, Nairobi, Kenya.

He accompanied the Governor to

- i. The Plenary Meeting of the Financial Services Board, from 1 to 2 April 2014, London, United Kingdom, and IMF/ World Bank Spring Meetings, from 5 to 13 April 2014, Washington D.C., U.S.A.

Mrs Sonali Sewraj-Reetoo, Chief-Legal Services, attended

- i. The Seminar on Problem Banks Resolution hosted by SADC Training and Development Forum, from 7 to 10 April 2014, Pretoria, South Africa.

Overseas Meetings/Training Courses/ Seminars/ Workshops Attended by Acting Chief

Mr Hurrychun Budhna, Ag Chief-Corporate Services, attended

- i. A Programme on Central Banking hosted by Reserve Bank Staff College, from 3 to 5 February 2014, Chennai, India.

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

Mrs Falzana Atchia, Analyst-Statistics, attended

- i. The COMESA Workshop on Statistics on International Trade in Services and Foreign Direct Investments Statistics hosted by COMESA, from 7 to 9 October 2013, Lusaka, Zambia.

Mrs Marie Lily Claude Bastien Sylva, Analyst-Policy Unit, attended

- i. The BNM - AFI Business Conduct and Consumer Protection Programme hosted by Bank Negara Malaysia & Alliance for Financial Inclusion, from 24 to 27 June 2014, Kuala Lumpur, Malaysia.

Mr Ghanish Beegoo, Analyst-Statistics, attended

- i. A Course on Macroeconomic Diagnostics hosted by IMF Institute for Capacity Development - SADC Training and Development Forum, from 4 to 15 November 2013, Pretoria, South Africa.
- ii. A SADC Training Workshop on Trade in Services Statistics & on the Online Negotiating Forum hosted by SADC Secretariat, from 27 to 31 January 2014, Gaborone, Botswana.

Mr Ravishin Bullyraz, Analyst-Intelligence, Compliance and Enforcement, attended

- i. The 2nd Round of Mutual Evaluation Training hosted by ESAAMLG, from 27 April to 02 May 2014, Zimbabwe.

Mr Nandkumar Daworaz, Analyst-Financial Markets Operations, attended

- i. A Training Workshop on CS-DRMS Version 2.0 hosted by Commonwealth

Secretariat, from 10 to 19 February 2014, Nairobi, Kenya.

Mr Ranjeet Kallychurn, Analyst-IT, attended

- i. The 4th Coin Management Training Programme hosted by Royal Mint, from 2 to 6 June 2014, United Kingdom.

Mr Ved Prakash Anand Koonjul, Analyst-Financial Markets Operations, attended

- i. A Capacity building Programme on Islamic Finance entitled BNM-MTCP Fundamentals of Islamic Finance hosted by Bank Negara Malaysia & Ministry of Foreign Affairs of Malaysia, from 6 to 9 May 2014, Kuala Lumpur, Malaysia.

Mr Brian Kwok Chung Yee, Analyst-Off-Site, Supervision, conducted

- i. A technical assistance mission - Briefing on Financial Soundness Indicators, from 23 to 25 September 2013, Washington, D.C., U.S.A.
- ii. A technical assistance mission - Financial Soundness Indicators, from 24 to 28 March 2014, Swaziland.

Miss Marie Medgee Lauricourt, Analyst-Regulation, Policy and Licensing, accompanied the Governor to

- i. The 13th Ordinary Meeting of the Association of African Central Banks Eastern Africa Sub Region, from 17 to 18 July 2013, Arusha, Tanzania.

Mrs Kaveeta Nowbutsing-Hurnag, Analyst-Policy Unit, accompanied the Governor to

- i. The Technical and Bureau Meeting of the Association of African Central Banks hosted by AACB, from 24 to 26 February 2014, Dakar, Senegal.

Mrs Shakuntala Devi Ramanah, Analyst-Off-Site, Supervision, attended

- i. A Regional Seminar on the Basel Framework - Supervisory Review Process hosted by the Bank for International Settlement - FSI & SADC, from 2 to 4 July 2013, Pretoria, South Africa.

Mr Teeruthdeo Ramdenee, Analyst-Banking and Currency, attended

- i. A Seminar on Currency Management hosted by the Reserve Bank Staff College, from 15 to 17 April 2014, Chennai, India.

Mr Leckraz Ramful, Analyst-On-Site, Supervision, attended

- i. The 18th MAS Banking Supervisors Training Programme hosted by the Monetary Authority of Singapore, from 16 to 20 June 2014, Singapore.

Mrs Vijayantimala Ramful, Analyst-Financial Markets Operations, attended

- i. The CCBG Financial Markets Subcommittee Meeting hosted by Secretariat of the CCBG in SADC, from 4 to 6 February 2014, Pretoria, South Africa.

Mr Dhirajsingh Rughoobur, Analyst-Policy Unit, attended

- i. A FSI -ADI Seminar on Bank Resolution and Deposit Insurance Issues hosted by FSI – ADI, from 27 to 29 August 2013, Basel, Switzerland.
- ii. A Workshop on Capital Flight Reversal and Development Financing hosted by AFDB, from 12 to 15 May 2014, Nairobi, Kenya.

- iii. The 5th Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa, back to back with the FSB - RCG Sub Saharan Africa Workshop - Implementing the FSB Key Attributes of Effective Resolution Regimes: Issues and Challenges hosted by the Financial Stability Board, from 6 to 8 May 2014, Accra, Ghana.

Mr Sandiren Vadeevaloo, Analyst-On-Site, Supervision, attended

- i. The BCBC-FSI 9th High Level Meeting for Africa on Strengthening Financial Sector Supervision and Current Regulatory Priorities hosted by BIS, from 30 to 31 January 2014, Cape Town, South Africa.
- ii. The 4th ECB Conference on Accounting, Financial Reporting and Corporate Governance for Central Banks hosted by the European Central Bank, from 3 to 4 June 2014, Frankfurt am Main, Germany.

Overseas Meetings/Training Courses/ Seminars/ Workshops Attended by Bank Officers Grade 1

Mrs Bindoomatee Gungaram, Bank Officer Grade 1 - Financial Markets Operations, attended

- i. A Reserve Management Workshop hosted by the Bank for International Settlement, from 19 to 23 August 2013, Basel, Switzerland.
- ii. A Training Workshop on CS-DRMS Version 2.0 hosted by the Commonwealth Secretariat, from 10 to 19 February 2014, Nairobi, Kenya.

Mr Yahseen Peerbocus, Bank Officer Grade 1- Reserve Management Unit, attended

- i. A Course on Instruments of Financial Markets hosted by the Study Centre Gerzensee, from 16 September to 3 October 2013, Switzerland.
- ii. The 44th International Central Banking Course hosted by the National Institute of Banking and Finance, from 17 February to 14 March 2014, Pakistan.

Appendix V

Local Courses/Seminars/Workshops

Local Courses/ Seminars/Workshops attended by Second Deputy Governor

Mr Mohamad Issa Soormally, Second Deputy Governor attended

- i. Seminar on Transition to a forward looking Monetary Policy Framework hosted by ATI and IMF Institute for Capacity Development, from 23 to 25 June 2014, Ebene.

Local Courses/ Seminars/Workshops attended by Director

Mr Mooneesing Janna Naiken, Director – Technology attended

- i. 1st Internet Intelligence Seminar hosted by Grant Thornton Ltd, on 27 November 2013, Domaines Les Pailles, Pailles.
- ii. Cyber Security Conference hosted by National Computer Board, on 02 December 2013, Ebene.
- iii. 2nd Oracle Financial Services African Summit hosted by Oracle Corporation, from 06 to 07 March 2014, Balaclava.
- iv. Workshop on Cyber Attack on Key ICT Infrastructure hosted by Institution of Engineering & Technology in collaboration with the Ministry of ICT, on 09 June 2014, Ebene.

Local Courses/ Seminars/Workshops attended by Heads of Division

Dr Ashok Aubeeluck, Head – Economic Research attended

- i. 6th UNWTO / RETOSA Joint National Statistical Capacity Building Programme on Tourism Statistics and Tourism Satellite Account Workshop hosted by Ministry of Tourism and Leisure, from 24 to 27 June 2014, Port Louis.

Mr Deenesh Ghurburrun, Head – Off Site, Supervision attended

- i. Mobile Financial Services: the Business & Regulation in Mauritius hosted by Afritac South & IMF, from 10 to 14 February 2014, Ebene.

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

- i. 3rd Edition of International Conference on International Trade and Investment: Non Tariff Measures, The New Frontier of Trade hosted by University of Mauritius, from 05 to 06 September 2013, Reduit.
- ii. Seminar on Transition to a forward looking Monetary Policy Framework hosted by ATI and IMF Institute for Capacity Development, from 23 to 25 June 2014, Ebene.

Mr Vikramdass Mahendra Punchoo, Head-Statistics attended

- i. Fourth Trade Policy Review of Mauritius hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, on 02 August 2013, Port Louis.
- ii. Working Group on Financial Accounts and Sectoral Balance Sheet hosted by Statistics Mauritius, on 20 September 2013, Port Louis.
- iii. African Statistics Day: Debate on the theme entitled Quality Data to support African Progress hosted by Statistics Mauritius, on 18 November 2013, Port Louis.

Mr Chinniah Ramsamy, Head – On Site, Supervision attended

- i. Meeting: Discussion of Proposed Amendments on Ponzi Schemes / Regulatory Gaps hosted by the Ministry of Finance and Economic Development, on 07 October 2013, Port Louis.

Mr Jayendra Kumar Ramtohol, Head – Corporate Services attended

- i. GRI G4 Sustainability Reporting Guidelines: More Reports, Better Reporting - Launching of GRI G4 in Mauritius hosted by MIOD in collaboration with Omnicane, on 05 November 2013, Ebene.

Mr Dhanesswurnath Thakoor, Head – Payment Systems and MCIB attended

- i. Mobile Financial Services: the Business & Regulation in Mauritius hosted by Afritac South & IMF, from 10 to 14 February 2014, Ebene.

- ii. 2nd Oracle Financial Services African Summit hosted by Oracle Corporation, from 06 to 07 March 2014, Balaclava.

Local Courses/Seminars/Workshops attended by Chiefs

Mr Dooneshsingh Audit, Chief – Policy Unit attended

- i. Meeting on Economic Partnership Agreement – Services hosted by the Ministry of Foreign Affairs, Regional Integration and International Trade, on 24 July 2013, Port Louis.
- ii. Meeting: Requirements and Offers for Peer to peer Learning and Capacity Building under the Accelerated Program for Economic Integration hosted by the Ministry of Finance and Economic Development, 04 April 2014, Port Louis.
- iii. Presentation on the April 2014 Regional Economic Outlook for Sub Saharan Africa hosted by AFRITAC South, 12 May 2014, Ebene.
- iv. Public/Private Coherence & Coordination Committee on Africa hosted by Ministry of Foreign Affairs, Regional Integration & International Trade, 05 June 2014, Port Louis.

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

- i. 2nd Steering Committee on National Numbering Plan Change hosted by ICTA / ICT, on 29 August 2013, Port Louis.
- ii. SWIFT User Group for Mauritius hosted by SWIFT, on 12 June 2014, Ebene.

Mr Arvind Dowlut, Chief – IT, Corporate Services attended

- i. Workshop on Data Protection and Privacy hosted by Microsoft Corporation with Data Protection Office on 19 February 2014, BalACLava.

Mr Gangalaramsamy Narayan, Chief – Intelligence, Compliance and Enforcement attended

- i. Cyber Security/Data Loss Workshop hosted by the Ministry of ICT, on 28 October 2013, Port Louis.
- ii. 1st Internet Intelligence Seminar hosted by Grant Thornton Ltd, on 27 November 2013, Domaines Les Pailles, Pailles.

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

- i. Meeting - Mauritius eRegistry Project (MeRP) hosted by Office of the Registrar General, on 06 August 2013, Port Louis

Mrs Rajshri Jutton Gopy, Chief – Intelligence, Compliance and Enforcement attended

- i. National Committee for Anti Money Laundering and Combating the Financing of Terrorism hosted by Ministry of Finance & Economic Development, on 23 July 2013, Port Louis
- ii. UN Security Council Regulation hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, on 06 September 2013, Port Louis.
- iii. Meeting: Discussion of Proposed Amendments on Ponzi Schemes / Regulatory Gaps hosted by the Ministry of Finance and Economic Development, on 07 October 2013, Port Louis.

- iv. Private Sector Engagement in the Fight against Corruption: Workshop with Prof. Rossouw as Guest Speaker hosted by ICAC, on 15 May 2014, BalACLava.

Mr Youssouf Waesh Khodabocus, Chief – Off – Site, Supervision attended

- i. Presentation on the Criminal Vulnerabilities of International Financial Centres hosted by FSC, on 21 November 2013, Ebene.

Mr Neetyanand Kowlessur, Chief – Economic Analysis attended

- i. Workshop on Trade in Services and the Promotion of Trade Integration hosted by WTO Chairs Programme (WCP) at the University of Mauritius, in collaboration with UNCTAD and the DITC, from 16 to 18 October 2013, Reduit.
- ii. Workshop: Validate the National Matrix under the Economic Partnership Agreement (EPA) hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, on 27 November 2013, Reduit.
- iii. COMESA National Workshop on the utilization of the On Line Monitoring and Evaluation reporting system hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, 19 to 21 March 2014, Quatre Bornes.
- iv. 4th Trade Policy Review of Mauritius - Report by Government hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, on 26 March 2014, Port Louis.
- v. Technical meeting on Financing and other means of implementation in the post 2015 context hosted by Oxford

International Consulting Mauritius Ltd jointly with Joint Economic Council and Global Finance Mauritius, on 12 May 2014, Port Louis.

Mrs Powkeen Lo Tiap Kwong, Chief – Economic Analysis attended

- i. Course on Monetary & Exchange Rate Policy hosted by IMF, from 15 to 26 July 2013, Pointe aux Piments.

Dr Ashwin Kumar Madhou, Chief – Economic Research Division attended

- i. Presentation of the October 2013 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South and the Africa Training Institute, in collaboration with the University of Mauritius, 12 November 2013, Reduit.
- ii. Course on Monetary Policy Analysis hosted by IMF, from 03 to 14 March 2014, Ebene.

Mrs Najma Nabee, Chief – Economic Analysis attended

- i. IOSCO-AMERC Corporate Bond Markets Outreach Programme hosted by FSC, from 07 to 08 October 2013, Ebene.

Mrs Malini Ramdhan, Chief - Regulation, Policy and Licensing attended

- i. Workshop on Competition Compliance hosted by Competition Commission of Mauritius, on 29 November 2013, Ebene.

Mr Sanjay Ramnarainsing, Chief – Financial Markets Operations attended

- i. IOSCO-AMERC Corporate Bond Markets Outreach Programme hosted

by FSC, from 07 to 08 October 2013, Ebene.

Mr Keshwarajsingh Ramnauth, Chief – Economic Analysis attended

- i. Seminar on National Accounts Statistics hosted by Afritac South & IMF, from 17 to 21 February 2014, Ebene.

Mr Chandradeo Sharma Rutah, Chief – On – Site, Supervision attended

- i. Training Programme on Effective Oversight of Capital Markets: Compliance, Examinations, Investigations and Prosecution of Securities Fraud and Abuse hosted by FSC & US Securities and Exchange Commission, from 05 to 08 August 2013, Ebene.

Mrs Sonali Sewraj Reetoo, Chief – Legal Services attended

- i. Meeting: Discussion of Proposed Amendments on Ponzi Schemes / Regulatory Gaps hosted by the Ministry of Finance and Economic Development, on 07 October 2013, Port Louis.

Local Courses/Seminars/Workshops attended by IT – Security Officer

Mr Girish Mehta, IT Security Officer attended

- i. 1st Internet Intelligence Seminar hosted by Grant Thornton Ltd, on 27 November 2013, Domaines Les Pailles, Pailles.
- ii. Cyber Security Conference hosted by the National Computer Board, on 02 December 2013, Ebene.

Local Courses/Seminars/Workshops attended by Analysts

Mrs Falzana Atchia, Analyst – Statistics attended

- i. Seminar on Macroeconomic Diagnostics hosted by IMF, from 24 March to 02 April 2014, Ebene.

Mr Nandkumar Daworaz, Analyst – Financial Markets Operations attended

- i. Seminar on Public debt Management hosted by African Development Bank & Ministry of Finance and Economic Development, from 09 to 11 April 2014, Port Louis.

Mr Beemalsing Jawaheer, Analyst – On – Site, Supervision attended

- i. Course on Core Elements of Banking Supervision hosted by ATI, from 09 to 20 June 2014, Ebene.

Ms Monysha Lyna Jany Singh Jhamna, Analyst – Reserve Management Unit attended

- i. Course on Monetary & Exchange Rate Policy hosted by IMF, from 15 to 26 July 2013, Pointe aux Piments.

Mr Satish Singh Jugoo, Analyst – Statistics attended

- i. Course on Monetary & Exchange Rate Policy hosted by IMF, from 15 to 26 July 2013, Pointe aux Piments.
- ii. 6th UNWTO / RETOSA Joint National Statistical Capacity Building Programme on Tourism Statistics and Tourism Satellite Account Workshop, hosted by Ministry of Tourism and Leisure, from 24 to 27 June 2014, Port Louis.

Mr Adarsh Juwaheer, Analyst – Economic Research attended

- i. Presentation of the October 2013 Regional Economic Outlook for Sub-Saharan Africa hosted AFRITAC South and the Africa Training Institute, in collaboration with the University of Mauritius, 12 November 2013, Reduit.
- ii. Monetary & Exchange Rate Policies (MERP) hosted by IMF, from 24 March to 04 April 2014, Ebene.

Mr Ranjeet Kallychurn, Analyst – IT attended

- i. Workshop on Youth Safety on the Internet hosted by NCB, on 13 February 2014, Phoenix.

Mr Brian Kwok Chung Yee, Analyst – Off – Site, Supervision conducted

- i. Technical Assistance - Briefing on Financial Soundness Indicators (FSI's) from 11 to 22 November 2013, Balaclava.

Mr Karankumar Pitteea, Analyst – Economic Analysis attended

- i. Seminar on Macroeconomic Diagnostics hosted by IMF, from 24 March to 02 April 2014, Ebene.

Mrs Sharony Devi Purryag, Analyst – Off – Site, Supervision attended

- i. Financial Soundness Indicators Workshop hosted by IMF, from 18 to 22 November 2013, Mauritius.

Mrs Shakuntala Ramanah, Analyst – Off – Site, Supervision attended

- i. Africa Competition Forum Workshop on Investigative Skills hosted by

Competition Commission of Mauritius,
on 28 May 2014, Ebene.

Mrs Vijayantimala Ramful, Analyst – Financial
Markets Operations attended

- i. IOSCO-AMERC Corporate Bond
Markets Outreach Programme hosted
by FSC, from 07 to 08 October 2013,
Ebene.

Mr. Vasan Kumar Ranlaul, Analyst – IT
attended

- i. SWIFT User Group for Mauritius hosted
by SWIFT, on 12 June 2014, Ebene.

Mr. Feisal Bin Khalid Sooklall, Analyst –
Economic Analysis attended

- i. Presentation of the October 2013
Regional Economic Outlook for Sub-
Saharan Africa hosted by AFRITAC
South and the Africa Training Institute,
in collaboration with the University
of Mauritius, on 12 November 2013,
Redit.
- ii. Seminar on National Accounts Statistics
hosted by Afritac South & IMF. From 17
to 21 February 2014, Ebene.

Local Courses/Seminars/Workshops attended by Acting Analyst

Mr Chetanand Christna, Ag Analyst – Accounting
and Budgeting attended

- i. IFRS Update 2013 hosted by KPMG, on
30 August 2013, Ebene.

Local Courses/Seminars/Workshops attended by Safety and Health Officer

Mrs Sandhya Nundah, part-time-Safety and
Health Officer attended

- i. Noise Assessment Competency Course
on a part time basis, hosted by the Open
University of Mauritius from 18 January
to 22 February 2014 (every Saturdays),
Open University Campus, Forest Side.

Local Courses/Seminars/Workshops attended by Graduate Trainee

Mr Shehzaad Chutoo, Graduate Trainee –
Reserve Management Unit attended

- i. Presentation on the April 2014 Regional
Economic Outlook for Sub Saharan
Africa hosted by AFRITAC South, 12
May 2014, Ebene.

Miss Rajlukshmee Tengur, Graduate Trainee –
Economic Analysis attended

- i. Presentation on the April 2014 Regional
Economic Outlook for Sub Saharan
Africa hosted by AFRITAC South, 12
May 2014, Ebene.

Appendix VI

Attachment from other Central Banks/ Banks at the Bank of Mauritius

The following officers were on attachment in the Financial Markets Operations Division:

- i. Dr Monaheng Seleteng and Mr Mookameli Fuma, officers from the Central Bank of Lesotho, from 10 to 13 June 2014.

The following officers were on attachment in the Payment Systems and MCIB Division:

- i. Mr Smith Kamwana, Mr Osky Sichinga and Mr Edward Kambwiri, officers from the Reserve Bank of Malawi, from 16 to 17 September 2013.
- ii. Mr Peter Munthali, officer from a Commercial Bank in Malawi, from 16 to 17 September 2013.
- iii. Mr J B Ndikumana and Mr B N Dayiziga, officers from the Bank of the Republic of Burundi, from 10 to 11 October 2013.
- iv. Mr Juswira Momim, Ms Ayu Mustapa, Ms Mu'izzah Kamal and Dr Gordon Clarke, officers from Monetary Authority of Brunei, from 17 to 19 February 2014.
- v. Mr John Mugarura, Ms Justine Namata and Mrs Sheila N Semakula, officers from the Bank of Uganda, from 24 to 28 March 2014.

Appendix VII

Staff Turnover

RECRUITMENTS/APPOINTMENTS

Mr Narayan Gangalaramsamy was appointed Chief with effect from 15 July 2013.

Mr John Laing Roberts was appointed Consulting Editor with effect from 12 August 2013.

Mr Mohamad Issa Soormally was appointed Second Deputy Governor with effect from 15 October 2013.

Mr Mooneesing Janna Naiken was appointed Director – Technology with effect from 04 November 2013.

Mr Ashootosh P S Palayathan was appointed Chief with effect from 02 December 2013.

Mr Gunness Gonpot was appointed Chief with effect from 03 February 2014.

Mr Jayendra Kumar Ramtohol and Mr Deenesh Ghurburrin were appointed Heads with effect from 03 February 2014.

Miss Pratima Saitee and Miss Florence Anasthasia L'Esperance were appointed Receptionists with effect from 03 February 2014.

Miss Reesha Seeballuck, Miss Rajlukshmee Tengur, Mr Munish Gowriah, Mr Shehzaad Chutoo, Miss Selvina Goinden, Miss Dhanusha Ennergeet, Mr Bhavish Kumar Ubheeram, Miss Suhaylah Begum Mahamoodally, Miss Daksha Govind and Miss Daveena Jugroop were appointed Graduate Trainees with effect from 10 March 2014.

Dr Muniruddeen Lallmahomood was appointed Consultant - Islamic Banking with effect from 14 March 2014.

Mr Ashvin Jorai was appointed Graduate Trainee with effect from 17 March 2014 .

Miss Doushy Jeeana, Miss Dhaneshwari Keenoo and Miss Shilpa Busgopal were appointed Bank Officers Grade II with effect from 07 April 2014.

Mr Khemraj Aubeeluck and Mr Manohur Ubheeram were appointed security Officers with effect from 02 May 2014.

Dr Premduth Aubeeluck was appointed Head with effect from 02 May 2014.

Mr Manilall Jhugroo was appointed Assistant Manager - Security with effect from 02 June 2014.

Mr Adarsh Juwaheer was appointed Analyst with effect from 02 June 2014.

RETIREMENTS

Mr Hossen Sadool, Bank Officer Grade I, retired from the service of the Bank with effect from 15 July 2013.

Mr Narendraduth Sultanti, Chief, retired from the service of the Bank with effect from 16 July 2013.

Mrs Bhanoomatee Hardowar, Senior Confidential Secretary, retired from the service of the Bank with effect from 01 September 2013.

Mr Mardayah Kona Yerukunondu, Head, and Mr Pierre Yvan Mario Lebon, Analyst, retired from the service of the Bank with effect from 01 October 2013.

Mr Teck Shim Leong Mook Seng, Documentation Officer, and Mrs Basuntee Gowreesunkur, Confidential Secretary, retired from the service of the Bank with effect from 01 November 2013.

Mr Gunness Gonpot, Chief, Mr Deepuk Kistoo, Bank Attendant Grade III, and Mrs Ameeta Bickoo, Bank Officer Grade II, retired from the service of the Bank with effect from 01 January 2014.

Mrs Sharony Devi Purryag, Analyst retired from the service of the Bank with effect from 24 January 2014.

Mr Jayendra Kumar Ramtohul and Mr Deenesh Ghurburrun, Heads, retired from the service of the Bank with effect from 01 February 2014.

RESIGNATIONS

Mr Kalyanaraman Chandrachoodan, Director - Supervision resigned from the service of the Bank with effect from 04 January 2014.

Dr Devianee Mulliah-Hurchand, Analyst, resigned from the service of the Bank with effect from 02 May 2014.

Dr Muniruddeen Lallmahomood, Consultant - Islamic Banking, resigned from the service of the Bank with effect from 14 June 2014.

Dr Ravi Ramprogas, Chief - IT, resigned from services of the Bank with effect from 2 May 2014.

EXPIRY OF CONTRACT OF EMPLOYMENT

The contract of employment of Mr Trivedi Mooneesamy, Driver expired with effect from 01 September 2013.

The contract of employment of Mr Mohammed Iqbal Belath, Second Deputy Governor, expired with effect from 31 October 2013.

The contracts of employment of Mr Khemraj Aubeeluck and Mr Manohur Ubheeram, Security Officers, expired with effect from 01 April 2014.

The contracts of employment of Mr Manilall Jhugroo, Assistant Manager - Security, and Mr Adarsh Juwaheer, Analyst, expired with effect from 02 May 2014.

TERMINATION OF EMPLOYMENT

The contract of employment of Mrs Vinoda Soyjaudah, Chief, was terminated with effect from 02 May 2014.

Appendix VIII

List of Banks, Non-Bank Deposit-Taking Institutions, Money-Changers and Foreign Exchange Dealers licensed by the Bank of Mauritius as at 30 June 2014

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 2014.

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. Banque Richemount Limited¹
7. BanyanTree Bank Limited
8. Barclays Bank Mauritius Limited
9. Bramer Banking Corporation Ltd
10. Century Banking Corporation Ltd
11. Deutsche Bank (Mauritius) Limited
12. Habib Bank Limited
13. HSBC Bank (Mauritius) Limited
14. Investec Bank (Mauritius) Limited
15. Mauritius Post and Cooperative Bank Ltd
16. P.T Bank Internasional Indonesia
17. SBI (Mauritius) Ltd

18. Standard Bank (Mauritius) Limited
19. Standard Chartered Bank (Mauritius) Limited
20. State Bank of Mauritius Ltd
21. The Hongkong and Shanghai Banking Corporation Limited
22. The Mauritius Commercial Bank Limited
23. Warwyck Private Bank Ltd²

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

¹ Following a change of name of Banque Richemount Limited to Banque Privée de Fleury Limited, a banking licence to carry on private banking business was issued on 22 September 2014. The bank has not yet started operations.

² Warwyck Private Bank Ltd which was granted a banking licence on 25 April 2014 to carry on private banking business, has started its operation on 23 June 2014.

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. Island Premier Traders FX Ltd³
4. Shibani Finance Co. Ltd
5. Thomas Cook (Mauritius) Operations Company Limited

³ Island Premier Traders FX Ltd has changed its name to Island Premier Foreign Exchange Ltd and a new licence was issued on 4 September 2014.

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List of Acronyms

AACB	Association of African Central Banks
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BML	Broad Money Liabilities
BOM	Bank of Mauritius
CABS	Community of African Banking Supervisors
CAMEL	Capital, Asset Quality, Management, Earnings and Liquidity
CCBG	Committee of Central Bank Governors
CDS	Central Depository System
CMA	Common Monetary Area
CMI	COMESA Monetary Institute
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
DEM	Development and Enterprise Market
ECB	European Central Bank
FAO	Food and Agriculture Organisation
FSB	Financial Stability Board
FSC	Financial Services Commission
GBCs	Global Business Companies
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GFS	Government Finance Statistics
GNDI	Gross National Disposable Income
GNI	Gross National Income
GNS	Gross National Savings
GoM	Government of Mauritius
IAS	International Accounting Standards
ICE	Intercontinental Exchange
ICTA	Information and Communication Technology Authority

List of Acronyms

IFRS	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
ISIN	International Securities Identification Number
KRR	Key Repo Rate
MACSS	Mauritius Automated Clearing and Settlement System
MCIB	Mauritius Credit Information Bureau
MDLS	Mauritius Development Loan Stocks
MERI	Mauritius Exchange Rate Index
MICR	Magnetic Ink Character Recognition
MPC	Monetary Policy Committee
MSS	Mauritius Sugar Syndicate
NBDTI	Non-Bank Deposit-Taking Institutions
NPL	Non-Performing Loans
NPS	National Payment Switch
ODCs	Other Depository Corporations
OMFIF	Organisation of Monetary Financial Institutions Forum
ORR	Operation Reserves Reconstitution
PLACH	Port-Louis Automated Clearing House
RBI	Reserve Bank of India
REER	Real Effective Exchange Rate
REPSS	Regional Payment and Settlement System
RTGS	Real Time Gross Settlement
SADC	Southern African Development Community
SDR	Special Drawing Rights
SEMDEX	Stock Exchange Market Index
SIRESS	SADC Integrated Regional Settlement System
VAT	Value-added Tax
WTI	West Texas Intermediate
XBRL	eXtensible Business Reporting Language

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