BANK OF MAURITIUS

ANNUAL REPORT

YEAR ENDED **30 JUNE 2022**

CONTENTS

LETTER OF TRANSMITTAL

The Governor

Bank of Mauritius
Port Louis

31 October 2022

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

Dear Minister of Finance, Economic Planning and Development

Annual Report and Audited Accounts 2021-22

In accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, I transmit herewith the fifty-fifth Annual Report of the Bank, which also contains the audited Consolidated and Separate Financial Statements of the Bank for the year ended 30 June 2022.

Yours sincerely

Harvesh Seegolam

Statement from the Governor

The Bank of Mauritius: Committed to our country and our people through price stability and economic resilience

The Bank of Mauritius presents its Annual Report for the Financial Year 2021-2022 at a time when the world continues to strive through the impact of unprecedented shocks and challenges. Our commitment to our country and to the people of Mauritius is to safeguard their economic and financial interests at all costs. The Bank of Mauritius staff has contributed relentlessly to deliver on its mandate to reflect the Mauritius that we believe in. Our efforts have translated into tangible results. By maintaining financial stability, we have fostered economic resilience. As output gaps are closing, the Bank is fully committed to contain inflation. Now more than ever, price stability is our priority.

ECONOMIC RESILIENCE AND FINANCIAL STABILITY

Like any other year, the Financial Year 2021-2022 has been marked by contrasting developments. While the economy is fully recovering from the brutality of the COVID-19 pandemic, the outbreak of war in Ukraine in February 2022 has brought the concern of a rising inflation back to the forefront.

At such a juncture, it is important that we reflect on the crucial role that the Bank of Mauritius has played to protect Mauritius and its people. To preserve our economic and financial stability, the complexity of this unique situation required the Bank to demonstrate agility and promptness in its decision-making. Paired with the historic support plan rolled out by the authorities, the bold array of conventional and unconventional measures implemented by the Bank since the start of the pandemic has undoubtedly contributed to dampen the impact of the crisis on the Mauritian businesses and households.

The economic recovery is well on track to reach pre-pandemic levels. Despite the prolonged impact of the pandemic, and the Russia-Ukraine conflict, our economy has shown great resilience. We are looking at closing 2022 within the initial forecast of 7 to 8 per cent in GDP growth. The export-oriented industries have performed exceptionally well, even outperforming 2019 levels in terms of order books. Tourism is equally recovering after the closure of our borders from March 2020 to October 2021.

The creation of the Mauritius Investment Corporation Limited (MIC) remains a decisive tool in our ambition and efforts to salvage the economy and help preserve the livelihoods of hundreds of thousands of citizens. By creating a domestic investment portfolio, and by providing critical financial support to systemic corporates in testing moments, the Bank, through the MIC, has helped ensure that key economic sectors preserve their capacities. Our actions have protected, amongst others, the tourism industry against the pitfalls of our country not being able to welcome tourists. Going forward, the MIC will continue to deliver on its Constitution to bolster economic diversification and resilience and assist the Bank to maintain financial stability. As at end of June 2022, the MIC had approved investments of Rs52,117 million of which Rs46,179 million has been disbursed to 40 entities.

The MIC has also gained value on its investments in financial assets. Investments made by the MIC have resulted in positive returns for the Bank in the Financial Year 2021-2022. This is in contrast to the negative performance of international markets, generating significant and unprecedented losses.

Despite the difficult environment, the Bank has generated a profit of Rs299 million on its operations in Financial Year 2021-2022. In addition, the Bank further consolidated its balance sheet by Rs5 billion in Financial Year 2021-2022 which has been returned by the government out of the one-off exceptional contribution of R60 billion which was made by the Bank to the government in the financial year ended 2020-2021. We have successfully navigated through the different challenges without compromising on the standards of rigour expected of a modern and proactive central bank.

In the face of heightened uncertainties and risks, our deposit-taking institutions successfully weathered the shocks and ensured seamless flow of credit and other financial services to the economy. I must here reiterate that the timely and well-targeted regulatory measures introduced in 2020 as well as the strong capital and liquidity buffers contributed to the resilience of our financial system. As at end-June 2022, the Capital Adequacy Ratio stood at 19.3 per cent, and the Liquidity Coverage Ratio stood at 235.8 per cent.

Nevertheless, an effective framework to assess and monitor risks to financial stability requires periodic reviews. We are, thus, modernising our stress testing framework to incorporate other highly relevant scenarios relating to climate change, cross-border exposure and other forward-looking elements. In addition, work on establishing a comprehensive macroprudential policy framework has reached an advanced stage with a view to track systemic risks and support timely response with appropriate macroprudential policy tools.

Financial Stability stands as a key strength in preserving economic resilience in Mauritius. The regular stress testing exercises have consistently confirmed the ability of the banking sector to withstand macroeconomic and other idiosyncratic shocks, highlighting the effectiveness of the Bank's supervision and monitoring.

PRICE STABILITY

Successive external shocks - COVID-19, the Russia-Ukraine conflict, supply chain disruptions – have had a direct impact on the purchasing power of Mauritians. In September last, the Bank forecast headline inflation at 10.6 per cent for 2022. In the light of this, the Bank has deployed its arsenal to counter the growing inflationary pressures and anchor inflation expectations while also closing interest rate differentials.

In the first half of the year, we started with a cautious normalisation of our monetary policy. We raised the Key Repo Rate by a cumulative 40 basis points. As from September, after analysing economic recovery data and statistics, the Monetary Policy Committee decided to adopt a more aggressive normalisation pace. This led to a further hike of 75 basis points, thus bringing the cumulative normalisation stance to 115 basis points since the beginning of the year.

Future monetary policy measures and the speeding up of normalisation will hinge upon the inflation outlook and the interest rate differential with other advanced and emerging market economies. The Bank stands ready to have recourse to further hikes in the interest rate in future should the need arise.

The effectiveness of monetary policy is a necessary condition for a well-functioning economy. We, therefore, have to ensure that the monetary policy transmission mechanism is sufficiently robust. It is in this regard that, in September 2020, we embarked on the crafting of our new monetary policy framework that responds to the requirements of our evolving economic environment. The new monetary policy framework, which will replace the current 2006 monetary policy framework, will further enhance the effectiveness of the transmission mechanism. We look forward to deploying the new monetary policy framework as from 2023.

Our foreign exchange reserves provide us with an important buffer in such turbulent times. Our Gross Official International Reserves stand at USD6.5 billion as at end of October. This represents an import cover of 13.5 months. The Bank has intervened on the foreign exchange market at appropriate pace and amounts. In April 2022, the Bank conducted the largest ever single foreign exchange intervention of USD200 million to ease market conditions. From March 2020 to end of October 2022, the Bank has sold a total amount of USD3.4 billion. This includes an amount of more than USD1 billion sold to the market in the financial year 2021-2022 with the object of further containing inflation amongst others. The Committee on FX has been instrumental in continuously monitoring the situation very closely. As always, the Bank stands ready to intervene on the domestic FX market, if and when the need arises.

INVESTING IN OUR FUTURE

INNOVATION

Our journey to date necessitated a hands-on approach. The genesis of a brighter future lies in today's decisions. In 2020, I set up the Committee on the Future of Banking in Mauritius under my chairmanship comprising both representatives of the Bank and the banking sector to chart out a roadmap for the next decade. This culminated in the Future of Banking Report which was launched at the Governors' Meet organised in the context of the 55th Anniversary of the Bank. A key element in our future strategy remains our approach to digitalisation and innovation.

The Bank has already embarked on a number of game-changing projects including, but not limited to, our Central Bank Digital Currency (the Digital Rupee), virtual assets, payment systems, a national payment card, the use of cloud services, cyber resilience of the banking sector, sandbox authorisation and other technology-driven innovations. We have also initiated the transformation of our IT system and culture with a view to further modernising the Bank and optimising its efficiency.

INTERNATIONAL AND INSTITUTIONAL STRATEGY

As banking regulation and supervision are a matter of international cooperation, the Bank has to strengthen existing ties and establish new ones with relevant international organisations, counterparts and key local institutions. On the multilateral front, the Bank has been increasingly involved in the main international institutions promoting financial stability and economic development, such as the IMF and the OECD. These are instrumental platforms to learn from the best international practices and showcase to the world the work conducted by the Bank and its staff. On a bilateral basis, we have entered into Memoranda of Understanding and collaborative frameworks with major central banks across the world such as the Banque de France and the Central Bank of UAE, amongst others. We are encouraging the formulation of staff exchange programmes as well as thematic conferences and workshops as we firmly believe that knowledge and expertise sharing are critical components of our capability to better deliver on our mandate. The Bank also redefined its collaboration with relevant local institutions. Since 2020, the Bank has expanded its international and local network from 27 to 48 agreements, including 14 new agreements signed during Financial Year 2021-2022. Going forward, we will further enhance these partnerships for the benefit of the Bank and the country.

CLIMATE CHANGE

In October 2021, the Bank launched its Climate Change Centre to accelerate the transition to a greener financial system. The work has progressed satisfactorily and, in April 2022, the Guideline on Climate-related and Environmental Financial Risk Management was issued. It calls for financial institutions to imbue climate-related risk considerations in their end-to-end decision-making and operating processes. The various task forces under the Climate Change Centre are fully operational and, going forward, the Bank will continue to support financial institutions in upgrading their risk management frameworks to mitigate the financial impacts of climate change and environmental degradation. Further to the release of its Guide for the Issue of Sustainable Bonds in June 2021, the Bank is pressing ahead with the development of sustainable financial markets with the objective of making Mauritius a regional leader for the issuance of sustainable financial products.

OUR PEOPLE, OUR STRENGTH

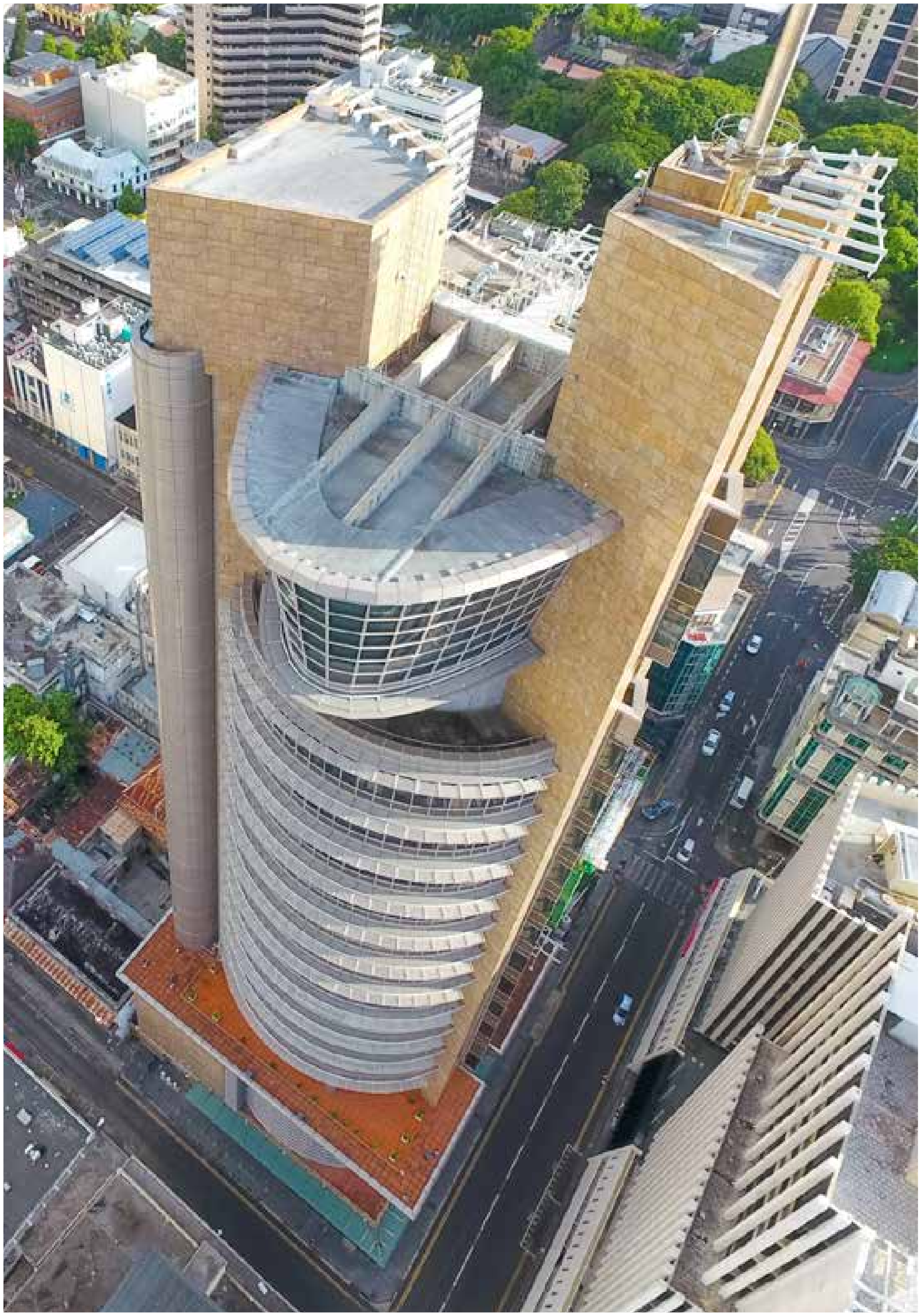
The Bank is driven by committed professionals. Their dedication needs to be put on record, especially during the challenging moments we have gone through and which constantly put our mettle to test. As a firm believer in the pivotal importance of our human capital, I have ensured that a much higher proportion of our employees benefit from learning opportunities, virtually and physically, with both local and foreign counterparts. The Bank is investing in a state-of-the-art building for its Rodrigues Office, so that our staff can diligently support the exigencies of Rodrigues.

Before concluding, I wish to reiterate my profound gratitude to all stakeholders and partners for their continued trust and support to the Bank in fulfilling its core mandate of maintaining price stability and financial stability at such an important and critical juncture for our country. I am grateful to the First Deputy Governor, the Second Deputy Governor, the Board of Directors, and MPC Members for their contribution and commitment.

I equally extend my sincere appreciation to each and every employee of the Bank. Our staff remains a continuing source of strength for us.

Harvesh Seegolam
Governor

31 October 2022



OUR MANDATE

The Bank of Mauritius was established under the Bank of Mauritius Ordinance 1966 and is, by statute, the central bank of the Republic of Mauritius. The Bank is governed by the Bank of Mauritius Act 2004.

Primary Object

Maintain price stability and promote orderly and balanced economic development

Other Objects

i) Regulate credit and currency in the best interests of the economic development of Mauritius

ii) Ensure the stability and soundness of the financial system

iii) Act as central bank for Mauritius

Price Stability

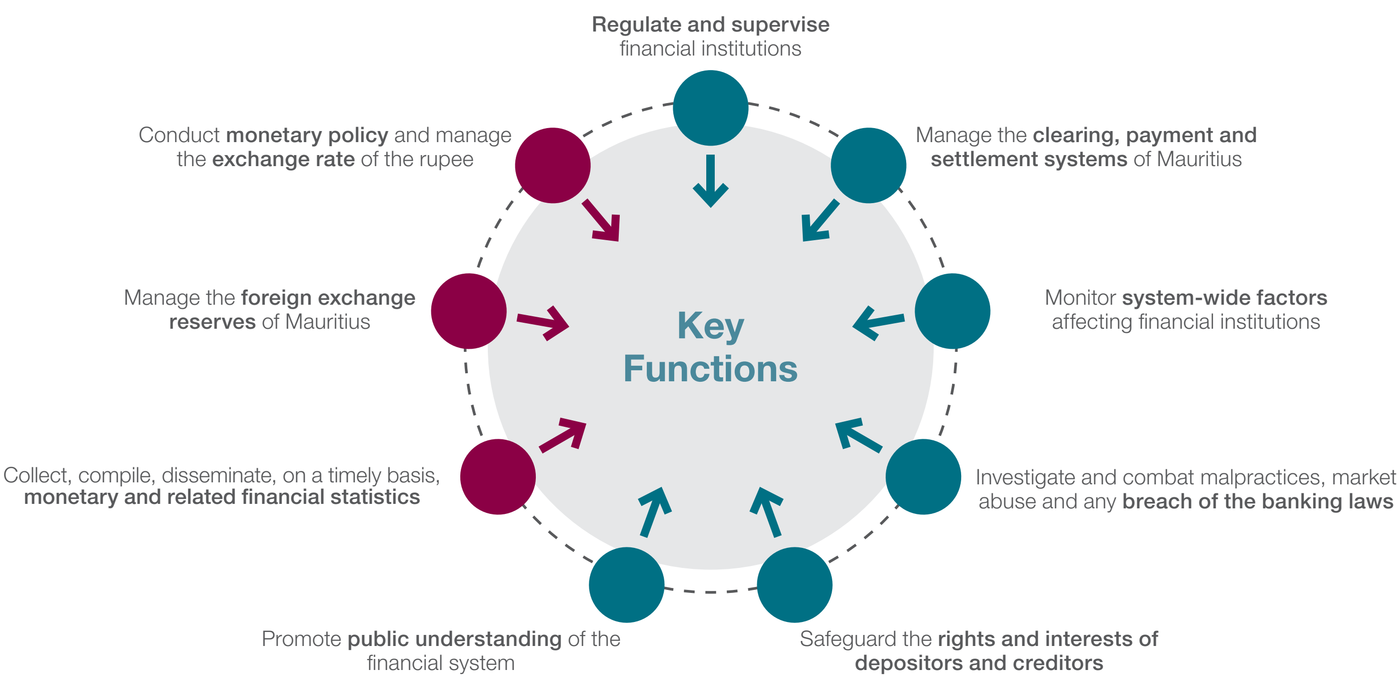
safeguards the purchasing power of the domestic currency and creates appropriate conditions conducive to long-term growth in a sound macroeconomic environment.

Economic Development

promotes orderly and balanced economic development

Financial Stability

prevents the occurrence of systemic risks and allows the financial system to fulfill its key intermediation goals, whilst preserving the resilience of the country's underlying financial infrastructure, including the payment systems.

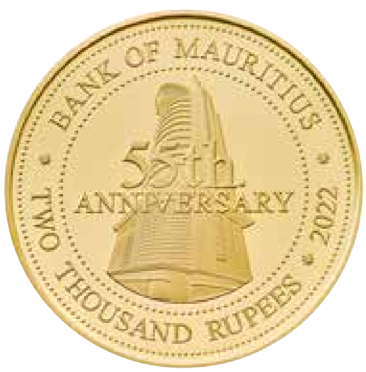


Celebrating the 55th Anniversary of the Bank

This year marks the Emerald Jubilee of the Bank of Mauritius (Bank). The Bank celebrated this milestone event by organising a Governors' Meet on 8 and 9 September 2022. The meeting saw the participation of 17 Governors, 7 Deputy Governors and key representatives from 28 authorities from Africa, Asia, Europe and the Middle East.

The Prime Minister, the Honourable Pravind Kumar Jugnauth and the Minister of Finance, Economic Planning and Development, Dr the Honourable Renganaden Padayachy, were the guests of honour at this meeting where they launched the Rs2,000 and Rs2,500 Commemorative Gold Coins as well as the Future of Banking Report.

A staff dinner was also organised to mark the celebration of the 55th year of existence of the Bank of Mauritius.



Design on the obverse depicts the front façade of the Bank of Mauritius Tower

Design on the obverse depicts the Dodo

Reverse of both coins pays tribute to Late Sir Anerood Jugnauth, GCSK, KCMG, QC, PC

The Bank's Journey over the Last 55 Years

1967-1971

1967: Started the exchange of newly issued Bank of Mauritius notes (Rs5, Rs10, Rs25 and Rs50)

1968: - Establishment of the Port-Louis Clearing House;
- Membership to the IMF

1970: First-time issuance of Government securities

1971: Promulgation of Banking Act

1972-1976

1972: Offices of the Bank moved to new premises along Sir William Newton Street

1974: Introduction of a credit ceiling and a penal rate of interest on borrowings by banks above the normal level

1976: Rupee de-linked from Pound sterling and pegged to Special Drawing Rights (SDR) of the IMF

1977-1981

1978: Started purchase and sale of US dollar to commercial banks on a spot basis, in addition to transactions in Pound sterling

1979: Stand-by Arrangement with the IMF and first devaluation of the rupee

1981: Second devaluation of the rupee in the context of the Stand-by Arrangement with the IMF

1982-1986

1983: - Started purchase and sale of French francs to commercial banks on a spot basis, in addition to transactions in Pound sterling and US dollar;
- Rupee de-linked from SDR and pegged to a trade-weighted basket of currencies

1985: First-time issuance of Rs200 banknote and issuance of new Rs5 and Rs10 banknotes

1986: Issuance of new Rs50 and Rs100 banknotes

1987-1991

1987: First-time issuance of Rs5 coin

1988: First-time issuance of Rs500 banknote

1989: Banking Act 1971 replaced by Banking Act 1988

1990: First-time issuance of Rs1,000 banknote

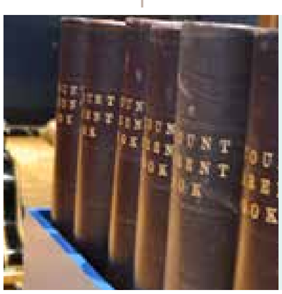
1992-1996

1992: Abolition of credit ceilings to priority sectors

1993: - Abolition of credit ceilings to non-priority sectors;
- Adoption of Basel I Accord

1994: - Suspension of Exchange Control;
- Setting up of interbank foreign exchange market

1996: Shift to a monetary targeting regime



1997-2001

1997: First-time issuance of Rs10 coin

1998: First-time issuance of Rs2,000 banknote

1999: - Starting of operations of the Bank of Mauritius in Rodrigues;
- Introduction of the Lombard Facility and Lombard Rate

2000: Launching of the Mauritius Automated Clearing and Settlement System

2001: Establishment of a Banking Committee

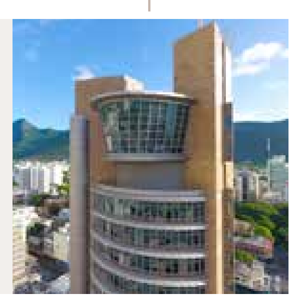
2002-2006

2002: Automation of the Port Louis Clearing House

2004: Promulgation of Bank of Mauritius Act 2004 and Banking Act 2004

2005: Setting up of the Mauritius Credit Information Bureau

2006: - Shift to interest rate targeting regime - inflation targeting 'lite';
- Inauguration of the BoM Tower



2007-2011

2007: Establishment of the Monetary Policy Committee

2009: - Move to the full implementation of Basel II for credit risk under the Standardised Approach;
- Full membership to the Islamic Financial Services Board;
- Appointment as Settlement Bank of the Regional Payment and Settlement System

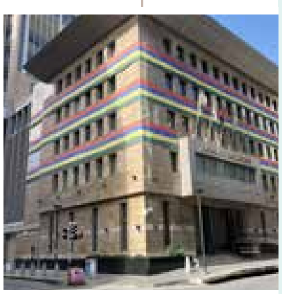
2011: Launching of the Cheque Truncation System

2012-2016

2012: - Subscription to the IMF's Special Data Dissemination Standards;
- Live operations of the Regional Payment and Settlement System

2013: - Introduction of the first polymer Rs25, Rs50 and Rs500 banknotes;
- Full implementation of the Cheque Truncation project;
- Issuance of a draft guideline on Basel III Framework

2014: - Launching of the automated data management system (XBRL project);
- Adoption of the Basel III Framework



2017-2022

2017: Inauguration of the Bank's Museum

2018: Introduction of the polymer Rs2,000 banknote

2019: Launching of the Mauritius Central Automated Switch (MauCAS)

2020: - Establishment of The Mauritius Investment Corporation Ltd
- Implementation of COVID-19 Support Programme
- Membership to the Network for Greening the Financial System (NGFS) and the Group des Superviseurs Bancaires Francophones
- IMF technical assistance for the design of the Mauritius CBDC
- Launch of work on the introduction of the new Monetary Policy Framework

2021: - Introduction of Frameworks for Digital Banks and Private Banks
- Launch of the MauCAS QR Code
- Launch of the Bank of Mauritius Climate Change Centre
- Launch of work on the introduction of the new Bank of Mauritius Bill and Banking Bill
- Membership in the Global Financial Innovation Network
- Funded the Regional Centre of Excellence of the Organisation for Economic Co-operation and Development

2022: - Launch of IT Transformation Project;
- Launch of work on the new FX Intervention Strategy
- Launch of the Future of Banking in Mauritius report

Establishment of the Bank of Mauritius and its Core Mandates

Established under the Bank of Mauritius Ordinance 1966, the Bank began its operations on 14 August 1967, taking over from the Board of Commissioners of Currency the task of safeguarding the internal and external value of the rupee and its international convertibility. The Bank was also vested with the sole right of issuing the domestic currency, as well as with the regulation of banking and credit, and the conduct of monetary policy in general. In addition, the Bank became the custodian of the country's foreign exchange reserves. With the assistance of the IMF in December 1968, the Ordinance was subsequently amended to widen and strengthen the powers of the Bank.

Monetary and Exchange Rate Policy

Monetary policy in the 1970s and early 1980s was conducted primarily through direct controls. The Bank set annual ceilings for the expansion of credit by banks and issued interest rate guidelines to banks, with lower lending rates set for priority sectors. While the development of the export sector benefited from the policy of directed credit, such a system brought in rigidities over time. A sequenced process of financial liberalisation started as from 1983, which saw among many outcomes, bank credit ceilings to priority and non-priority sectors abolished in 1992 and 1993, respectively. The gradual liberalisation of the financial system culminated into Mauritius adopting the obligations of Article VIII of the Articles of Agreement of the IMF in September 1993 and, effective July 1994, the suspension of exchange control.

These developments accompanied the diversification process of the economy and the liberalisation of trade and payment systems, which bolstered economic development. As the economy became more market-oriented, monetary policy focused on managing money growth to control inflation while the rupee moved to a managed floating exchange rate regime.

The Bank of Mauritius Act 1966 was repealed with the enactment of a new Bank of Mauritius Act in 2004. The Act laid the foundation for greater institutional independence for the Bank and clarified its primary mandate as being to maintain price stability and promote orderly and balanced economic development. It also allowed for the establishment of a Monetary Policy Committee (MPC) to formulate and determine the monetary policy to be conducted by the Bank in order to fulfill its primary mandate.

In December 2006, the Bank moved to interest rate targeting and introduced the monetary policy framework currently in use. Subsequently, the MPC was set up in April 2007. The current framework is due to evolve in line with best practices at other central banks for better traction of inflation and to be able to address shifting economic and financial conditions. The Bank is currently in the process of implementing a new monetary policy framework that will be more forward-looking and promote greater transparency in the monetary policy decision-making process.

Regulation and Supervision

The licensing, regulatory and supervisory framework which enables the Bank to maintain a sound banking system and protect the interests of depositors in Mauritius, has been consistently adapted to the country's dynamic economic and financial environment. In January 1989, the Banking Act 1971 was replaced by the Banking Act 1988, a more comprehensive and modern legal framework for a sound domestic banking system and the basis for the emergence of a reputable offshore banking sector in Mauritius. The inception of the offshore banking sector in Mauritius was a linchpin for building an International Financial Centre (IFC) that would, over the years, generate increasing value addition and create new jobs. It transformed Mauritius into a key jurisdiction in the region for wealth and investment management.

The regulatory and supervisory framework for the banking industry was further enhanced with the coming into force of the Bank of Mauritius Act 2004 and the Banking Act 2004. The Banking Act 2004 provided for the integration of domestic and offshore banking business by establishing a single banking licence regime, and eliminating the distinction between Category 1 (domestic) and Category 2 (offshore banks). The removal of dual licensing between offshore and domestic banking activities supported the widening and deepening of the domestic money and foreign exchange markets. In an effort to further strengthen the regulatory, supervisory and resolution frameworks for the domestic banking system and taking into consideration technological advances, the Bank has progressed significantly in the preparation of the new Bank of Mauritius Bill and Banking Bill. The new legislation will lay the foundation for a robust and thriving financial sector.

The regulation and supervision of banks in Mauritius has been largely influenced by international standard setters. Mauritius implemented the Basel I Capital Accord in 1993. The minimum regulatory capital requirement in Mauritius was originally set at 8 per cent of banks' risk-weighted assets, but was raised to 10 per cent by July 1997. One of the main weaknesses associated with Basel I was that it did not frontload risk considerations associated with individual loans, thereby paving the way for regulatory arbitrage. Basel II was introduced in 2004 by the Basel Committee for Banking Supervision (BCBS) to address the deficiencies of Basel I. Basel II became operational in Mauritius as from end-March 2008 on a one-year parallel run with Basel I and was fully implemented as from end-March 2009.

As a response to the 2008 Global Financial Crisis, the BCBS came up with Basel III as the new regulatory framework for the global banking system. Basel III aims, *inter alia*, at improving the quality as well as the quantum of regulatory capital. The implementation of Basel III capital requirements in Mauritius started as from 1 July 2014 and included transitional arrangements until 1 January 2020. Banks in Mauritius are required to maintain, amongst others, a minimum Capital Adequacy Ratio of 10 per cent as well as a capital conservation buffer of 2.5 per cent, with Domestic-Systemically Important Banks additionally required to maintain a capital surcharge ranging from 1.0 to 2.5 per cent. Regular reinforcement of the supervisory and regulatory framework in line with international best practices, has been instrumental in promoting the Mauritius IFC, and enabling the domestic banking sector overcome the various challenges over time.

Payment Systems Infrastructure

Payment systems play a critical role in the economic and financial structure of a country. Over time, the role of the Bank has evolved from solely an issuer of notes and coins to include that of regulator, operator and overseer of the payment systems in Mauritius. The Bank established the Port Louis Clearing House in 1968 to facilitate the clearing of cheques. With the advent of technology in the payments domain, the Bank embarked on a journey to modernise payment infrastructures. It implemented a real-time gross settlement system, the Mauritius Automated Clearing and Settlement System, in December 2000 and upgraded it in 2009 to a more resilient architecture supporting multi-currency transactions. In addition, the Port Louis Clearing House was automated in 2011. These infrastructures have simplified payment processes and significantly reduced the cost and time of transactions.

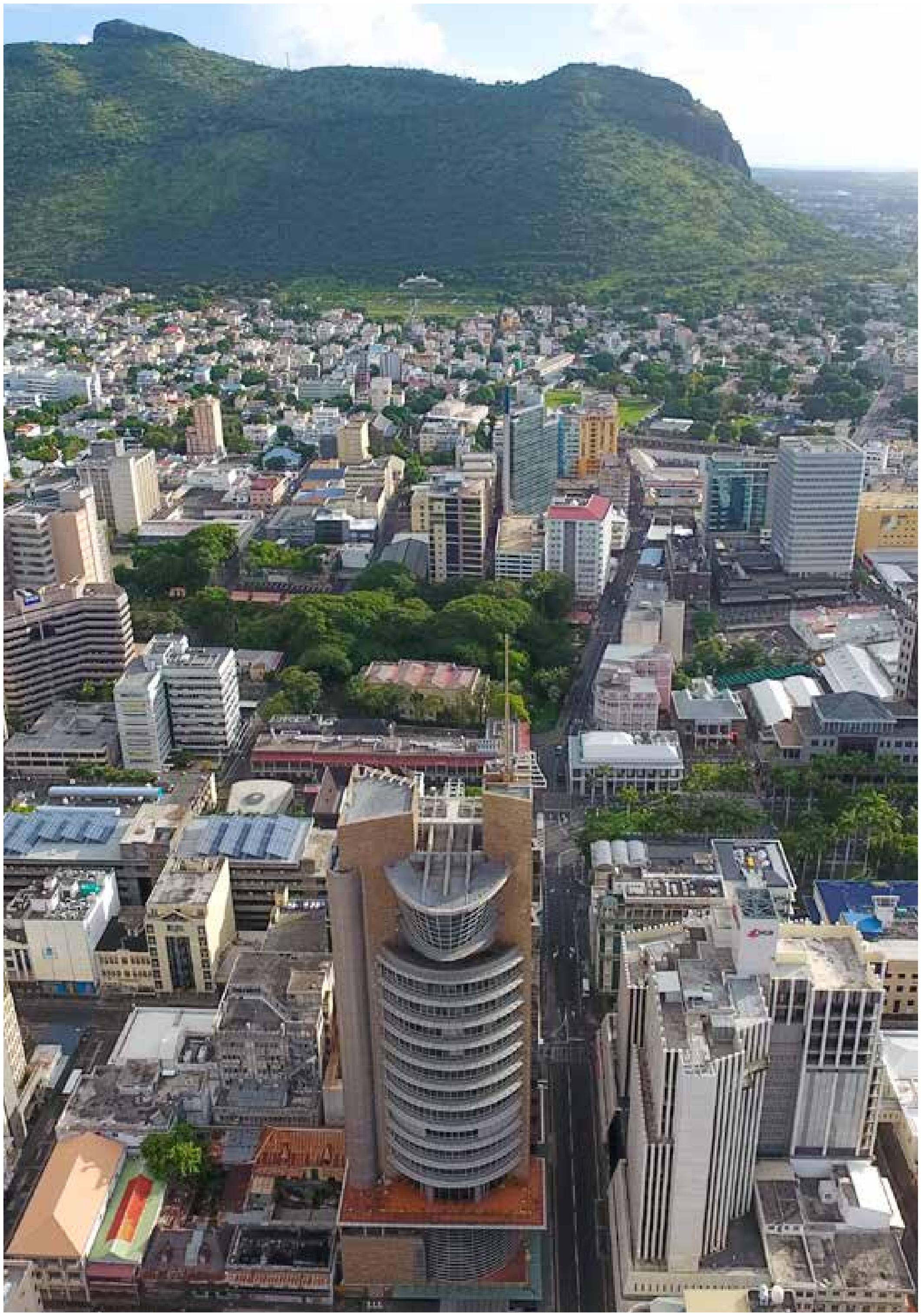
In January 2019, the National Payment Systems Act 2018 entered into force to empower the Bank to regulate, oversee and supervise the national payment system and other payment systems being operated in Mauritius, while enabling non-bank payment service providers to operate in a regulated environment conducive to their line of business. In August 2019, the Bank launched the Mauritius Central Automated Switch for routing payments amongst operators on a 24x7 basis. This innovative digital platform makes banking, e-commerce and mobile payments interoperable and encourages cashless means of payment. The constant enhancements brought by the Bank to the payments and settlement system over the years have been beneficial to the Mauritius IFC.

A major project that shall advance the cause of digitisation in Mauritius is the Central Bank Digital Currency (CBDC) – the Digital Rupee. CBDCs are being explored by many central banks worldwide as a digital instrument that enables the central bank to retain sovereignty over monetary issuances. The Bank is exploring its introduction as a way of modernising the payments infrastructure, whilst mitigating the risks associated with the rise of digital forms of private money. As part of the digital transformation of the economy, the Bank is also developing an infrastructure to integrate all government payments to support digitisation of government services. Such an initiative will offer the public a convenient and easy-to-use instant digital platform for the payment for government services.

Looking Ahead

As we take stock of the past, the 55th anniversary of the Bank has also been an occasion for stakeholders to reflect on the future of the Mauritian economy and on how best to chart the way towards addressing the challenges that lie ahead. In that realm, the Bank has been pro-active by staying ahead of the curve in many ways. For instance, with the assistance of external consultants, the Bank has established its vision for the Mauritian banking system of tomorrow with a clearly defined 'feuille de route' about how to translate this vision into actionable plans. Tomorrow's world will be characterised by digitisation and increased datafication. The Bank is already beefing up its analytical toolkits through the adoption of forward-looking and data-driven infrastructures to inform its policy decisions (e.g., enhancing its forecasting infrastructure for its new monetary policy framework; embarking in risk-based supervisory practices, etc). As a small open island economy, Mauritius is not spared from the subtleties of wide climatic condition swings. Climate change considerations are also rapidly making inroads into the realm of central banks, given their manifold implications for price and financial stability. Being cognizant of the risks that climate change entails, the Bank has been quick in 'leading by example' by establishing a modern Climate Change Centre to mull over climate changes considerations and to establish a framework for onboarding these into its policy decisions and supervisory framework. So doing will enable it step into the bandwagon of major central banks in the world and play an active role in the exchange of ideas in that particular field.

1 GOVERNANCE



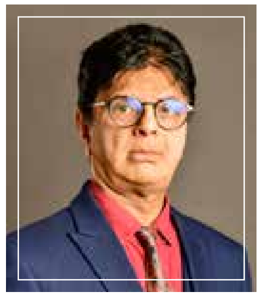
Board of Directors

The Board's statutory responsibility is to formulate the general policy of the affairs and business of the Bank, other than the formulation and determination of monetary policy. The Board of Directors is chaired by the Governor and comprises the two Deputy Governors, and six other Directors appointed by the Minister of Finance.

The Board is statutorily required to meet at the seat of the Bank at least once every two months. 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. The Board of Directors held 12 meetings during FY2021-22.

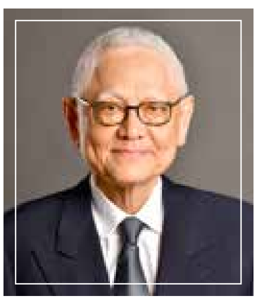
Composition of the Board of Directors as at 30 June 2022

Harvesh Seegolam
Governor, Chairperson
[12/12]

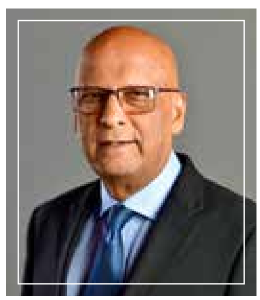


Mardayah Kona Yerukunondu
First Deputy Governor
[12/12]

Hemlata Sadhna Sewraj-Gopal
Second Deputy Governor
[12/12]



Antoine Seeyave
Director
[9/12]



Saïd Toorbuth
Director
[11/12]

Ishwar Anoopum Gaya
Director
[12/12]

Christine Marie Isabelle Sauzier
Director
[11/12]

Piragalathan Chinnapen
Director
[12/12]

Melissa Prishni Ramsahye
Director
[12/12]

Note: Figures in square brackets represent number of meetings attended.

Audit and Risk Committee

The Audit and Risk Committee of the Bank provides oversight over the adequacy of the Bank's internal controls and compliance with legal requirements. The Committee comprises three non-executive Board Directors namely:

Chairman	Saïd Toorbuth
Members	Ishwar Anoopum Gaya, Melissa Prishni Ramsahye *(until 14 April 2022),* Piragalathan Chinnapen *(with effect from 14 April 2022)*

The Committee met on three occasions during FY2021-22. The representative of the Internal Audit Division is in attendance at the meetings of the Audit and Risk Committee.

Monetary Policy Committee

Standing from left to right: Christine Marie Isabelle Sauzier, Lim Chan Kwong Lam Thuon Mine, Hemlata Sadhna Sewraj-Gopal, Harvesh Seegolam, Mardayah Kona Yerukunondu, Sanjeev Kumar Sobhee, Streevarsen Narrainen and Mohammad Mushtaq Namdarkhan.

The MPC formulates and determines the monetary policy to be conducted by the Bank in order to maintain price stability, taking into account the orderly and balanced economic development of Mauritius. The MPC comprises the Governor, who is the Chairperson, the two Deputy Governors, two members appointed by the Prime Minister and three members appointed by the Minister of Finance. The MPC is required to publish a Code of Conduct to govern its meetings and report once a year to the Board of Directors regarding its compliance to the Code.

The MPC usually meets four times during a year, but stands ready to meet in between its regular meetings, should the need arise. In its decision-making process, the MPC considers latest international and domestic economic developments and evaluates the balance of risks to real GDP growth and the inflation outlook.

The MPC signals its monetary policy stance through changes in the Key Repo Rate (KRR), which is the Bank's policy rate. Monetary policy decisions are communicated to the public through various means. The Governor holds a press conference after the conclusion of the MPC meeting and his press statement, together with a media release, are posted on the Bank's website. The Minutes of the MPC meetings are published two weeks after each meeting and contain the voting pattern of the MPC members.

During FY2021-22, the MPC met on five occasions. All members were present at the five meetings. The Committee unanimously voted to keep the KRR unchanged at its meetings held in August 2021, October 2021 and December 2021. In March 2022 and June 2022, the MPC unanimously decided to raise the KRR.

2 OUR ORGANISATION

Message from the First Deputy Governor

It is with great pleasure that I lift my pen to write this Message in the Bank's annual report, a first of its kind since its inception. I am complementing the Governor's statement with whom I stand alongside.

We took office when the COVID-19 pandemic broke out, later followed by the Ukraine-Russia war. In turbulent times, when the house is on fire, it makes no sense looking right and left. There was a need to take action which the Bank did. A panoply of measures was taken which bore its fruits. Passivity could have led to deleterious consequences, especially for financial and social stability.

The war triggered an abrupt surge in inflation, reaching decades-high in many countries. Since, central banks worldwide have been aggressive in hiking their policy rates in order to contain inflation and ensure that it does not remain elevated for too long. The Bank also raised its Key Repo Rate to curb inflationary pressures. To provide greater transparency on the monetary policy strategy and improve the transmission mechanism, the Bank is currently overhauling its monetary policy framework.

The Bank responded timeously to various challenges. It strived to stabilise conditions on the domestic financial markets, safeguard financial stability, manage the foreign exchange reserves effectively and ensure a resilient and innovative payment system.

As the macroprudential authority of Mauritius, the Bank diligently monitors and measures risks to financial stability, including systemic ones. Several projects are under way to upgrade the toolkits, including a review of the stress testing framework to, inter alia, onboard a climate change module. The Bank is currently developing and deploying a full-fledged Enterprise Risk Management framework.

We note with satisfaction that no disruption to payment operations was encountered in 2021/2022. In fact, several platforms have been upgraded, including the Mauritius Central Automated Switch. Three new licences for payment system providers were also granted. A specific portal has been devised to enable instant payment on the various websites of Government. This project is currently in its testing phase. The first phase of the implementation of cross-border payment system with India, carried out in collaboration with the National Payments Corporation of India, is almost complete. The Central Bank Digital Currency Sandbox, a segregated testing environment, is expected to be implemented by the beginning of 2023.

We are facing a rapidly-evolving economic and financial landscape, where shocks are more frequent and recovery therefrom not so smooth.

Our efforts at the Bank remain geared towards further greater strides ahead. We remain committed.

Mardayah Kona Yerukunondu
First Deputy Governor

Message from the Second Deputy Governor

I feel privileged to have worked closely with the Governor in initiating a number of projects to make the banking sector more resilient, more adaptable and forward looking to the new disrupting environment with fintech and the advent of other innovative technologies, and for it to be a centre of reference in the region.

We launched the Bank of Mauritius Climate Change Centre and issued the Guideline for Climate related and Environment Financial risk management which defines the Bank's expectations of a prudent approach to climate related and environmental financial risks. We have further set out the norms in the Guideline for financial institutions to publicly disclose their exposure to climate-related and environmental financial risks and their risk management processes.

On the technology front, considering the scope and pace of the digital transformation in the banking sector, the Bank has revamped its requirements on the use of cloud services and issued a Guideline on Use of Cloud Services. Adopting a cloud strategy would enable financial institutions to achieve greater benefits of economies of scale, flexibility as well as operational and cost efficiencies. The ongoing digital transformation in the sector and concepts such as Work From Home poses risks and are vulnerable to threats such as cyber-attacks, especially in the current geopolitical context, with an ongoing war in another part of the world. To address these challenges, the Bank is developing a comprehensive cybersecurity framework for the banking sector with the assistance of the IMF and in consultation with banks.

This Message would be incomplete without us mentioning virtual assets. We have reviewed our regulatory and supervisory framework to ensure that financial institutions engaging in virtual asset-related activities, adopt a prudent approach and require them to have a robust governance and risk management framework.

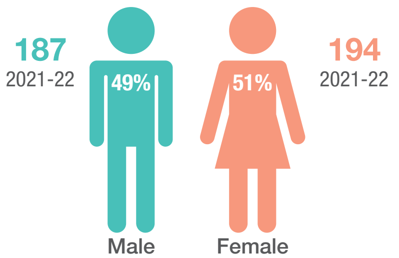
Let me now dwell on a key milestone for the financial year 2021/22. Together with other stakeholders and regulators, the jurisdiction, after an immense and unprecedented collaborative approach managed successfully to get out of the FATF List of Jurisdictions under Increased Monitoring, the UK List of High-Risk Third Countries, and the EU List of High-Risk Third Countries. As of date, Mauritius is compliant or largely compliant with all the 40 recommendations of the FATF and all efforts are being deployed to keep abreast of all developments on this front.

The banking sector has remained resilient in terms of solvency and liquidity buffers, due amongst others to an interactive approach adopted through discussions at the level of a Task Force on Banking Sector Resilience regrouping representatives of the banking sector, the Mauritius Bankers Association Limited and the Bank of Mauritius. This collaborative platform also enabled us to exit smoothly from the COVID-19 measures that were implemented at the onset of the pandemic. Currently we are speeding ahead with the testing and implementation of our Risk Based Supervisory framework and we shall continue to uplift the sector by keeping pace with new developments and in line with international standards and practices.

With the current challenging global environment marred by uncertainties, geopolitical tensions, supply chain disruptions and the raging inflationary pressures both local and worldwide, we are more than ever determined and remain dedicated to steer the banking sector ahead.

Hemlata Sadhna Sewraj-Gopal
Second Deputy Governor

Gender Distribution

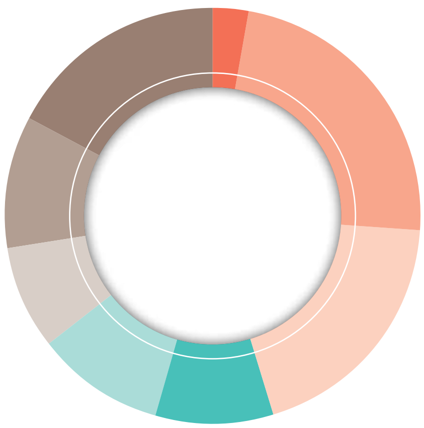


As at 30 June 2022, the Bank employed 381 staff (including 9 from Rodrigues), of whom 374 were on the permanent and pensionable establishment and 7 on contractual basis.

Head Count

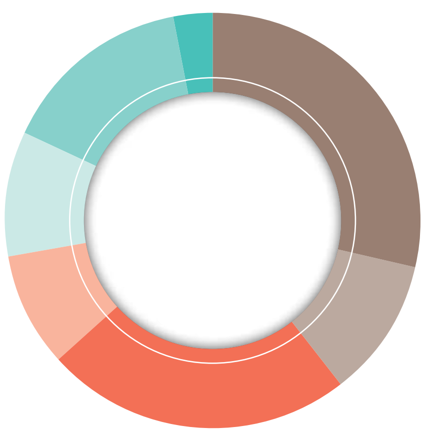
381
2021-22

Age Group



Years	Employees
< 25	3%
25-30	23%
31-35	20%
36-40	9%
41-45	10%
46-50	8%
51-55	10%
> 55	17%

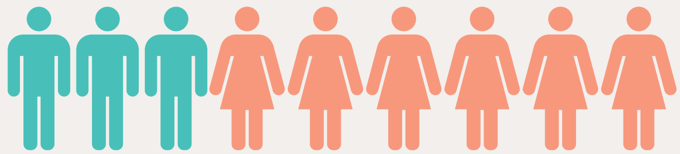
Years of Service



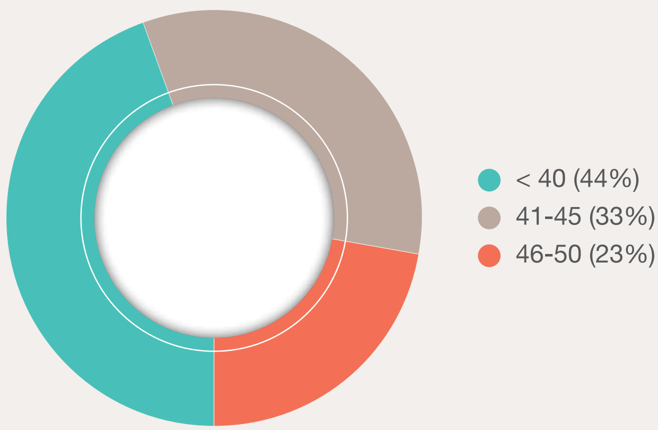
Years	Employees
0-1	28%
2-4	11%
5-10	24%
11-20	9%
21-30	10%
31-40	15%
> 41	3%

Rodrigues Office

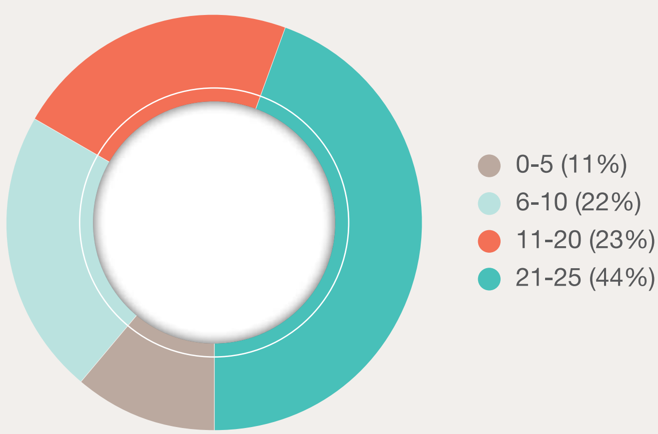
Head Count



Age Group



Years of Service



Human Resources

The staff of the Bank are the organisation's most valuable resource. For the effective delivery of its functions, it is essential that Bank staff are motivated and equipped with appropriate skills and expertise. The Bank maintains an inclusive environment that promotes employee engagement and attracts the requisite talent.

Successive waves of the COVID-19 pandemic have reinforced the role of Human Resources in organisations globally. The implementation of a 'work from home' policy, coupled with measures to curb transmissions of the virus within the Bank's premises, have ensured a safe working environment and continuity of operations until all staff members were back in office in March 2022.

Our people, our strength










1967-2022

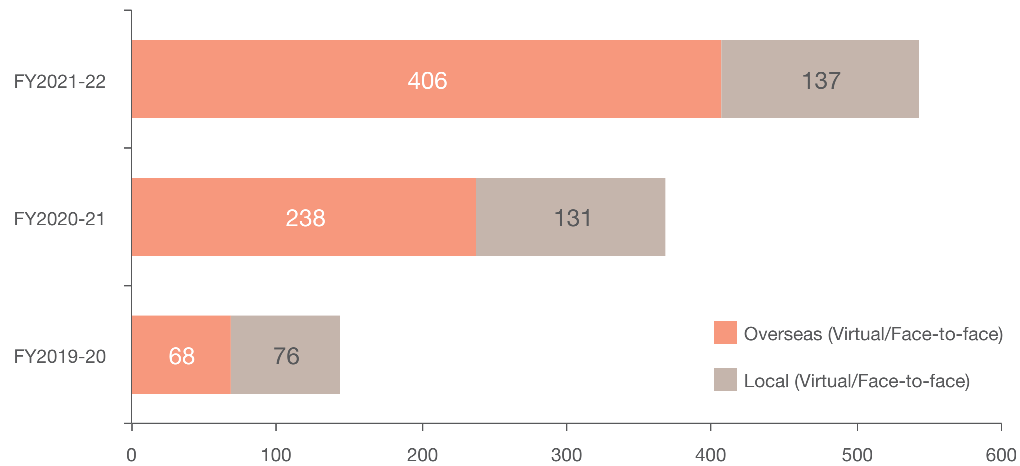





Capacity Building

The Bank continued to provide learning opportunities to its staff to enhance performance and promote personal development. A number of training courses, seminars and workshops were attended virtually by staff due to travel restrictions during a large part of the year. With the re-opening of national borders in October 2021 and diminishing COVID-19 threats abroad, staff were nominated to attend in-person overseas training courses, seminars and workshops.

Training Courses / Seminars / Workshops



Specialised Courses

As part of its role as regulator, the Bank monitors and assesses how its licensees evaluate and mitigate cyber risks. Bank staff thus need to be equipped with the appropriate know-how and skills to conduct formal Information Security audits. In this context, the Bank sponsored five staff members to enrol for two courses offered by the Information Systems Audit and Control Association, an international professional association focused on IT governance, namely the Certified Information Systems Auditor® Certification and Certified Information Security Manager® Certification. In addition, the Bank sponsored three staff members for the MSc Artificial Intelligence Course at the University of Mauritius in order to develop capacity in this field.

AML/CFT Graduate Programme

As part of Budget 2021-22 measures, the Bank and the Financial Services Commission (FSC) jointly launched a one-year training programme on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and related matters for graduates. A first batch of graduate trainees was onboarded on 1 April 2022. The programme includes training at the two regulatory institutions, together with on-the-job training at their licensees. A second batch of graduate trainees will be recruited in FY2022-23. The objective is to train at least 100 graduates in AML/CFT to meet the demands of the financial sector.

Employee Well-Being

During FY2021-22, the Bank maintained its efforts to fight the COVID-19 pandemic. Building on lessons learnt since March 2020, the Bank implemented a number of measures to reduce the likelihood of contamination within its premises, including regular disinfection exercises and the installation of automatic temperature sensors and hand sanitising stations. The Bank also made timely adjustments to its protocol on COVID-19, in line with the national COVID-19 policies issued by the Ministry of Health and Wellness. With a view to facilitating the administration of the booster dose, the Bank organised a vaccination session at its premises in January 2022, in collaboration with the Ministry of Health and Wellness, whereby around 100 staff members were vaccinated. More than 90 per cent of the Bank's staff are vaccinated against COVID-19. A number of other activities were also organised to promote staff well-being.

Blood Donation at the Bank, in collaboration with the Ministry of Health and Wellness

Culinary competition 'Le Best Chef' for staff to showcase their know-how and culinary talents

A fun and creative 'Halloween Face Masks' contest

Football activities at MUGA, Phoenix

Safety and Health

The Bank is committed to maintain and improve the safety, health and well-being of its employees, contractors and visitors. It adopted a multi-pronged approach to nurture a safety and health culture, both at a personal level and in the professional environment.

In the wake of the COVID-19, the Bank has focused on a range of workplace safety actions, including trainings and ensuring compliance to safety and health legislations.

Jul/Aug 2021	Sep 2021	Oct 2021	Mar 2022	Apr 2022
Defensive Driving Training to 10 Drivers	Review Composition of Safety & Health Committee	Annual Fire Drill	First Aid Training to 34 Employees	Training on Forklift Safety to 6 drivers

Communication and Public Outreach

65,000 followers on social media

10,000 visitors to the Bank of Mauritius Musuem

4,000 students, as part of the Financial Literacy programme

9,000 persons trained on counterfeit detection

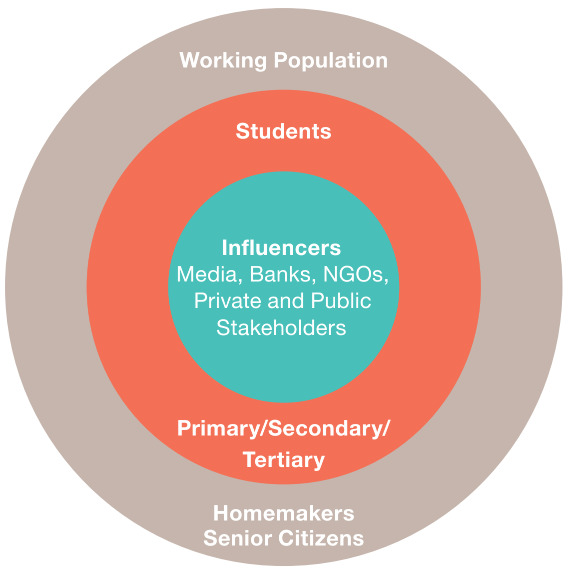
Financial Literacy

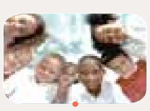
The Bank has always given much importance to improving financial literacy and has over the years engaged in numerous activities and promotion campaigns towards that end. Financial literacy assumes greater importance nowadays as financial markets become ever more complex, such that there is growing information asymmetry that makes it difficult for individuals and less sophisticated investors to make informed financial decisions. Moreover, the rapid pace of technological progress and digitalisation of financial markets highlight the need for continued financial education, consumer protection and financial inclusion.

2nd Edition of the Bank of Mauritius Thought Leadership Series

In January 2022, the Bank launched a formal Financial Literacy Strategy with the vision to sustain the financial well-being of Mauritians and their families by empowering them to make informed financial decisions. The objective is to set a strategic direction for policy, education, practice, research and coordination to ensure that Mauritians can: (1) manage money and debt wisely; (2) plan and save for the future; and (3) protect themselves against fraud and financial abuse. The strategy thus focuses on educating and protecting consumers of banking and financial products across different age groups. In so doing, the Bank endeavours to create content that will meet the requirements of a wide target audience, encompassing the youth, active population, senior citizens as well as media influencers and other private and public stakeholders. The strategy takes into consideration the dynamic and technology-driven financial environment in which consumers of financial products are evolving.

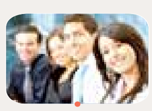
Audiences and Focus Areas





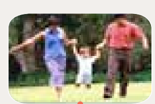
Educate future generations through the formal education system

- Money and Banking Basics
- Developing a positive relationship with money



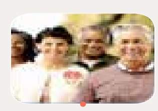
Increase the use of free, impartial information, tools and resources

- Identify Fraud
- Types of Fraud
- Getting Your Business Started



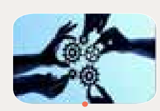
Promote workplace-based financial literacy programmes

- Understanding Credit and Loans
- Finding Savings opportunities and investing to build wealth



Provide quality targeted guidance and support, especially to vulnerable groups

- Retirement planning
- Managing family expenses



Strengthen coordination and effective partnerships and improve research and evaluation

Conduct research to measure financial literacy levels and influencing factors

In the context of the launch of the Financial Literacy Strategy, the Bank held the second edition of the Bank of Mauritius Thought Leadership Series with a virtual panel discussion on *'Financial Literacy in a Digital Era'*. The panel discussion saw the participation of the Second Deputy Governor and members of the Bank's Advisory Committee. During the event, the first of a series of consumer education electronic booklets was launched on a dedicated Financial Literacy section on the Bank's website. As part of its financial literacy programme, the Bank continued to disseminate information on the security features of the banknotes, both paper and polymer, currently in circulation, to visitors to The Bank of Mauritius Museum.

Global Money Week

The Global Money Week is an annual global awareness-raising campaign on the importance of financial literacy, aiming to ensure that young people, around the world, are financially aware and equipped with the necessary skills to make sound financial decisions at an early age. The campaign is driven by the OECD's International Network on Financial Education, of which the Bank is a member. The Bank, in its capacity as the national coordinator for the Global Money Week, organised a series of activities from 21 to 27 March 2022.

The theme for the 2022 edition of the Global Money Week was "*Build your future, be smart about money*", which captures the importance of thinking about one's own future when making financial decisions. The Bank kicked off the Global Money Week's 10th Anniversary with lectures and visits to the Bank of Mauritius Museum. The event was attended by academics, teachers and secondary school students. The lectures provided an overview of the role of the Bank, monetary policy, financial stability, COVID-19 support measures implemented by the Bank and the savings culture, amongst others.

Bank of Mauritius Museum

During FY2021-22, despite sanitary restrictions in place, the Bank of Mauritius Museum welcomed over 10,000 visitors, amongst whom tourists, students and members of senior citizens' associations. The visitors learnt about the evolution of currency in Mauritius as well as the role and functions of a central bank.

With the full re-opening of borders in October 2021, the Bank of Mauritius Museum collaborated with the Mauritius Tourism Promotion Authority for activities on the theme *"Mauritius Now"*. Accordingly, several tour operators coming from all over the world had the opportunity to discover our country's unique numismatic history. During 2022H1, the Museum also welcomed primary school students to help them understand and nurture a savings culture. Students from tertiary education institutions, for their part, were offered the opportunity to take part in a range of activities and lectures that enabled them to learn about the professional avenues within a central bank.

From 18 to 29 April 2022, the Museum participated in the 2022 edition of the International Day for Monuments and Sites, in collaboration with the National Heritage Fund and Ministry of Arts and Cultural Heritage. It was an opportunity to showcase the Museum as a custodian of tangible and intangible Mauritian heritage. As a member of the International Council of Museums, the Museum participated in the worldwide celebration of the International Museum Day under the theme *'The Power of Museums'* whereby the Museum showed its potential to bring about a positive change in the community. The Museum participated in the workshop of the International Museum Day organised by the Aapravasi Ghat Trust Fund to share best practices for the optimal functioning of museums in the local context, and particularly during the pandemic.

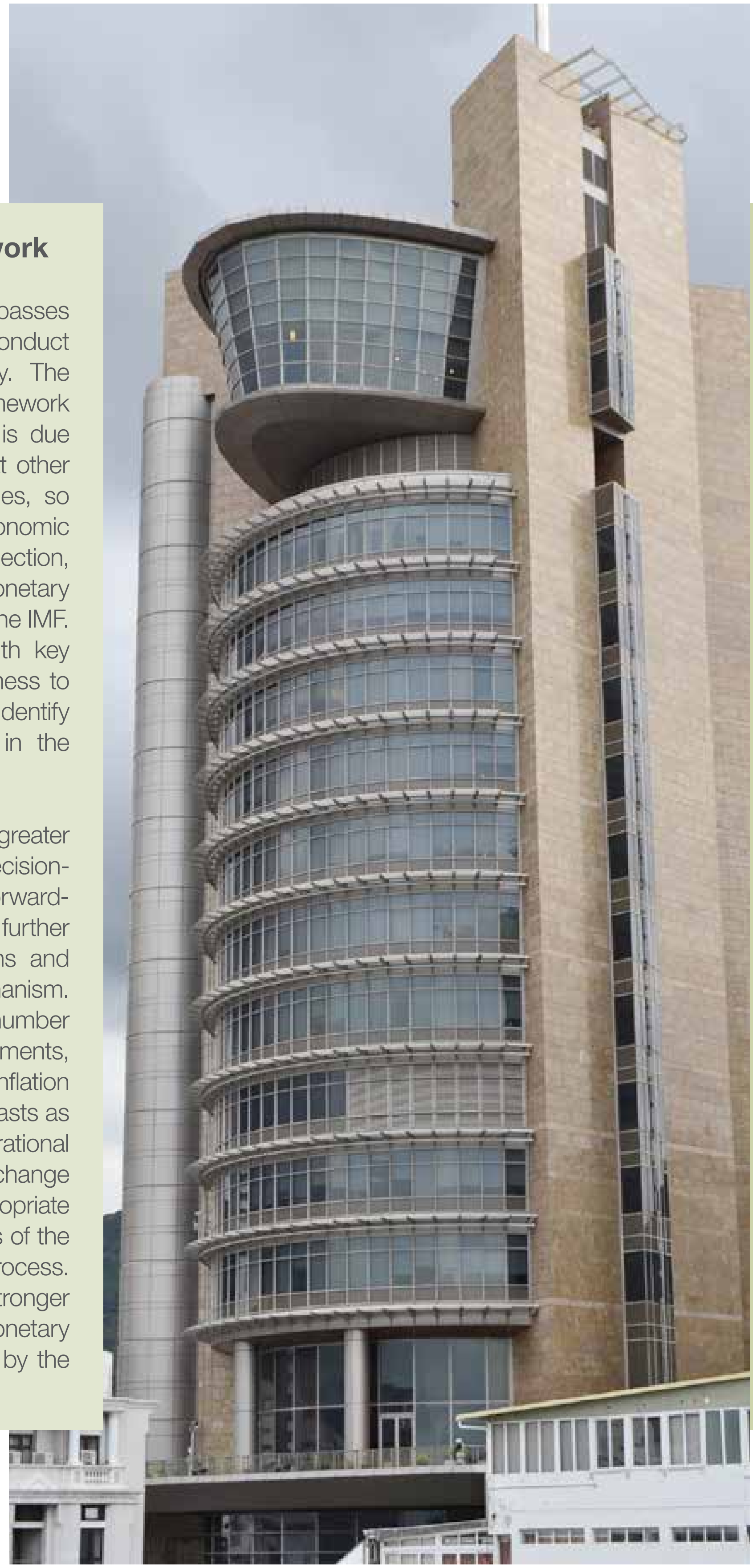
The Museum has also been very active on social media platforms and other news channels. Articles in online and print media, as well as television programmes in different languages have helped the Museum garner even more visibility on its role as a custodian of the country's numismatic history. Furthermore, the Museum supports the Bank's green initiatives. In line with the G20 declaration, recognising the crucial role of museums as key partners in driving sustainable development and fighting climate change, the Museum issues its brochures on recycled paper.

Bank of Mauritius Knowledge Centre

The objective of the Bank's Knowledge Centre is to act as a source of information on banking related issues. In this perspective, the Centre has been developing its collection of specialised materials, both in print and digital formats, on banking, finance, monetary policy, economics, banking law and regulation and digital currencies, amongst others. The Knowledge Centre is open to staff of the Bank and the banking community at large, academics as well as students.

3 STRATEGIC PRIORITIES

Monetary and Financial Stability



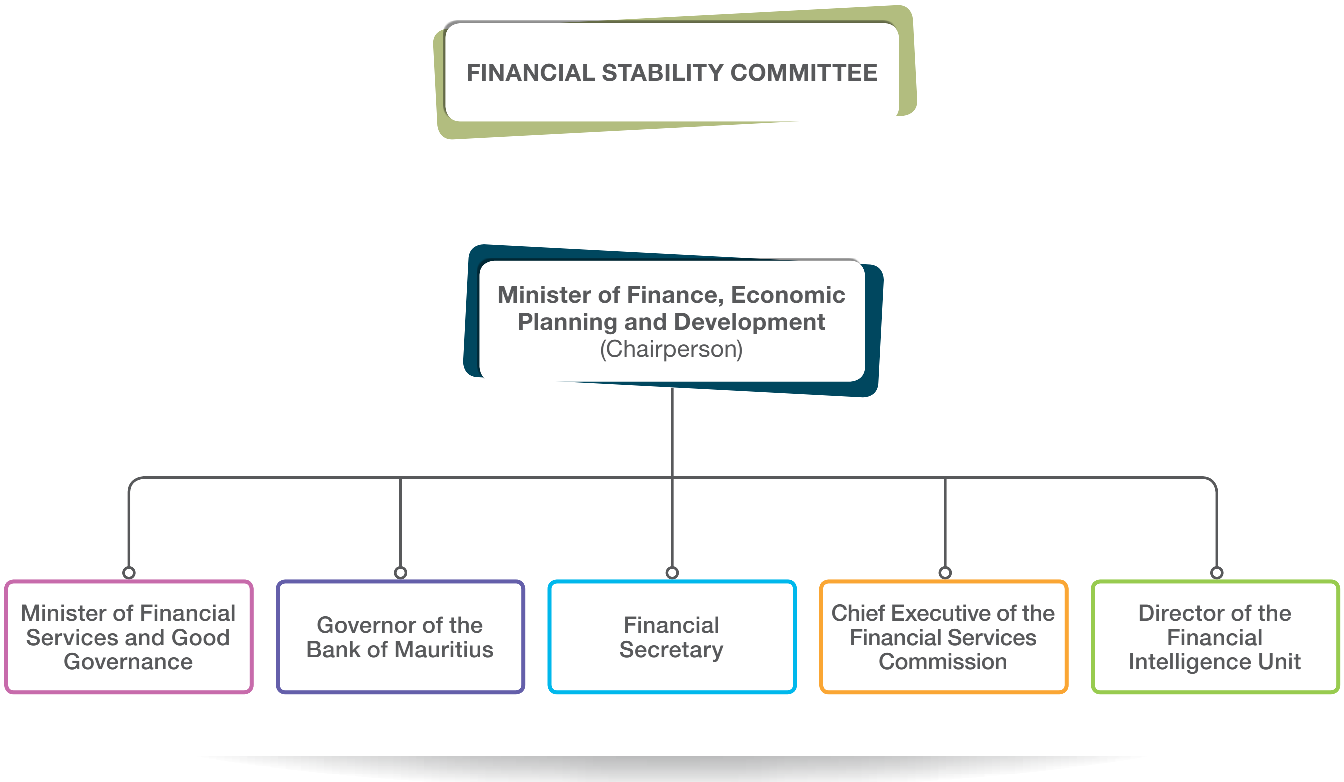
New Monetary Policy Framework

The monetary policy framework encompasses structures that enable and guide the conduct of monetary policy in our economy. The Bank's current monetary policy framework dates back to December 2006 and is due to evolve, in line with best practices at other central banks and monetary authorities, so as to be able to address shifting economic and financial conditions. In this connection, the Bank has worked on its new monetary policy framework, in consultation with the IMF. It is currently holding discussions with key stakeholders to gauge their preparedness to embark onto the new framework and identify any challenges that they may face in the transition process.

The new framework will promote greater transparency on the monetary policy decision-making process, while adopting a forward-looking approach. It is expected to further strengthen monetary policy operations and the monetary policy transmission mechanism. The Bank's strategy will focus on a number of key operational and strategic elements, such as a well-defined and flexible inflation target; prominent role for inflation forecasts as intermediate targets; review of the operational target; greater clarity on the foreign exchange and money markets nexus; and appropriate institutional design for different aspects of the monetary policy decision-making process. The new framework will also embed stronger communication about the stance of monetary policy and the operations undertaken by the Bank.

Financial Stability

The Bank is mandated to ensure the stability and soundness of the financial system of Mauritius. It fulfills this role by identifying, assessing, monitoring and acting as required to remove or reduce systemic risks in the domestic financial system. The Bank coordinates its actions on financial stability with other financial sector regulators and agencies.



At the apex, the Financial Stability Committee is legally mandated to act as the platform to regularly review and ensure the soundness and stability of the financial system. The Financial Stability Committee, at its meeting held in May 2022, reviewed and discussed issues and risks relating to the stability of the financial system, as well as the need for any policy actions in the face of headwinds from the COVID-19 pandemic and the Russia-Ukraine war.

Joint Coordination Committee

A Joint Coordination Committee (JCC) between the Bank and the FSC was established in 2007 to serve as a focused platform for the review of specific financial sector issues of overlapping interest to both regulatory institutions. The JCC is currently chaired alternately by the Second Deputy Governor of the Bank and the Chief Executive of the FSC, and comprises senior staff from both institutions. The JCC has set up five working groups, comprising staff from both regulators, to better assess financial stability, amongst various matters of mutual responsibility.

Working Group on Financial Stability

The Working Group focuses on domestic and international factors that affect financial stability in Mauritius. The Working Group is currently formulating a coordinated framework to monitor the global business sector and support the deployment of measures to be implemented by the Bank and the FSC, as and when required. Further, the Working Group is also devising a framework for the supervision of financial conglomerates and contributes to the development of a macroprudential analysis framework.

Working Group on Joint On-Site Reviews

The Working Group plans and coordinates joint on-site examinations for financial institutions jointly regulated by the Bank and the FSC. The Working Group undertakes to conduct joint prudential on-site examinations of one bank and one non-bank deposit taking institution each year. The main findings of the on-site examination are analysed by both regulatory bodies to initiate coordinated actions, as appropriate.

Working Group on AML/CFT

The Working Group monitors developments in the AML/CFT sector and assesses the implications for both regulators. It promotes the harmonisation of AML/CFT requirements for licensed entities, coordinates AML/CFT on-site examinations for jointly regulated financial institutions and conducts joint training and outreach programmes for relevant stakeholders.

Working Group on Fintech

The Working Group promotes cooperation and coordination on issues pertaining to the development and regulation of Fintech. It shares information and knowledge on Fintech-related matters for both authorities to stay abreast of innovations in this area.

Working Group on Statistics

The Working Group promotes the understanding of the financial sector through statistical information. It collaborates for the compilation and dissemination of external sector, monetary and financial statistics in line with agreed international methodological standards.

The JCC and its working groups met regularly during FY2021-22 to exchange information on a regulator-to-regulator basis and assess the financial stability situation. In addition to the JCC working groups, ancillary task groups are formed, on a needs basis, for particular projects involving cross-cutting matters under the purview of both regulators. The ongoing projects comprise, *inter alia*, (i) streamlining of the licensing and supervisory process for private banking and wealth management activities by banks; (ii) coordination of the joint AML/CFT graduate training programme; (iii) harmonisation of standards for fitness and propriety; and (iv) collaboration under the Climate Change Centre established by the Bank.

The Bank assesses and safeguards the stability and soundness of the financial system using various micro- and macro-surveillance and policy toolkits. The macro-surveillance toolkit includes the stress test framework, the financial soundness indicators, the banking stability indicators, the systemic risk indicators, the household and corporate sector indicators, the liquidity indicators as well as broad-based indicators, which all contribute to the assessment and monitoring of systemic risks. The ongoing surveillance informs policy decisions to sustain the stability of the financial system.

The recent global shocks have prompted a review of the Bank's financial stability toolkit to strengthen the identification, assessment and monitoring of risks as well as the policy response. Stress tests are an important component of the financial stability toolkit as they assess the capacity of the banking sector, as well as of individual banks, to continue operating during periods of strain due to macroeconomic shocks and shocks to credit, interest rate, exchange rate and liquidity, amongst others. The stress testing framework is currently being upgraded to include, *inter alia*, forward-looking elements and risks from cross-border exposures to better evaluate the resilience of the banking sector. Looking ahead, given that climate change could increase vulnerabilities in the financial system, the Bank aims to integrate climate-related financial risks into its stress testing framework. A top-down stress test approach, based on the recommended scenarios of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), will be used to analyse the extent to which the banking sector can absorb climate shocks.

The mandate of the macroprudential authority of Mauritius was assigned to the Bank in August 2021. Underlying this mandate was the need to identify a single institution that would be responsible to detect and address system-wide financial risks. The Bank thus has a clear macroprudential mandate, accountability, and operational independence to ensure that the appropriate instruments are used to mitigate systemic risks.

Work is underway to establish a comprehensive macroprudential policy framework. This includes the construction of a wide-ranging set of macroprudential indicators (MPIs), which is well on track, to assess and monitor systemic risks, including risks arising from the household and corporate sectors, as well as liquidity and structural risks. The MPIs are currently being compiled and monitored, and assist in macroprudential policy formulation, as well as the timely deployment of suitable tools for the Bank to respond to systemic risks.

Financial market infrastructures (FMIs) are critical for the delivery of financial services to the economy and for the seamless functioning of financial markets. FMIs essentially provide channels through which payments, securities and other financial transactions are cleared, settled and recorded. Financial stability and operational efficiency can be achieved through well-designed, resilient and reliable FMIs. As part of its financial stability oversight task, the Bank is currently laying the groundwork to monitor the resilience of the FMI ecosystem, including a comparison with peers.

Review of Banking Laws

The Bank of Mauritius Act 2004 and the Banking Act 2004 are being reviewed, with assistance from the IMF. The new legislations will include amendments recommended for the new monetary policy framework, for the macroprudential authority mandate assigned to the Bank and will pave the way for the digitalisation of the financial sector as well as the impact of climate change. Other areas – such as the supervision of financial conglomerates, CBDC and crisis management and resolution – will also be covered in the new laws. These amendments will further empower the Bank to deliver on its core objectives more effectively.

The Mauritius Investment Corporation

In the wake of the unprecendented shock stemming from the COVID-19 pandemic, of the most signficant decisions taken by the Bank was the establishment of the Mauritius Investment Corporation Limited (MIC) in June 2020.

The creation of the MIC complemented the Bank's bold and timely array of conventional and uncoventional measures to safeguard the economy rolled out in its COVID-19 Support Programme. The setting up of the MIC is line with the Bank's mandate of maintaining stability and soundness of the financial system, and to promote the orderly and balanced economic development of the country.

Since its inception, the MIC has played a crucial role in salvaging the Mauritian economy whilst also preventing the spillover of contagion risks from the real economy to the banking sector by investing in eligible businesses through a range of investment tools comprising equity and quasi-equity instruments. By so doing, the MIC has contributed to preserving the stability of the banking industry through the mitigation of risks arising from significant exposures that banks had with regard to many of the distressed systemic corporates.

Beyond maintaining the impacted systemic corporates afloat during the height of the pandemic and supporting them in embarking on the path of recovery, the MIC has also played a major role in protecting the livelihoods of tens of thousands of citizens. It is estimated that the MIC has, directly and indirectly, prevented around 30,000 employees in various sectors from losing their jobs. Safeguarding jobs has, in turn, contained impairment of the household credit portfolio and further protected the banking sector.

The MIC is also providing the Bank with new avenues for diversifying its investment strategy. In effect, in an environment marked by volatility in international financial markets, the MIC brings to the Bank a blooming local investment portfolio. Thus, whilst generating returns for the Bank, the MIC is playing a privotal role in upholding the resilience of the banking sector and in acting as a catalyst for the economic recovery process.

As at end of June 2022, the MIC approved investments of Rs52,117 million of which Rs46,179 million has been disbursed to 40 entities out of 161 applications received totalling Rs88,656 million. Of those applications made to the MIC, the majority were from the 'Accommodation and food services' sector, followed by 'Agriculture, forestry and fishing' sector, the 'Manufacturing' sector and the 'Real Estate' sector.

Therefore, by preserving the soundness of the banking sector, the Bank's COVID-19 Support Measures and the MIC have minimised economic scarring and underpinned rapid resumption of economic activities.

International and Institutional Relations

In light of the increasing globalisation of the economy and the banking system, international and institutional relations have become one of the key strategic pillars of the Bank.

As such, the Bank is represented in the main international banking organisations, forums and committees of the IMF, the BIS, the OMFIF, the OECD, the SADC, the COMESA, the IILM and the IFSB amongst others. The Governor is regularly called upon to express his views and share the Bank's strategy on topical matters, notably on monetary policy, macroeconomy, price stability, financial stability, regulation and supervision.

Moreover, on a bilateral basis, the Bank has made unprecedented progress to secure formal cooperation agreements with its counterparts and key local institutions. As at 30 June 2022, the Bank's network of partnerships covers 48 agreements of cooperation – Memorandum of Understanding, Memorandum of Cooperation and Exchange of Letters – including 30 agreements reached with international institutions and 18 with local institutions.

In the span of 2 years, since 2020, the Bank has successfully managed to expand its network from 27 to 48 agreements, with 14 agreements signed between 1 July 2021 to 30 June 2022. This reflects the Bank's willingness for full integration in the international and institutional ecosystem as well as the eagerness of its counterparts to partner and collaborate with the Bank through sharing of information, expertise and best practices.

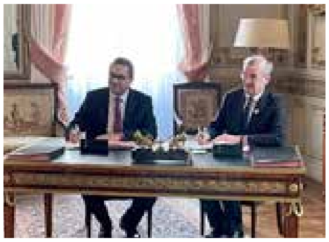
27 Agreements
as at 30 June 2020

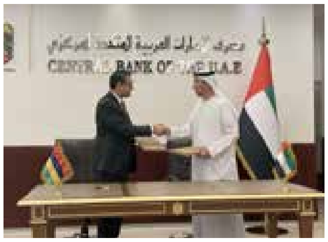
48 agreements
as at 30 June 2022

Cooperation agreements with international institutions

Strengthening cooperation ties with major central banks around the world plays an important role in the Bank's strategy. During the period covered, the Bank has concluded 9 agreements with central banks and international financial authorities. These agreements mainly cater for cooperation on exchange of information, capacity building and collaboration on supervision, innovation and green financing.

- MoU with the Bank of Ghana on 26 November 2021
- MoU with the Commission de Surveillance du Secteur Financier, Luxembourg, on 14 December 2021
- MoU with Dubai International Financial Centre Authority on 24 January 2022
- MoU with the Banque Centrale des Comores on 18 February 2022
- MoU with the Central Bank of the United Arab Emirates on 15 March 2022
- MoU with Dubai Financial Services Authority on 16 March 2022
- Exchange of Letters with the Central Bank of Kuwait on 20 March 2022
- MoU with the Banque de France on 21 March 2022
- MoU with the Autorité de Contrôle Prudentiel et de Résolution de France on 21 March 2022






Cooperation agreements with local institutions

In order to effectively carry out its mandate, especially in the area of supervision and AML/CFT, the Bank collaborates with key local authorities. During the FY 2021-22, the Bank has signed 5 additional agreements with local institutions:

- MoU with the Information and Communication Technologies Authority on 14 July 2021
- MoU with the Mauritius Research and Innovation Council on 11 October 2021
- MoU with the Counter Terrorism Unit on 04 February 2022
- Tripartite MoU between the Bank of Mauritius, the Ministry of Information Technology, Communication and Innovation and the Registrar of Civil Status on 15 April 2022
- Tripartite MoU between the Bank of Mauritius, the Ministry of Information Technology, Communication and Innovation and the Mauritius Police Force on 15 April 2022

International conferences, workshops and meetings hosted at the Bank

In order to foster experience-sharing and promote best practices amongst central banks and regulators, the Bank regularly hosts thematic conferences, workshops and meetings, in partnership with leading international organisations.

During FY2021-22, the Bank hosted:

- The Financial Action Task Force (FATF) Onsite visit to Mauritius from 13 to 15 September 2021
- The Workshop on Beneficial Ownership Disclosure Framework organized with EU AML/CFT Global Facility from 23 to 25 November 2021
- The Office of Financial Sanctions Implementation Workshop on Targeted Financial Sanctions organized under the aegis of the Inter-Agency Coordination Committee chaired by the Governor of the Bank from 5 to 6 May 2022
- The Workshop on de-risking best practices in correspondent banking relationships in Eastern and Southern Africa organized with EU AML/CFT Global Facility and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) from 11 to 12 May 2022

Later in 2022, the Bank hosted the SADC Committee of Central Bank Officials meeting and the 55th meeting of the Committee of Central Bank Governors in SADC in September 2022.

The Bank also organized the Governors' Meet on 8 and 9 September 2022 to celebrate the 55th Anniversary of the Bank of Mauritius on the theme 'Adapting to Our Future'.


The Bank and the Economic Development Board, together with the Ministry of Finance, Economic Planning and Development, organised the International Conference on Digital Economy and Digital Banking in the presence of the Hon. Pravind Kumar Jugnauth, Prime Minister, Minister of Defence, Home Affairs and External Communications, Minister for Rodrigues, Outer Islands and Territorial Integrity, Dr. the Hon. Renganaden Padayachy, Minister of Finance, Economic Planning and Development and Mr Mathias Cormann, Secretary General of the OECD for its first official visit to Africa, from 31 October to 1 November 2022.

The Bank co-hosted the Group of International Finance Centre Supervisors (GIFCS) Plenary meeting, together with the FSC, from 21 to 24 November 2022.

International delegations hosted at the Bank

In the context of formal cooperation agreements as well as ad hoc collaboration on specific matters, the Bank has welcomed a number of international delegations.

- The Governor of the Reserve Bank of Malawi was welcomed at the Bank in October 2021.
- A Bank of Ghana delegation led by the Governor of the Bank of Ghana was at the Bank on 26 November 2021 for the signature of a Memorandum of Understanding.
- A delegation from the Deutsche Bundesbank led by the Director of the Centre for International Central Bank Dialogue was at the Bank on 10 February 2022 for discussion about cooperation between both central banks.
- The Governor of the Banque Centrale des Comores accompanied by the Director of Supervision was at the Bank in February 2022 for the signature of a Memorandum of Understanding.
- A delegation of the Agence Française de Développement was at the Bank in February 2022 for discussion on possible avenues of cooperation between both institutions.
- A delegation of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was welcomed at the Bank in May 2022.

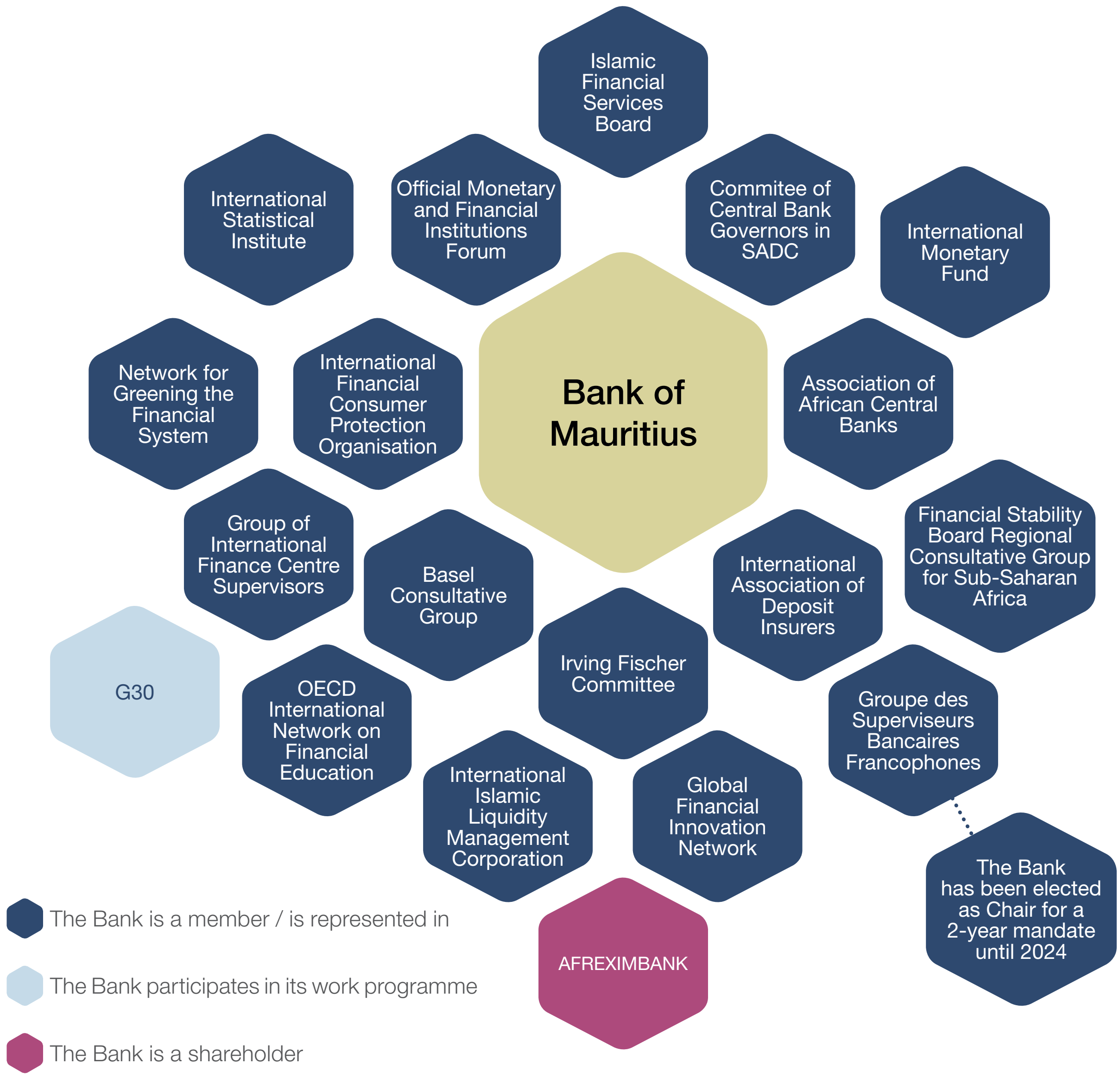
Later during the year, the IMF and World Bank Executive Directors for Mauritius were on a joint visit from 18 to 22 July 2022.

Additionally, the Bank welcomed 4 study visits from the Central Bank of Eswatini, the Reserve Bank of Malawi and the Malagasy authorities to conduct technical meetings on the implementation of Basel II, the E-Payments Gateway system and AML/CFT matters, respectively.

Representation of the Bank in international organisations and forums

In 2021, the Bank joined several international bodies such as the Basel Consultative Group (BCG), the OECD International Network on Financial Education (OECD-INFE) and the Global Financial Innovation Network (GFIN).

As part of its strategy to both benefit from supranational platforms and present the work being conducted by the Bank on key matters, the Bank has strengthened its involvement and participation in several international organizations, including the OECD, the Network for Greening the Financial System and the Groupe des Superviseurs Bancaires Francophones which the Bank joined as a member in 2020. In November 2022, the Bank of Mauritius was unanimously elected to chair the Groupe des Superviseurs Bancaires Francophones for a 2-year mandate.



Furthermore, the Governor has been invited as high-level speaker and panelist to a number of major international conferences. To name a few, the Governor delivered keynote addresses on digitalization at the 2021 IMF Caucus on 06 August 2021 and at the IMF Spring Meetings New Economy Forum-Fintech on 14 April 2022 and participated in the BIS Roundtable of Governors on 30 November 2021.

Both Deputy Governors were equally invited to provide their views on topical matters at international forums and meetings. Amongst others, the First Deputy Governor launched the Business Forum on Private Banking and Wealth Management held in Dubai on 07 December 2021. The Second Deputy Governor intervened at the 4th Plenary meeting of the Network for Greening the Financial System held on 8 April 2022.

In 2021-2022, the Bank was also represented to intervene at the 8th Annual Africa ESG Forum by the Director of Economic Analysis & Research and Statistics, at the OMFIF Roundtable on Building financial resilience in small island states by the Advisor on International and Institutional Relations as panelist, among other panelists including the IMF, and at the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa by the Acting Director of Financial Stability and Enterprise Risk.

The Advisory Committee to the Governor of the Bank

In 2021, the Bank of Mauritius set up the Advisory Committee with the view to benefit from international experts on matters pertaining to central banking, anti-money laundering, regulatory environment, innovation, technology, amongst others.

The Advisory Committee serves as a platform for the exchange of ideas, best practices and experiences and is chaired by the Governor of the Bank. The Deputy Governors of the Bank are members and the secretariat of the Advisory Committee is being held at the level of the International and Institutional Relations Department.

As at 30 June 2022, the international members of the Advisory Committee were:

- **Pr. Lord Mervyn King,** Former Governor of the Bank of England
- **Dr Vera Songwe,** Executive Secretary of the United Nations Economic Commission for Africa
- **Mr Robert Ophèle,** Chairperson of the Autorité des Marchés Financiers de France
- **Dr Natacha Valla,** Dean of the School of Management and Innovation of Sciences Po Paris and Former Deputy Director General of Monetary Policy at the European Central Bank
- **Dr Robert Wardrop,** Director and co-founder of the Cambridge Centre for Alternative Finance, University of Cambridge
- **Mr Paul Edwards,** Executive Chairman Merryn Capital and V2, an Africa-wide mobile payments company
- **Mr John Cusack,** Chairperson of the Global Coalition to Fight Financial Crime


Pr. Lord Mervyn King


Dr Vera Songwe


Mr Robert Ophèle


Dr Natacha Valla


Dr Robert Wardrop


Mr Paul Edwards


Mr John Cusack

During FY2021-22, the Advisory Committee met on 3 occasions:

- Meeting on “Banking Resilience: Global and Domestic Perspectives” on the occasion of the Maiden Edition of the Bank of Mauritius Thought Leadership Series held on Friday 23 July 2021
- Meeting on “Financial Literacy in a Digital Era” on the occasion of the Second Edition of the Bank of Mauritius Thought Leadership Series held on Friday 28 January 2022
- Meeting on “Russia-Ukraine conflict: Implications for central banks” held Friday 17 June 2022

The Regional Centre of Excellence in collaboration with the OECD

The RCE, being fully funded by the Bank of Mauritius and the Financial Services Commission, is one of the most concrete outcomes of the Memorandum of Understanding that was signed by the Hon. Pravind Kumar Jugnauth, Prime Minister of the Republic of Mauritius and the Secretary-General the OECD in September 2018.

Having a regional mandate, the RCE aims at delivering capacity building programmes, conducting research on topical areas, and deliberating on minimum standards that need to be introduced in Southern and Eastern Africa.

To recommend the strategy and actions to be adopted by the RCE, the Governing Board of the RCE acts as an Advisory Board. The Governing Board, chaired by the Governor, also comprises the First Deputy Governor, the Director General of the ICAC, the Chief Executive of the FSC, the Second Deputy Governor and the Advisor on International and Institutional Relations of the Bank.

The Governing Board oversees the operations of the RCE and ensures that it delivers tailor-made capacity building programmes for financial services regulators in the Southern and Eastern African regions.

During FY 2021-22, the RCE organised 4 thematic workshops:

- Workshop on Financial inclusion and Financial education on 30 July 2021
- Workshop on Enhancing the role of Insurance in providing Financial Protection on 15 October 2021
- Workshop on Supporting efforts to tackle corruption and other financial crimes during COVID-19 on 7 April 2022
- Workshop on Investment Treaties and Climate Change: Supporting climate-friendly investment and policy space for climate action on 8 June 2022

Additionally, the RCE website and logo were launched on 27 July 2022 in the presence of Mr Oliver Garrett-Jones, OECD Head of Blockchain. On this occasion, the calendar of activities of the RCE for 2023 and 2024 was discussed in view of the forthcoming signing the RCE grant agreement between Mauritius and the OECD.

The Committee on International Developments

The Committee on International Developments was set up in July 2021 to provide updates on a wide range of economic and banking issues with a view to enhancing engagement with international organisations and rating agencies.

The Committee, chaired by the Governor, comprises the First Deputy Governor, the Second Deputy Governor as well as members of the senior management of the Bank. Additionally, representatives of the Ministry of Finance, Economic Planning and Development, the EDB, the MBA, Business Mauritius, MEXA and commercial banks form part of the Committee.

The Committee met on 6 occasions at the seat of the Bank on 6 July 2021, 23 July 2021, 1 October 2021, 17 January 2022, 23 February 2022, and 26 April 2022.

Climate Change

Climate change and environmental degradation have emerged as major global concerns and central banks are increasingly initiating measures to tackle the financial risks associated with them by incorporating climate change considerations in their risk assessment. Being cognizant of the fact that climate-related and environmental risks can fragilise the financial system with macroeconomic consequences, the Bank has taken a number of initiatives as from early 2020 to address these risks.

In January 2020, the Bank conducted a survey amongst banks to ascertain their preparedness with respect to climate-related risks. In July 2020, the Bank joined the NGFS to keep abreast of latest developments in the field as well as to participate in the sharing of experience and expertise through the different workstreams of the NGFS. This membership translates the Bank's focus on sustainable development and on embedding the concept of a greener banking sector in Mauritius. In June 2021, the Bank released the *"Guide for the Issue of Sustainable Bonds in Mauritius"* in order to raise public awareness with regard to this innovative source of financing.

On 14 October 2021, the Bank launched its Climate Change Centre to implement its objectives regarding climate change and environmental issues. It consists of a main Committee and four Task Forces. The objectives of the Climate Change Centre and information pertaining to the various task forces are provided in the following infographic.

Climate Change Centre

Objectives of the Climate Change Centre

- To integrate climate-related and environmental financial risks into the Bank's regulatory, supervisory and monetary policy frameworks
- To review the Bank's internal operations in view of reducing its carbon footprint and becoming a more sustainable organisation
- To look into enhancing disclosures on climate-related and environmental financial risks
- To support the development of sustainable finance
- To build capacity and raise awareness for climate-related and environmental financial risks
- To bridge data gaps in relation to climate-related and environmental financial risks

Climate Change Centre

Main Committee

Task Force on Regulation and Supervision	Develop a regulatory and supervisory framework for climate-related and environmental financial risks, bridge data gaps, develop relevant disclosure requirements and share best practices in respect of financial risks associated with climate change and environmental degradation
Task Force on Monetary Policy	Assess the impact of climate-related and environmental developments on the monetary policy transmission channels and on the monetary policy strategy as well as integrate climate-related and environmental considerations into the Bank's investment portfolios
Task Force on Sustainable Finance	Support the development of sustainable finance and promote the implementation of disclosures on climate-related and environmental financial risks
Task Force on Internal Strategy	Review the Bank's internal operations in order to reduce its carbon footprint and become a more sustainable organisation

The launching of the Climate Change Centre also included an outreach session conducted by the Bank with CEOs of banks, Non-Bank Deposit Taking Institutions (NBDTIs), representatives of the FSC and other key stakeholders comprising governmental authorities and private sector business leaders on the initiatives taken/being taken by the Bank to address climate-related and environmental financial risks as well as on the broader theme of the impact of climate change on the financial sector and economy at large.

On 3 November 2021, the Climate Change Pledge was issued, whereby the Bank showcased its commitment to provide its full support to the Climate Change Centre to achieve its objectives and to continue its outreach sessions with financial sector players and relevant stakeholders to build awareness and knowledge on climate-related and environmental risks and their impact on the financial system.

On 1 April 2022, the Bank issued its Guideline on Climate-related and Environmental Financial Risk Management. The Guideline has been benchmarked with guidelines issued by foreign regulators and standard setters, amongst which the NGFS, and recommendations of the BCBS. The Guideline sets out the Bank's expectations of a prudent approach to climate-related and environmental financial risks with a view to enhancing the resilience of the banking sector against these risks. It aims at enabling financial institutions to better understand, identify, assess, monitor and mitigate these risks. It equally sets the ground for financial institutions to identify the opportunities arising from the transition to a low-carbon and more circular economy and consider them in their strategy, engagement with their counterparts and other decision-making processes. The Guideline includes a transitional period of up to 31 December 2023 for full compliance with the requirements. The major building blocks underpinning the Guideline are provided in the following infographic.

Launching of the Climate Change Centre

Guideline on Climate-Related and Environmental Financial Risk Management

Business Models and Strategy

Financial institutions have to gauge the potential consequences of climate change on their businesses and factor them in their internal operations, strategies, business models, risk appetites and key thinking processes.

Climate-related Disclosures

Financial institutions shall, at least on an annual basis, disclose in their annual reports, information on climate-related and environmental financial risks they are exposed to, the potential impact of material risks and their approach to manage these risks. The disclosure requirement will be effective as from financial year ending 31 December 2023.

Internal Control and Risk Management Framework

The Guideline places particular emphasis on the expectations of the three lines of defence, i.e. front liners, risk and internal audit functions, for ensuring sound, comprehensive and effective identification, measurement, monitoring, mitigation and management of climate-related financial risks.

Financial institutions shall, *inter alia*, understand the impact of climate-related and environmental financial risk drivers on their prudential risk profiles and ensure that risk management systems and processes for prudential risks consider material climate-related and environmental financial risks.

Financial institutions shall establish a framework for measuring and monitoring material climate-related and environmental financial risks which shall as a minimum include the development of relevant risk indicators.

Governance

Board members and senior management of financial institutions should have an appropriate collective understanding of and relevant expertise on climate-related and environmental financial risks. In addition, specific internal structures should be set up for the management of climate-related and environmental financial risks. Banks are also required to develop and implement capacity development and training programmes to ensure that all relevant staff have sufficient awareness and understanding to identify potential climate-related and environmental financial risks.

Scenario Analysis and Stress Testing

The Guideline requires financial institutions to use scenario analysis and stress testing as a key tool to substantiate the risk identification process and understand the financial risks to their business model from climate change and environmental degradation.

Considerations are now being given to key challenges faced by the banking sector, notably data gaps, scenario analysis and capacity building. As a first step towards addressing data limitations, the Bank has identified an initial list of risk drivers for both physical and transition risks that would be relevant for financial institutions operating in Mauritius. A data collection template is presently being finalised with financial institutions in order to gather data on the financial impact of these risk drivers.

The Bank is also coordinating with the FSC for the development of a similar data collection template at their end. The template is expected to act as a springboard for enhancing the climate-related data capture capabilities of the financial sector. Additionally, the Bank has conducted a survey on Green and Sustainable Finance to gauge the initiatives taken (or to be taken) by banks to promote a greener banking sector in Mauritius.

Building on this momentum, the Bank has engaged with the Ministry of Environment, Solid Waste Management and Climate Change to capture non-financial climate data and establish an information sharing arrangement. In the same stride, the Bank is also working on a memorandum of understanding with the University of Mauritius which also covers climate-related issues.

The Bank will be conducting focused workshops to address challenges being faced by financial institutions in relation to climate-related risk identification. The Bank is pressing ahead with the development of sustainable financial markets, notably by working on a taxonomy for sustainable finance in its endeavour to make Mauritius a regional leader for the issuance of sustainable financial products.

Digital Transformation

IT Transformation at the Bank: BoM 2.0 - The Future is now

In the last decade, the advent of emerging technologies, coupled with the evolution of information systems and growing consumer demands, have disrupted the banking and financial ecosystem. Central banks have not remained still in the face of these changes given their key role to enable and promote a vibrant financial sector. In this digital age, this means supporting banks and the broader financial services community to introduce new products and services, as well as helping to encourage new fintech entrants. Central banks are also using the technological advances to revamp their own operations, effectively changing the ways of working across different areas to make sure that they are up to date with latest technologies and trends in the markets.

IT Transformation Journey

Mindful of the need to modernise its IT infrastructure and the opportunities arising from digitalisation trends, the Bank embarked on an IT Transformation journey in February 2022.

The aim is to leverage on latest technology to improve the Bank's operational efficiency in terms of the automation and integration of processes, straight through processing, and better internal controls.

Governance Team

Set up to coordinate the successful execution of the transformation plan and comprises a Project Steering Committee and Project Management Committee.

Project Steering Committee

Chaired by the First Deputy Governor, with the Second Deputy Governor being the project sponsor, it consists of members of the Project Management Committee and representatives of Intellect Design. Its key objective is to regularly monitor progress on the project, and ensure that key project decisions are made in a timely manner.

Project Management Committee

Made up of key Division Heads, it reports to the Project Steering Committee and oversees the day-to-day execution of the project. Business Champions, who are staff selected from the Accounting & Budgeting, Banking & Currency, Payments, Financial Markets Operations and Information Technology departments, support the implementation of the project.

Business Champions

"BoM 2.0 - The future is now" is the official project name and tagline for the implementation of the new Central Banking System at the Bank. The project name was selected during a townhall event conducted by the Governance team with employees of the Bank.

The Bank has enlisted the services of Intellect Design Arena Limited ("Intellect") for its Quantum Central Banking System (QCBS) solution. Intellect has implemented this solution in a number of central banks worldwide. Intellect has associated with PricewaterhouseCoopers Ltd ("PwC"), one of the leading consultancy firms globally, to be the Change Management partner on the project.

Intellect is tasked to replace the Bank's current central banking platform with the QCBS, which delivers a modular, flexible platform that can integrate with many other payment systems. PwC's role, on the other hand, is to support and guide the Bank through this change for a smooth transition to the QCBS.

Much progress has been made since the launch of the project:

- **Requirements gathering and system walkthroughs** have been conducted. The Bank's needs and requirements were discussed with Business Champions and documented, while the functionalities of the QCBS were demonstrated. These facilitated understanding, on both sides, of the product offering and of the Bank's needs, resulting in the solution's alignment to the Bank's objectives.
- **Engagement with external stakeholders** has started. Interfacing discussions are being held with external service providers to make sure that the new system is able to communicate effectively with third-party systems. The impact of the change on other external stakeholders is being assessed and their onboarding initiated.
- **Awareness sessions with internal stakeholders** are being held regularly as part of the change management process.
- **Solution build and hardware installation** has also started.

With BOM 2.0, the Bank aims to achieve the following key objectives:

Standardisation	Integrated Platform	Online Portal	Real Time
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Central Bank specific product and best practices	Replace Legacy Systems with Integrated Product Suite comprising General Ledger, Central Banking System and Treasury	Advanced Online Portal to external stakeholders	Real-Time accounting, balance sheets and financial statements

Digitisation of the Financial Sector

Licensing of digital banks

During FY2021-22, the Bank has, with the assistance of the IMF AFRITAC South, developed a licensing and regulatory framework for digital banks in Mauritius. Digital banks are meant to carry on banking business, exclusively through digital means or electronically. A Guideline for Digital Banks was, thus, issued on 6 December 2021. The Bank has, in line with international best practices, introduced in this Guideline a phased-in licensing process and provided new entrants with the flexibility to operate progressively in a controlled environment.

Guideline on the use of cloud services

Considering the scope and pace of digital transformation in the banking sector, which gained impetus during the COVID-19 pandemic, the Bank has defined the regulatory requirements for the use of cloud services for financial institutions under its purview. A draft Guideline has been issued in this respect and aims to enable financial institutions derive the benefits of economies of scale, flexibility, as well as the operational and cost efficiencies associated with the use of cloud services whilst ensuring that the associated risks are duly identified and managed.

Fintech innovation hub and digital lab

The Bank is collaborating with the FSC to set up a fintech innovation hub and digital lab, whose main objective will be to foster innovation and the use of emerging technologies in the provision of financial services.

In the same stride, the Bank is also enhancing the framework for Regulatory Sandbox Authorisation together with the FSC. The framework will provide a controlled environment conducive to the experimentation of fintech, regtech or other innovation-driven financial services by financial institutions, fintech companies and other users.

Government Payment Portal

As banker to Government, the Bank has worked towards the implementation of a Government Payment Portal, with the objective to support government e-services initiatives and boost the acceptance of electronic forms of payment at all government agencies and online services. The Portal will offer the public a convenient and easy-to-use instant digital platform for the payment of government services and, therefore, increase efficiency in the provision of government services.

Five government institutions, namely the Registrar of Companies, Registrar General, National Land Transport Authority, Mauritius Revenue Authority and Ministry of Social Integration, Social Security and National Solidarity are ready to go live on the project while eight other institutions are in the process of joining the Portal.

AML/CFT

The FATF recognises that technology has immense potential to increase the efficiency of AML/CFT workflows and the effectiveness of AML/CFT efforts. Digital innovation in the financial sector, as with all financial sector activities, nonetheless carry risks of financial crime and increased cyber risks. The implementation of effective AML/CFT controls mitigate the risks and the impact of financial crime and promote integrity and stability in financial markets. With the country having recently exited the FATF List of Countries under increased monitoring and EU List of High-Risk Third Countries, the Bank is keen to reinforce its AML/CFT regime by leveraging on technology and digital innovation. The following measures have been taken during FY2021-22 to mitigate money laundering (ML)/terrorist financing (TF) risks in the digitalisation process of the financial sector.

Virtual assets

Virtual asset-related activities introduce new types of risks and increase certain traditional ones. The Virtual Asset and Initial Token Offering Services Act 2021 ('VAITOS Act'), which came into force on 7 February 2022, aims at developing a virtual asset ecosystem within a regulated space as well as managing and mitigating the associated ML/TF risks.

The Bank is concurrently reviewing its regulatory and supervisory framework to ensure that its licensees engaging in virtual asset-related activities establish policies and procedures to identify, assess and duly mitigate the ML/TF risks as well as the operational risks, credit risks, liquidity risks and market risks associated with virtual asset-related activities on an ongoing basis.

Digital onboarding

The Bank continued to progress with the implementation of the Central KYC system. The system leverages on the KYC data available on the InfoHighway platform provided by Government to facilitate the digital onboarding process. The InfoHighway platform will provide data on individuals and corporate entities from several government agencies and utility bodies to commercial banks through the Bank. In this respect, the Bank signed two tripartite Memoranda of Understanding, one with the Registrar of Civil Status and the Ministry of Information Technology, Communication and Innovation (MITCI) and one with the Mauritius Police Force (Traffic Branch) and the MITCI for the exchange of information through the platform. Discussion is ongoing with other organisations for further exchange of KYC information.

Promoting financial integrity

The Bank implemented a SWIFT Sanctions Screening tool to filter incoming and outgoing cross-border payments, as well as domestic transactions processed on its systems automatically, on a real time basis. All transactions are screened against the United Nations Security Council sanctions lists, amongst others.

Central Bank Digital Currency – The Digital Rupee

Since 2020, the Bank has been exploring the possibility for the issuance of a retail CBDC, an electronic form of central bank money that would be accessible to households and businesses. The Bank of Mauritius Act was amended in 2020 to enable the Bank to issue a digital currency. The CBDC is expected to foster more resilience in the payment ecosystem and support digitalisation, while providing the public with a safe and risk-free means of digital payments.

In view of the wide-ranging implications of a CBDC on the Bank's operations and mandates, as well as the wider economy, the Bank has sought the technical assistance of the IMF to bring this project to fruition. Research is ongoing and an internal technical team has been set up for testing the technology.

The complexity and implications of a CBDC require a prudent approach to the design features that will be determinant for the success of the CBDC and ensure the Bank's continued ability to meet its statutory mandates of monetary and financial stability. The Bank is also working in close collaboration with selected universities and other central banks on the design features of a CBDC that will maintain public confidence in the currency and provide similar attributes as cash. The Bank is, in addition, engaged with financial intermediaries – banks and payment service providers – through surveys and regular Steering Committee meetings for their feedback on the project.

Cyber Risk

Digital transformation entails heightened levels of cyber threats. The Bank is therefore deeply engaged in setting up the necessary infrastructure to protect its computers, networks, servers, and data from malicious attacks, as well as put in place safeguards for its licensees.

Framework of cyber security

The Bank initiated several measures to strengthen and safeguard its information systems, including user information, from cyber threats. Cyber awareness amongst the staff remains a priority and the Bank is investing in training tools to ensure adequate alertness. The Bank will monitor its IT security events through a Security Online Centre as part of the initiatives to heighten cybersecurity.

To mitigate cyber risks, the Bank is developing a comprehensive cybersecurity framework for the banking industry, with the assistance of the IMF and in consultation with banks. A draft Guideline on Cybersecurity has been issued for consultation and the final version will be released in the near future. The Bank also forms part of the National Cybersecurity Committee, under the aegis of the MITCI, with the vision of making the Mauritian cyberspace more secure and resilient against cyber threats.

MauCAS Instant Payment System

The rapid digitalisation of payments and services increases cybersecurity risk. Cognizant of this growing risk, the Bank will enable the use of aliases on the Instant Payment System, in order for customer names and account numbers not to be disclosed in transactions.

Modernising the Payment Infrastructure

The Bank has been constantly reviewing and modernising the payment ecosystem in Mauritius in line with technological developments and international standards. The Bank has a number of projects in the pipeline to further strengthen the resilience of the payment systems, foster innovation and competition and boost automation of payments to promote digitalisation of the economy.

Upgrade to ISO 20022

Both domestic and regional payment systems are being called to adapt to the forthcoming global migration of the SWIFT messaging format to ISO 20022, the new global messaging standard. The ISO 20022 standard supports the inclusion of richer, better structured transaction data in payments messages and aims to deliver a better customer experience by enabling less manual intervention, more accurate compliance processes, higher resilience and improved fraud prevention measures. On the domestic front, given that MACSS is based on SWIFT messaging, the Bank has already engaged in discussions with the MACSS solution provider as well as SWIFT. The Bank expects the MACSS upgrade to be completed by December 2023, well ahead of the November 2025 cut-off date set by SWIFT for the migration.

In parallel, the Bank is gearing itself to be ready for the use of ISO 20022 standard for cross-border payments when it is deployed by SWIFT in November 2022. SADC has also kicked off the Regional ISO 20022 migration implementation strategy and roadmap in collaboration with SWIFT. This will help to assess the readiness of SADC to migrate to ISO 20022 as well as to define a community ISO 20022 implementation roadmap for each member state.

Cross-border payment systems

In line with the G20 priorities to provide fast, cheap, universal and securely settled cross-border payments, the Bank has a roadmap to integrate, through bilateral agreements, MauCAS with payment schemes of those jurisdictions with which Mauritius has commercial agreement. As part of this initiative, the Bank and the National Payments Corporation of India have embarked on a project to connect the payment switch in India with MauCAS, the payment switch owned and operated by the Bank, to foster use of digital payment channels using cards, mobile apps, internet and ATMs. This project will boost electronic payments between the two countries and reduce reliance on correspondent banks and international reserve currencies, thus providing cheaper cross-border payment facilities.

Future of Banking in Mauritius

The banking sector plays a prominent role in the economic landscape of Mauritius, with assets currently equivalent to over four times the size of the economy. The sector has faced several challenges in recent years. To sustain its expansion and resilience, the sector needs to adapt and adjust to become future ready and be innovative enough to navigate through ongoing and future challenges.

In this respect, the Bank initiated a deep industry-wide reflection in July 2020, in close collaboration with banks, to formulate the vision and core strategic objectives for the banking sector and position it on a sound growth trajectory. The vision and objectives are aligned with the aim to double the size of the banking and financial sector by 2030.

A leading international consultant, with considerable experience in the financial services industry, was appointed to devise the roadmap for the banking sector to attain these strategic objectives. The consultant had extensive interactions with both local and foreign stakeholders to conceive the roadmap and produce a report, entitled *'Future of Banking in Mauritius'*. It also benchmarked the Mauritius IFC with other international financial centres to identify areas for advancement.

The Bank launched the *'Future of Banking in Mauritius'* report in September 2022. The report lays down the strategic roadmap for the expansion of the banking sector and consolidation of the position of the Mauritius IFC. This roadmap converts the vision and strategic objectives for the banking sector into an actionable plan that revolves around five core themes, namely:

- ✓ Innovative products and services;
- ✓ New technology and business models;
- ✓ Compliance with international standards and regulations;
- ✓ Adherence to Environmental, Social and Governance principles; and
- ✓ Human capital development.

The key measures recommended are concrete and pragmatic and have the potential to support the change process. Some initiatives pertain to the building blocks that are critical to enhance the attractiveness and soundness of the banking sector. Others will assist the sector in demarcating itself in terms of the range of services as well as the delivery channels for banking and other financial products.

The roadmap emphasises a three-pronged market strategy targeting the domestic market as well as Asia and Africa global businesses. Accordingly, measures proposed include a strengthening of the Mauritius IFC branding and promotion, a banking training centre, Mauritius to become a centre of excellence for banking in Africa, including in ESG, enhanced economic diplomacy and a conducive expatriate value proposition.

The broad elements of the roadmap for banks operating in the domestic and global markets, as well as fundamentals to support the strategy are provided below.

The Future Vision for Banking in Mauritius

Domestic Market

Cash-lite society

Moving to a cash-lite and cheque-lite society will yield numerous benefits by leapfrogging the current Mauritian economy and level of sophistication of the domestic banking sector

Improved service to customers through modularised services / FinTechs

Increasing competition in the domestic banking market, creating better client experiences, increasing competitiveness and transparency

Enhanced offerings to address the needs of small/medium-sized enterprises (SMEs)

Improving SMEs' access to credit and to more sophisticated banking services to support the growth of domestic companies, and of the overall Mauritian economy

Leading digital and innovation hub

Becoming a digital and innovation hub for Africa, attracting foreign companies, capital and talent while also becoming the regional centre from which FinTechs and startups can expand into Africa

Source: Abridged Report, Future of Banking in Mauritius, September 2022.

Global Business Strategy

AFRICA

An attractive value proposition for Africa-literate talent

Becoming a destination of choice for Africa-literate banking talent to live and work

A hub to invest in Africa

Positioning Mauritius as a hub for investors targeting Africa

A specialised IFC for African corporates and an offshore centre

Serving as an IFC for African corporates expanding overseas and for overseas Multinational Companies operating in Africa

A private banking hub for affluent Africans

Positioning Mauritius as a go-to IFC for private banking, focused on the growing African mass affluent segment

ASIA

A specialised IFC for Asian corporates on select solutions areas

Attracting Asian Corporates to the Mauritius IFC

The alternative IFC for overseas Indian business

Building on the Mauritius IFC's current clientbase and legacy of cross-border investment business with India, there is an opportunity to expand solutions for Indian corporates' overseas business (including in treasury, trade finance and cross-border investment)

The access point for Asia corporate business into and out of Africa

Establishing Mauritius as the connectivity hub between Asia and Africa

Fundamentals

Solidified investment grade IFC and financial stability protection

Ensuring the current sovereign rating, a key USP, is defended and improved

Adherence to highest standards of ESG

In continuity with the work being carried out by the Bank of Mauritius Climate Change Centre, greening the financial system, becoming best-in-class in ESG and exporting competency in Africa

Known globally for its value proposition

Clarifying the value proposition and scaling the promotion of the Mauritius banking sector abroad, especially in select key markets

Thriving local capital market

Strengthen, deepen, digitise and scale the local capital market to better serve the domestic market and attract more international volume, notably in FX

Predictable and favourable tax regime for investors & Double Tax Agreement (DTA)

Recovering the favourable tax environment and reducing uncertainty to remain competitive and attractive to corporates and individuals

Regulatory agility and digitisation of the financial infrastructure

Adopting more regulatory agility to respond better to market developments, digitisation to enhance the customer experience in line with peers and advanced digital financial infrastructure to facilitate the delivery of financial solutions and allow interoperability

Fully compliant with international standards

Sustaining progress on compliance with international standards, and making this progress more widely known

Capability and knowledge regional hub in banking

Building and attracting banking talent to support the development of world-class banking solutions

Source: Abridged Report, Future of Banking in Mauritius, September 2022.

Enterprise Risk Management

The Bank is committed to strenghten its risk management practices and has reached an advanced stage in the implementation of an Enterprise Risk Management (ERM) framework. The groundwork for the design of the ERM Framework involved close interactions between the Enterprise Risk Unit and all the departments/divisions of the Bank during FY2021-22. The Taskforce on the ERM, comprising all heads of departments/divisions, discussed the changing economic and financial environment and performed a thorough assessment of risks and their potential impacts on the Bank.

The development of the Risk Appetite Statement (RAS), the ERM Policy and the ERM Framework laid down the foundations for a comprehensive approach to risk management at the Bank. The ERM Framework translates concepts from the ERM Policy and the RAS into actionable practices. The ERM Framework will be deployed across the Bank once reviewed and approved. The management of risks shall thereon be wrapped within a well-structured and transparent approach, assisting the Bank to take risk-informed decisions.

The Risk Appetite Statement

The RAS defines the aggregate amount and types of risks that the Bank is willing or aims to operate, within its risk capacity, in the pursuit of its mandates. The Bank's RAS works in alignment with its ERM Policy and is strengthened by the ERM Framework. The Bank's mandates impact its risk management philosophy in a unique way. Risks shall not hinder the Bank in achieving its goals. The risk appetite of the Bank will, therefore, vary according to the environment to reflect the nature, magnitude and complexity of the situation.

The Enterprise Risk Management Policy

The Bank's ERM Policy provides for the implementation of a holistic risk management culture within the Bank. It conveys risk guidelines to all staff with regards to their role, responsibility and accountability. The ERM Policy sets the principles and processes of risk management and provides guidance to design a suitable ERM Framework aligned with the Bank's risk appetite. The ERM Policy also lays the foundation for implementing a structured and proactive approach to embed risk within an appropriate risk governance framework.

The Enterprise Risk Management Framework

The ERM Framework embodies the links amongst the strategies, the drive for risk culture and the way in which the Bank manages risk. The Framework entails designing, implementing, conducting and improving the risk management philosophy to strengthen risk practices within the Bank. The aim of the ERM Framework is to enable the Bank to:

- identify risks and assess how the severity and frequency of risks vary according to situations;
- respond positively to ensure a tolerable level of risks;
- recover efficiently from risk events and monitor effectiveness;
- consistently evaluate and improve the culture of risk management; and
- understand and communicate its risk profile to key stakeholders.

Governance

Risk management is closely associated with governance. A well-defined governance structure along with ERM policies and procedures support the creation of a sound risk culture, even in challenging circumstances. Risk management is the responsibility of all Bank staff. A typical risk governance structure could be as follows:

i. The Board of Directors reviews and approves the ERM Policy, the RAS and the ERM Framework as recommended by the Board Audit & Risk Committee and Bank's Management.

ii. The Board Audit & Risk Committee has the responsibility to oversee the conduct of risk management and its effectiveness.

iii. The Management Risk Committee reviews the risk profile and makes recommendations to the Board.

iv. The Enterprise Risk Committee, comprising the Head of Risk and the Heads of all divisions/ departments, promotes a strong risk management culture.

The Bank is considering the adoption of the International Institute of Auditors *'Three Lines of Defence'* model as an effective and appropriate approach to identify and manage risks whilst promoting a robust risk culture:

- First line of defence is responsible for complying with policies, standards and guidelines whilst adhering to the established RAS and ERM Framework.
- Second line of defence sets the standards, provides guidance and supports the first line of defence. Its role is to oversee how staff are managing risks with respect to the approved ERM Policy and Framework and aligned to the RAS.
- Third line of defence objectively assesses risk management, control and governance processes. It provides independent assurance that the ERM Framework is adequate and effectively applied across the Bank.

Risk Taxonomies

The key and emerging risks can be categorised into strategic, operational, financial, information technology and sustainability. In assessing the above risk taxonomies, the Bank has to consider the potential threat to its most important asset, its reputation.

Key and Emerging Risks

Strategic Risks
Reflect any adverse impact of not achieving the Bank's mandate, vision and strategic policies.

Operational Risks
Represent any loss resulting from inadequate or failed internal processes, people and systems or from external events.

Financial Risks
Arise when there are potential financial losses arising from credit, market and liquidity risks.

Information Technology (IT) Risks
Refer to any threats to the IT infrastructure, application software and include risks related to cybersecurity and business continuity.

Sustainability Risks
Refer to external risks which are related to environment, social and governance (ESG) and human aspects. The impact of physical, transition and liability risks led by climate change is an emerging risk.

Reputational Risks
Occur when there is a discrepancy between what the public perceives and the actual image that the Bank portrays.

Risk Management Process

The risk management process provides a systematic way to structure the identification, assessment, treatment (response), evaluation, reporting (communication) and monitoring of significant risks through an established governance structure.

1. **Risk Identification** – Detect risk areas and control gaps.
    - Risk Control Self Assessments: Link risk events to the associated risks via internal control questionnaires.
    - Key Risk Indicators: Link risk events to the appropriate key risk indicators (Root Cause Analysis).
2. **Risk Assessment** – Use a Risk/Heat map to assess likelihood and impact. It is used to prioritise risk mitigation plans.
3. **Risk Treatment** – Responses to risk (identified and assessed) - accept or reduce or avoid or transfer risks.
4. **Risk Evaluation** – Assess effectiveness of controls against the inherent and residual risks.
5. **Risk Reporting** – A report containing the objective, the risk event, the likelihood & impact and the controls.
6. **Risk Monitoring** – Continue reviewing and enhancing the framework as risks evolve (identify and address any control gaps).

4 ECONOMIC AND FINANCIAL DEVELOPMENTS

The Economy

Global Growth
3.2%
(2022)
2021: 6.0%

Global Inflation
8.8%
(2022)
2021: 4.7%

Crude Oil Prices
USD per barrel

	ICE Brent	NYMEX
FY2021-22	90.5	87.6
FY2020-21	54.6	51.9

Dollar Index
FY2021-22
96.8
FY2020-21: 92.1

FAO Food Price Index
FY2021-22
140.9
FY2020-21: 110.7

Global Economy

The global economy was well on track for recovery in 2021, but the emergence of new COVID-19 variants towards the end of the year weighed, to some extent, on the growth momentum.

The onset of the conflict between Russia and Ukraine in February 2022, which exacerbated supply disruptions and tightened financial conditions, as well as renewed lockdowns in China, further dented the global recovery.

Global inflation, fueled by rising food, energy and other commodity prices as well as elevated freight costs, reached multi-decade highs in 2022H1 and proved to be more lasting than initially expected. In response to mounting inflationary pressures, central banks around the world accelerated the unwinding of accommodative monetary policies implemented during the pandemic. Rising interest rate differentials between the US and other advanced economies contributed to an increasingly stronger US dollar during the year.

Domestic Economic Performance

The domestic economy rebounded by 4.4 per cent in 2021, reversing the contraction of 14.4 per cent registered in 2020, following the gradual easing of sanitary restrictions as vaccination campaigns took hold, full re-opening of national borders as from October 2021 and improving external demand. The economy continued to recover in 2022H1, recording an average growth of 13.4 per cent. Growth for 2022 is expected to reach 7.4 per cent.

Domestic growth momentum was supported by broad-based recovery across sectors and a pick-up in domestic demand. The *'Accommodation and food service activities'* sector turned around substantially in 2022H1, with an average growth of 585.7 per cent, as against a contraction of 12.1 per cent in 2021. Tourist arrivals, which stood at 179,780 in 2021, reached 376,556 in 2022H1 while tourism earnings increased from Rs15.3 billion to Rs25.3 billion over the same period. The renewed dynamism in tourism had positive spillover effects onto other sectors of the economy.

The *'Manufacturing'* sector expanded by 8.3 per cent in 2021 and on average by 11.6 per cent in 2022H1, reflecting the lifting of sanitary restrictions across key trading partners and general recovery in external demand. Activity in the *'Construction'* sector picked up by 22.7 per cent and further by 15.5 per cent in 2022H1 on account of ongoing major infrastructure projects. Growth in the *'Real estate'* and *'Wholesale and retail trade'* sectors also moved into positive territory in 2021 and continued to expand in 2022H1 with growth of 1.5 per cent and 2.3 per cent, respectively. The *'Financial and insurance activities'* and *'Information and communication'* sectors also registered appreciable performance over the period under review, with respective growth rates of 2.6 per cent and 4.2 per cent in 2022H1. The *'Agriculture, forestry and fishing'* sector grew by 7.2 per cent in 2021, but contracted by 0.6 per cent in 2022H1, reflecting the subdued performance of the *'sugarcane'* subsector.

Domestic demand recovered on account of improved sentiment and sustained investment on public sector infrastructural projects. Final consumption expenditure rose by 1.9 per cent in 2021 and 7.2 per cent in 2022H1, as against a contraction of 12.9 per cent in 2020, partly supported by the extension of the financial support measures rolled out by the authorities. Household consumption increased by 7.2 per cent in 2022H1, after growth of 3.0 per cent in 2021 whilst Government consumption grew by 10.7 per cent, following a 3.0 per cent contraction in 2021.

Overall investment spending bounced back as the business environment and overall economic outlook improved. Gross Fixed Capital Formation (GFCF) expanded by 14.0 per cent in 2021 as against a contraction of 25.8 per cent in 2020, and further by 20.2 per cent in 2022H1. Capital spending in the first half of the year was driven by higher investment in *'machinery and equipment'* which increased by 30.2 per cent, following growth of 7.3 per cent in 2021. Investment in *'building and construction work'*, on its part, rose by 14.0 per cent following growth of 17.8 per cent in 2021.

On the external front, exports of goods and services rallied by 11.5 per cent in 2021, and continued to increase by 31.4 per cent in 2022H1. Exports of goods rose by 6.4 per cent in 2021 and 10.2 per cent in 2022H1. Growth in exports of services firmed from 14.9 per cent in 2021 to 44.7 per cent in 2022H1, reflecting higher external demand and tourism earnings. Amidst a perceptible improvement in domestic demand and higher global prices, imports of goods and services were up by 14.0 per cent in 2022H1, from 7.7 per cent in 2021. Imports of goods rose by 10.4 per cent in 2022H1, compared to 6.1 per cent in 2021. Growth in imports of services doubled from 12.0 per cent in 2021 to 24.5 per cent in 2022H1.

Real GDP Growth

Overall Economy

2021	2020
4.4%	-14.4%

Sectoral Performance

Agriculture, forestry and fishing

2021	2020
7.2%	-1.9%

Accommodation and food service activities

2021	2020
-12.1%	-65.6%

Construction

2021	2020
22.7%	-28.0%

Manufacturing

2021	2020
8.3%	-17.7%

Information and communication

2021	2020
7.1%	6.0%

Financial and insurance activities

2021	2020
4.6%	4.0%

Wholesale & retail trade; repair of motor vehicles and motorcycles

2021	2020
4.1%	-11.9%

Labour Market

The recovery in economic activity strengthened labour market conditions. The unemployment rate declined from 9.2 per cent in 2020 to 9.1 per cent in 2021, and further to 8.4 per cent in 2022H1. The female unemployment rate declined from 11.1 per cent in 2020 to 10.7 per cent in 2022H1. However, the youth unemployment rate rose from 26.1 per cent to 27.5 per cent over the same period. Going forward, labour market conditions are expected to improve and move closer to pre-pandemic levels as overall economic activity continues to pick up.

Inflation

Inflation maintained an upward trajectory during FY2021-22, mostly due to supply-side disruptions amidst the escalation of the Russia-Ukraine conflict that led to rising global oil and food prices, and soaring freight costs. Headline inflation, as measured by the percentage change in the yearly average Consumer Price Index (CPI), gained momentum, increasing from 2.2 per cent in June 2021 to 8.0 per cent in June 2022. Year-on-year (y-o-y) inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, also firmed from 5.9 per cent in June 2021 to 9.6 per cent in June 2022.

The overall CPI rose by 10.7 index points from 111.4 in June 2021 to 122.1 in June 2022. The upsurge in the index originated mostly from *'Transport'* (4.5 index points), *'Food and non-alcoholic beverages'* (2.1 index points), *'Alcoholic beverages and tobacco'* (1.3 index points), *'Furnishings, household equipment, …'* (0.8 index point) and *'Restaurants and hotels'* (0.5 index point).

Core inflation measures pointed to underlying inflationary pressures during FY2021-22. On a 12-month average basis, CORE1 inflation increased from 2.7 per cent in June 2021 to 6.6 per cent in June 2022, while CORE2 inflation rose from 3.8 per cent to 5.8 per cent over the same period. On a y-o-y basis, CORE1 inflation closed the financial year at 10.9 per cent, compared to 4.1 per cent in June 2021, while CORE2 inflation strengthened from 4.5 per cent in June 2021 to 8.2 per cent in June 2022.

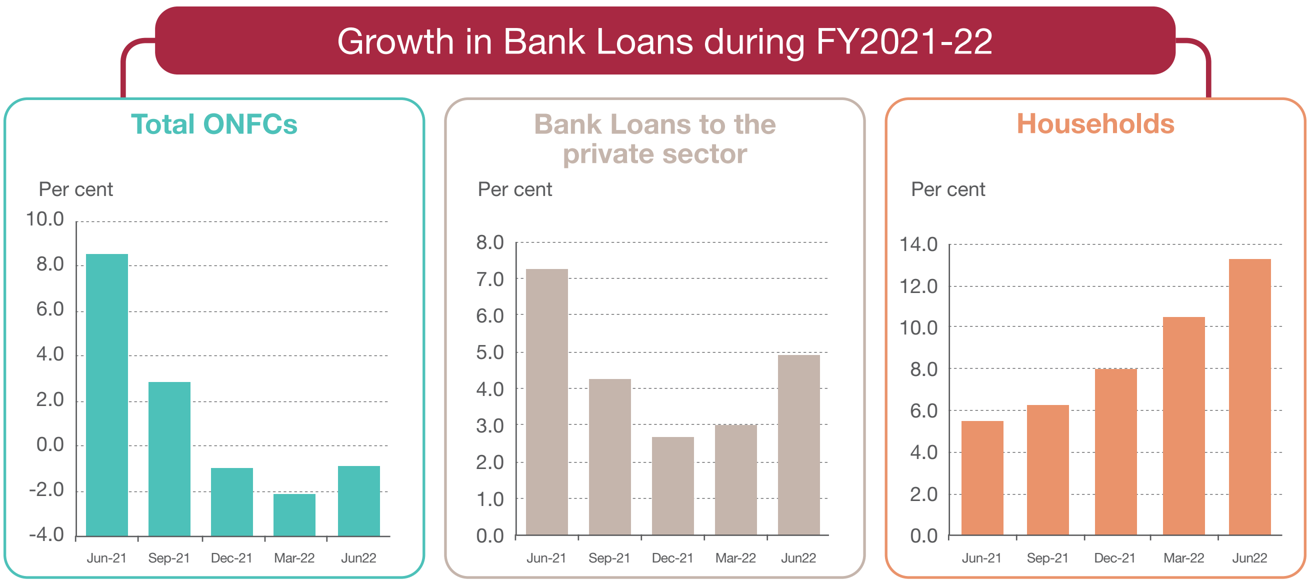
Monetary Developments

Broad Money Liabilities (BML) rose by 2.4 per cent to Rs783.6 billion as at end-June 2022, compared to an increase of 18.8 per cent in the preceding financial year. Amongst the components of BML, growth in currency with public moderated to 7.7 per cent in FY2021-22, from 9.1 per cent in FY2020-21. Rupee deposits contracted by 0.4 per cent as against a growth of 22.4 per cent over the previous year. Growth in foreign currency deposits slowed from 15.9 per cent in FY2020-21 to 12.4 per cent in FY2021-22, while debt securities posted a lower contraction of 1.7 per cent compared to 32.8 per cent.

The annual growth rate of the monetary base decelerated from 61.1 per cent as at end-June 2021 to 3.5 per cent as at end-June 2022, partly reflecting the decrease in liabilities to other sectors. The income velocity of money, which refers to the frequency of monetary transactions in an economy, stood at 0.7 at the end of June 2022, while the broad money multiplier remained unchanged at 3.2 as at end-June 2022. The ratio of BML to GDP, which provides a measure of financial depth, also declined from 167.6 per cent to 149.1 per cent over the same period, reflecting a higher increase in GDP relative to BML.

Annual growth in bank loans[1] to the private sector[2] lost some momentum, decreasing from 7.3 per cent in June 2021 to 5.0 per cent in June 2022. Y-o-y growth in bank loans to *'Other Nonfinancial Corporations'* (ONFCs) fell from 8.6 per cent in June 2021 to -0.8 per cent in June 2022, mostly reflecting decreases in *'Accommodation and food service activities'*, *'Real estate activities'* and *'Transportation and storage'* sectors.

Y-o-y growth in bank loans to households accelerated from 5.5 per cent in June 2021 to 13.3 per cent in June 2022, reflecting an expansion of 13.7 per cent in housing loans. Household loans granted for *'Other purposes'*[3] also increased at a higher pace of 12.6 per cent in June 2022, compared to 1.1 per cent in June 2021.



External Sector Developments

The external sector was, on the one hand, positively influenced by the revival of the tourism sector and investment income derived from the GBC sector and banks, and, on the other hand, adversely impacted by unfavourable terms of trade dynamics amidst the Russia-Ukraine war and lingering supply side bottlenecks. The current account deficit is estimated to have widened from Rs53.5 billion in FY2020-21 (or 11.7 per cent of GDP) to Rs72.4 billion (or 13.8 per cent of GDP) in FY2021-22, mainly due to a higher deficit in the goods account.

The deficit in the goods account rose by Rs52.3 billion to Rs141.8 billion in FY2021-22. The services account reverted from a deficit of Rs13.2 billion in FY2020-21 to a surplus of Rs6.6 billion, mainly reflecting the substantial increase in gross tourism earnings from Rs2.5 billion to Rs39.6 billion. In a similar vein, the primary income account surplus increased from Rs72.2 billion in FY2020-21 to Rs80.9 billion in FY2021-22 while the deficit on the secondary income account decreased from Rs23.1 billion to Rs18.0 billion over the same period.

The country recorded an overall balance of payments surplus of Rs29.3 billion in FY2021-22 and net inflows estimated at Rs72.8 billion in the financial account. Direct investment, inclusive of Global Business Licence Holders' (GBLHs) transactions, registered net inflows of Rs76.7 billion in FY2021-22. Excluding GBLHs' transactions, investment by non-residents in Mauritius, net of repatriation, amounted to Rs11.7 billion while direct investment abroad, net of repatriation, stood at Rs4.1 billion. The portfolio investment account, inclusive of GBLHs' transactions, recorded net outflows of Rs165.5 billion in FY2021-22, lower compared to net outflows of Rs184.6 billion in the previous financial year. The 'other investment' account, inclusive of GBLHs' transactions, posted net inflows of Rs194.3 billion compared to net inflows of Rs209.9 billion over the same period. General government made a net repayment of external loans of Rs3.2 billion, as against net disbursement of Rs21.4 billion.

[1] *Loans include only facilities extended by banks in the form of loans, overdrafts and finance leases.*
[2] *Private sector encompasses private non-financial corporations, households and non-profit institutions serving households.*
[3] *'Other purposes' include loans availed by households for acquisition of other consumer durable goods, purchase of land property, purchase of motor vehicles, education, medical expenses, purchase of equity, purchase of other financial assets, working capital/longer-term funds for proprietorships and other miscellaneous purposes.*

BOP Indicators for 2022

Current Account

Rs billion

	FY2020-21	FY2021-22
Current Account	-53.5	-72.4
Goods Account	-89.5	-141.8
Services Account	-13.2	6.6
Primary Income	72.2	80.9
Secondary Income	-23.1	-18.0

Financial Account

Rs billion

	FY2020-21	FY2021-22
Financial Account	-57.8	-72.8
Direct Investment	-17.3	-76.7
Portfolio Investment	184.6	165.5
Financial Derivatives	-8.4	3.4
Other Investment	-209.9	-194.3

Reserve Assets

Rs billion

FY2020-21	FY2021-22
-6.8	29.3

Net Errors and Omissions

Rs billion

FY2020-21	FY2021-22
-4.3	-1.1

Reserves

The Gross Official International Reserves (GOIR) of the country, principally comprising the gross foreign assets of the Bank and reserve position in the IMF, increased by Rs36.1 billion to Rs346.0 billion (USD7.6 billion) as at end-June 2022, from Rs309.9 billion (USD7.3 billion) as at end-June 2021. Based on the value of imports of goods (f.o.b.) and non-factor services for the calendar year 2021, the GOIR of the country represented 16.3 months of imports as at end-June 2022 compared to 14.6 months as at end-June 2021, which constituted a reasonable buffer against potential external shocks.

The reserves portfolio was, like in other countries, affected by substantial financial markets volatility in the wake of the Russia-Ukraine conflict. Nonetheless, as at end-June 2022, the foreign exchange (FX) reserves continued to meet the more stringent reserve adequacy metric as per the Assessing Reserve Adequacy methodology of the IMF.

The Bank manages the FX reserves of the country in line with the statutory mandates of security, liquidity and return. The investment objectives, risk budget and asset class eligibility are set out in the Board-approved Foreign Exchange Reserves Investment Policy and Guidelines and Strategic Asset Allocation framework.

International Investment Position

The net creditor position of Mauritius vis-à-vis non-residents rose significantly as at end-December 2021, reflecting mainly higher GBLH residents' net claims on non-residents. The International Investment Position statistics indicated that the country's net foreign asset position stood at Rs1,804 billion as at end-December 2021, up from Rs718 billion as at end-December 2020. Claims on non-residents rose from Rs19,282 billion as at end-December 2020 to Rs25,113 billion as at end December 2021. Liabilities due to non-residents rose from Rs18,565 billion to Rs23,309 billion over the same period.

Monetary Policy

The MPC met on five occasions during FY2021-22. While the MPC kept the KRR unchanged at 1.85 per cent in 2021H2, it adopted a tightening stance in 2022H1 to combat rising inflationary pressures and brought the KRR to 2.25 per cent per annum. The following Box summarises the considerations of the MPC in deciding on the level of the policy rate.

Monetary Policy Decisions

The MPC's decisions were motivated by the global economic context as well as by domestic economic conditions and were taken by weighing the risks to the growth and inflation outlook.

Unchanged Monetary Policy Stance – August 2021, October 2021 and December 2021

The MPC unanimously voted to keep the KRR unchanged at 1.85 per cent per annum at its meetings held in August, October and December of 2021. The MPC deliberated that the monetary policy stance was appropriate and supportive of economic recovery.

The MPC acknowledged that the global economy had been recovering from the pandemic, although the pace of growth somewhat varied across countries given the different phases of vaccination programmes. Monetary and fiscal support deployed in several parts of the world also provided impetus to the recovery process. However, the detection of the Omicron variant in November 2021 brought about some uncertainty to the economic outlook.

Global inflation had been rising amidst transitory supply-side factors and resurgent demand for commodities. Central banks in several emerging economies had begun to raise their policy rates in order to contain entrenched inflation while those in advanced economies had kept their policy rates unchanged but had started to taper their asset purchase programmes.

On the domestic front, a gradual recovery in economic activity was noted with the full re-opening of national borders in October 2021. Confidence was being bolstered through ongoing progress in the vaccination campaign and deployment of booster doses. Sectors such as manufacturing, construction and financial services also contributed to the recovery process. However, the Omicron variant took a toll on the tourism sector, which had started to recover. Inflation had begun to gain momentum, largely driven by lingering global supply chain disruptions, higher energy, food and other commodity prices, increase in freight and input costs, as well as the depreciation of the rupee.

Tightening of the Monetary Policy Stance – March 2022 and June 2022

The MPC unanimously decided to raise the KRR by 15 basis points to 2.00 per cent per annum at its meeting held in March 2022 and by a further 25 basis points to 2.25 per cent per annum at its meeting held in June 2022.

The onset of the war between Russia and Ukraine in late February 2022 added new layers of uncertainty to global growth, leading to a deceleration in activity. Global inflation, which was already on an upward trajectory amidst supply-side disruptions and higher energy and commodity prices, was on the rise and likely to increase further. In most countries, inflation rapidly rose to elevated levels and were expected to overshoot their central bank targets. Accordingly, a number of central banks, including those in advanced economies, quickened their tightening pace.

The domestic economic dashboard showed encouraging signals, reflecting the positive performance of the tourism sector that spilled over onto other sectors of the economy and played a key role in upholding consumer and business confidence. Inflation in Mauritius was mostly influenced by pressures stemming from abroad, which raised prices of energy, food and other goods items. The risk of inflation becoming more entrenched due to the war was apparent, considering the fact that Mauritius imports a relatively large share of what it consumes.

The MPC weighed the downside risks to the growth prospects and upside risks to the inflation outlook given the relative openness of the Mauritian economy and the high level of uncertainty prevailing abroad. The Committee recognised that monetary policy should respond to the build-up of inflationary pressures, whilst not putting at risk macroeconomic conditions for recovery. The MPC also acknowledged that monetary policy should continue to support economic recovery and that it would remain cautious in its approach towards normalisation of monetary policy.

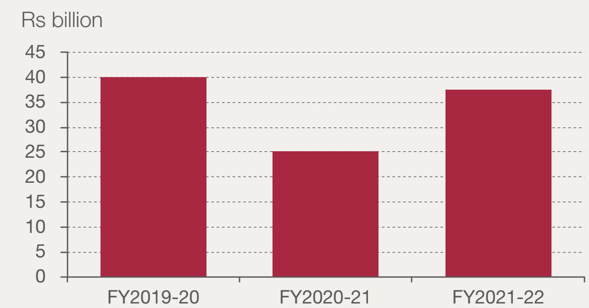
Financial Markets

Implementation of Monetary Policy

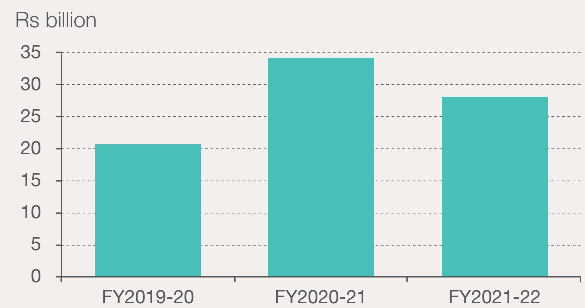
The Bank implements monetary policy through open market operations aimed at reducing excess liquidity in the banking system to ensure that short-term yields remain within the interest rate corridor.

Bank of Mauritius (BoM) securities for a total nominal amount of Rs142.1 billion were issued during FY2021-22, against maturing securities of Rs148.1 billion. An additional amount of Rs50.5 billion was absorbed through FX interventions to sell US dollars on the domestic foreign exchange market. As a result of these open market operations, rupee excess liquidity dropped to an annual average of Rs28.1 billion in FY2021-22, from an average of Rs34.2 billion in the previous financial year.

Banks' Rupee Excess Reserves



Banks' Closing Rupee Excess Reserves (end of FY)



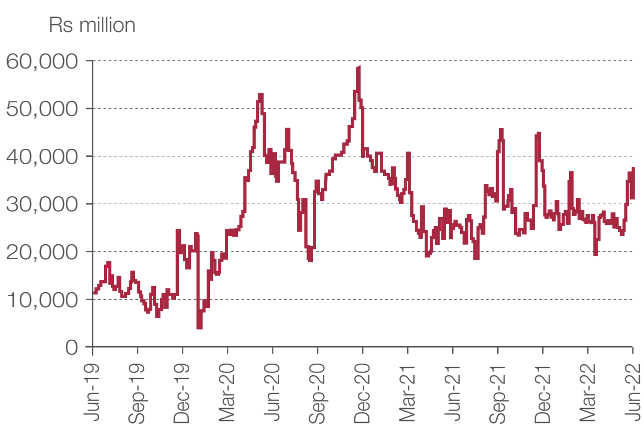
Banks' Rupee Excess Reserves (12-month average)

Short-term yields moved in line with the rupee excess liquidity prevailing in the banking system and changes in the KRR. As at end-June 2022, the 91-Day Bill yield, which is the current operational target, was within the lower bound of the interest rate corridor at 1.00 per cent. Interbank money market rates fluctuated between 0.20 per cent and 2.00 per cent, with the overall weighted average interbank interest rate increasing by 24 basis points over the financial year, to an average of 0.55 per cent in FY2021-22 (Chart 4.1). Movements in the overall weighted average interbank interest rate took place amid higher turnover on the interbank money market of Rs270 billion during FY2021-22, compared to Rs123.2 billion in FY2020-21.

Banks, in general, adjusted their deposit and lending rates in line with changes in the KRR. Banks' Savings Deposit Rate, which fluctuated between 0.15-0.60 per cent in June 2021, rose to a range of 0.20-0.60 per cent in March 2022 and further to 0.20-0.75 per cent in June 2022. In parallel, banks' Prime Lending Rate also increased from a range of 4.00-6.85 per cent in June 2021 to a range of 4.40-7.25 per cent in June 2022. Banks' weighted average rupee deposit rate and lending rate increased to 0.63 per cent and 4.99 per cent, respectively, in June 2022, representing a spread of 4.36 per cent.

Chart 4.1: Excess Liquidity and Money Market Rates

Rupee excess liquidity



Overall Weighted Yield on 91-Day GMTBs and BoM Bills

Issue of Government Securities

The Bank issued Treasury Bills on behalf of Government for an aggregate amount of Rs35.3 billion in the 182-Day and 364-Day maturities during FY2021-22. These issues took place against maturing Treasury Bills totalling Rs32.3 billion. All auctions conducted during the year were oversubscribed, with bids received totalling Rs92 billion against a total tender amount of Rs36.8 billion.

Government maintained the issuance of Government of Mauritius Treasury Certificates during FY2021-22, with a total amount of Rs8 billion issued on tap to Non-Financial Public Sector Bodies at rates ranging between 0.87 to 1.41 per cent.

Government also maintained benchmark issues of Three-Year Treasury Notes and Five-Year Bonds, which were re-opened during the year to ensure sufficient volume was available for secondary market trading. At the same time, Government re-introduced buyback of some selected securities, in line with its debt management strategy to reduce rollover risks. Four reverse auctions of the Two-Year Treasury Notes for an outstanding amount of Rs2.0 billion and maturing on 12 June 2022 were conducted during FY2021-22. Bids for a total amount of Rs405 million were received, of which Rs200 million were allocated.

Auctions of Government of Mauritius Securities

Three-Year
Treasury Notes

FY2020-21
- Tender Amount: Rs18.2 billion
- Value of Bids Received: Rs48.8 billion
- Value of Bids Accepted: Rs19.8 billion

FY2021-22
- **Tender Amount: Rs28.0 billion**
- **Value of Bids Received: Rs67.2 billion**
- **Value of Bids Accepted: Rs28.3 billion**

Five-Year
Government of Mauritius Bonds

FY2020-21
- Tender Amount: Rs19.5 billion
- Value of Bids Received: Rs47.7 billion
- Value of Bids Accepted: Rs20.8 billion

FY2021-22
- **Tender Amount: Rs22.0 billion**
- **Value of Bids Received: Rs55.7 billion**
- **Value of Bids Accepted: Rs21.4 billion**

Ten-Year
Government of Mauritius Bonds

FY2020-21
- Tender Amount: Rs6.5 billion
- Value of Bids Received: Rs16.7 billion
- Value of Bids Accepted: Rs6.5 billion

FY2021-22
- **Tender Amount: Rs4.5 billion**
- **Value of Bids Received: Rs12.3 billion**
- **Value of Bids Accepted: Rs4.5 billion**

Fifteen-Year
Government of Mauritius Bonds

FY2020-21
- Tender Amount: Rs7.5 billion
- Value of Bids Received: Rs17.5 billion
- Value of Bids Accepted: Rs6.2 billion

FY2021-22
- **Tender Amount: Rs6.5 billion**
- **Value of Bids Received: Rs17.4 billion**
- **Value of Bids Accepted: Rs6.5 billion**

Twenty-Year
Government of Mauritius Bonds

FY2020-21
- Tender Amount: Rs4.5 billion
- Value of Bids Received: Rs11.6 billion
- Value of Bids Accepted: Rs4.8 billion

FY2021-22
- **Tender Amount: Rs7.0 billion**
- **Value of Bids Received: Rs19.1 billion**
- **Value of Bids Accepted: Rs7.0 billion**

Foreign Exchange Market

The domestic FX market was revitalised by the re-opening of national borders in October 2021 and the ensuing dynamism in tourism and other export sectors. An improvement in the level of foreign currency sales to banks was noted, with an increase of 9.0 per cent in total sales to around USD3.8 billion in FY2021-22. Total FX turnover, including spot and forward transactions but excluding interbank transactions and FX operations conducted by the Bank, increased from USD8.3 billion in FY2020-21 to USD8.5 billion in FY2021-22. The majority of FX transactions were denominated in US dollar, reflecting the currency distribution of trade.

Foreign Currency Transactions[4]

Purchases (USD million)	FY2020-21	FY2021-22
Spot		
Transactions of more than USD20,000 or equivalent	2,109.6	2,168.3
Miscellaneous transactions*	1,123.8	1,282.9
Forward	236.7	322.8
Total	**3,470.1**	**3,774.0**

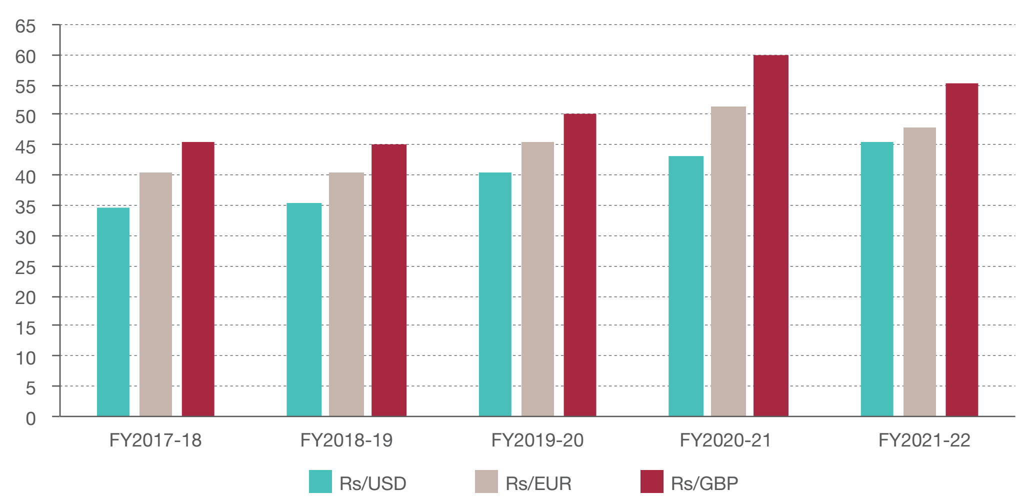
Sales (USD million)	FY2020-21	FY2021-22
Spot		
Transactions of more than USD20,000 or equivalent	3,015.8	2,866.7
Miscellaneous transactions*	1,405.6	1,557.9
Forward	443.0	258.0
Total	**4,864.4**	**4,682.6**

Turnover (USD million)	
FY2020-21	8,334.4
FY2021-22	8,456.6

With the pick-up in activity on the FX market, the Bank scaled down the volume of its FX interventions in FY2021-22. Total sales to banks and foreign exchange dealers amounted to USD730 million, down from USD1,330 million in FY2020-21. The Bank also reduced its sales to the State Trading Corporation, as the latter gradually managed to source its FX requirements from the market.

The rupee continued to be influenced by the evolution of major currencies on international markets as well as domestic demand and supply conditions. On a weighted average dealt selling rate basis, between end-June 2021 and end-June 2022, the rupee depreciated by 5.4 per cent against the US dollar, partly reflecting the strength of the US dollar on international markets. In contrast, the rupee appreciated by 8.0 per cent and 7.4 per cent against the Pound sterling and euro, respectively, over the same period (Chart 4.2).

Chart 4.2: Average Rupee Exchange Rate



[4] *Transactions conducted by banks and foreign exchange dealers, excluding interbank and swap transactions.*
**Include transactions below USD20,000 or equivalent.*
Figures may not add up to totals due to rounding.

Lines of Credit

The Lines of Credit made available to the Development Bank of Mauritius (DBM) for on-lending to economic operators impacted by the COVID-19 were extended to 31 December 2022. During FY2021-22, a total amount of Rs1.8 billion was disbursed to the DBM.

In addition, an amount of Rs5 billion was allocated to the Industrial Finance Corporation of Mauritius Ltd under the Modernisation and Transformation Fund. The Bank re-allocated an amount of Rs1 billion from the Line of Credit of Rs3 billion initially made available to the State Investment Corporation in September 2020 with the purpose of financing specific projects under the 'Plan de Relance' announced in the Budget Speech 2021-22.

Market Development

The Bank established the Primary Dealer System with the objective of supporting the development of a secondary market for Government/BoM securities. Effective 1 September 2021, the Bank reviewed the Guideline on the Operational Framework for Primary Dealers in an effort to boost secondary market trading. Thus, it is now mandatory for primary dealers to keep 60 per cent of all bids received at any auction in their trading books. This measure ensures that all securities across all tenors issued on the primary market are available for trading, and therefore enhances liquidity on the market.

As a result of these amendments and as interest rates gradually increased, the total volume of transactions carried out on the secondary market almost doubled, from Rs104.0 billion in FY2020-21 to Rs206.2 billion in FY2021-22. Institutional investors, of which the majority were Pension Funds with transactions of Rs90.5 billion, accounted for around 58 per cent of total secondary market volume.

The Bank also regulates the issue of Money Market Instruments (MMIs), that is, instruments with maturities of up to one year. As such, it provides the necessary framework for the issue of these types of instruments while providing comfort to investors that such issues meet relevant standards. MMIs provide an additional source of financing to market participants and their use is expected to support the development of financial markets in Mauritius. During FY2021-22, two MMI licenses were issued to corporates for a total amount of Rs2.7 billion. The MMIs, issued through private placements, were oversubscribed, indicating the appetite for alternative investment opportunities by investors.

Regulation and Supervision

Banking Sector Developments

The Bank supervises and regulates banks, as well as non-bank deposit taking institutions (NBDTIs) and cash dealers. As at end-June 2022, 19 banks were in operation, of which 6 domestic-owned, 10 foreign-owned and 3 branches of foreign banks. One banking licence was issued in November 2021, under section 7 of the Banking Act 2004, to Silver Bank Limited (formerly BanyanTree Bank Limited).

The Bank extended various COVID-19 support measures to banks to help them weather the downside risks arising from the pandemic. During FY2021-22, as economic recovery started to gain impetus, the Bank pursued with gradual unwinding of these measures. Thus, the full implementation of the Capital Conservation Buffer (CCB) of 2.5 per cent, of which the last tranche of 0.625 per cent had been postponed since March 2020 due to COVID-19 pandemic, came into effect on 1 April 2022. The extension provided with regard to the moratorium on loans granted to economic operators, SMEs, households and individuals, which was carried out in a targeted manner, lapsed on 30 June 2022.

Other support measures, namely, the Special Relief Amount facility of Rs5.0 billion made available to banks by the Bank and the reduction of the Cash Reserve Ratio to 8 per cent, also came to an end. The Cash Reserve Ratio reverted to 9 per cent on rupee deposits as from the maintenance week starting 1 July 2022.

The Bank continued to closely monitor the resilience of the banking sector through enhanced reporting requirements, regular stress testing exercises as well as engagements with stakeholders under the Task Force on Banking Sector Resilience. During FY2021-22, the Bank strengthened and fine-tuned its supervisory and regulatory toolkit, including its risk-based supervision framework, in line with international best practices. Some regulatory measures taken during FY2021-22 are provided on the next page.

Supervise & Regulate

19 Banks
Assets: Rs2,060.4 billion
As at end-June 2022

6 Domestic-owned banks (Rs1,280.7 billion assets)
10 Foreign-owned banks (Rs725.8 billion assets)
3 Branches of foreign banks (Rs53.9 billion assets)

6 NBDTIs
Assets: Rs67.2 billion
As at end-June 2022

12 Cash Dealers
Assets: Rs620.5 million
As at end-June 2022

	Banks	NBDTIs	Cash Dealers
No of Branches	159	16	64
Number of people employed	8,374	451	275

Guideline on Stress Testing

On 23 June 2022, the Bank issued a new Guideline on Stress Testing which sets out the high-level principles to be followed by banks for the implementation of a sound stress testing framework. Banks are recommended to apply the principles on a proportionate basis that is commensurate with their size, complexity and risk profile.

Implementation of Basel III Reforms

The Bank's regulatory and supervisory framework is generally aligned with the standards and recommendations of the BCBS as well as other relevant international best practices. In this context, a review of the framework to consider the Basel III post-crisis reforms and other guidance issued by the BCBS, whilst at the same time ensuring the principles of proportionality, has been initiated.

During the year under review, amendments were brought to the Guideline on Standardised Approach to Credit Risk on 1 April 2022 to, *inter alia*, align the list of Multilateral Development Banks eligible for a risk weight of 0 per cent with BCBS standards.

On 1 July 2022, the Bank aligned its disclosure requirements for eligible External Credit Assessment Institutions recognised under direct recognition with the latest BCBS standards.

Guideline on Disclosure of Information to Guarantors

On 4 October 2021, the threshold in respect of statement of accounts to be made available to guarantors was aligned with the Borrower Protection Act 2007.

Guideline on Payment of Dividend

On 5 November 2021, the requirement for the submission of a report by the external auditors on the financial forecasts at the time of seeking the Bank's approval for declaration of dividend or other transfers from profits was removed. However, the Board of Directors of financial institutions shall take into consideration the financial forecasts when deciding on proposals for declaring dividend and other transfers from profits and submit these financial forecasts and assumptions to the Bank.

Guideline on Private Banking

On 6 December 2021, the Bank issued, after an extensive consultation process with relevant stakeholders, a revamped Guideline which sets out the regulatory and supervisory framework applicable to banks conducting private banking business. This revised Guideline was devised with the assistance of a consultant on private banking enlisted by the Bank, and reflects international standards and practices.

The Guideline provides flexibility to banks conducting exclusively private banking business, i.e. private banks in the light of their specific business models. Taking into consideration the rapid technological transformation of the banking sector, the Guideline also caters for digital private banks.

In keeping with the advancement of Mauritius as an IFC, the revisited Guideline on Private Banking fosters a more conducive environment for private banking business for both local and foreign investors. Given the nexus between private banking and wealth management, the Bank has worked in close collaboration with the FSC to streamline the application and licensing process for prospective banks wishing to conduct private banking business in Mauritius.

All banks conducting private banking business are expected to have in place adequate policies and procedures for private banking business in accordance with the revised Guideline, and, be in full compliance with its requirements by 1 January 2023.

Guideline on Related-Party Transactions

On 12 May 2022, the requirement for financial institutions to set up a Conduct Review Committee (CRC) to review and approve related-party transactions was removed. The roles and responsibilities of the CRC are now entrusted to the Board. Further, the Board has the discretion to delegate approval of related-party transactions which do not meet the criteria as set out in the guideline to management.

Additional Macroprudential Measures for the Banking Sector

On 29 June 2022, flexibility was provided to the maximum LTV ratio of 80 per cent for self-employed individuals, subject to certain conditions, and clarity was provided on the LTV applicable for joint loans.

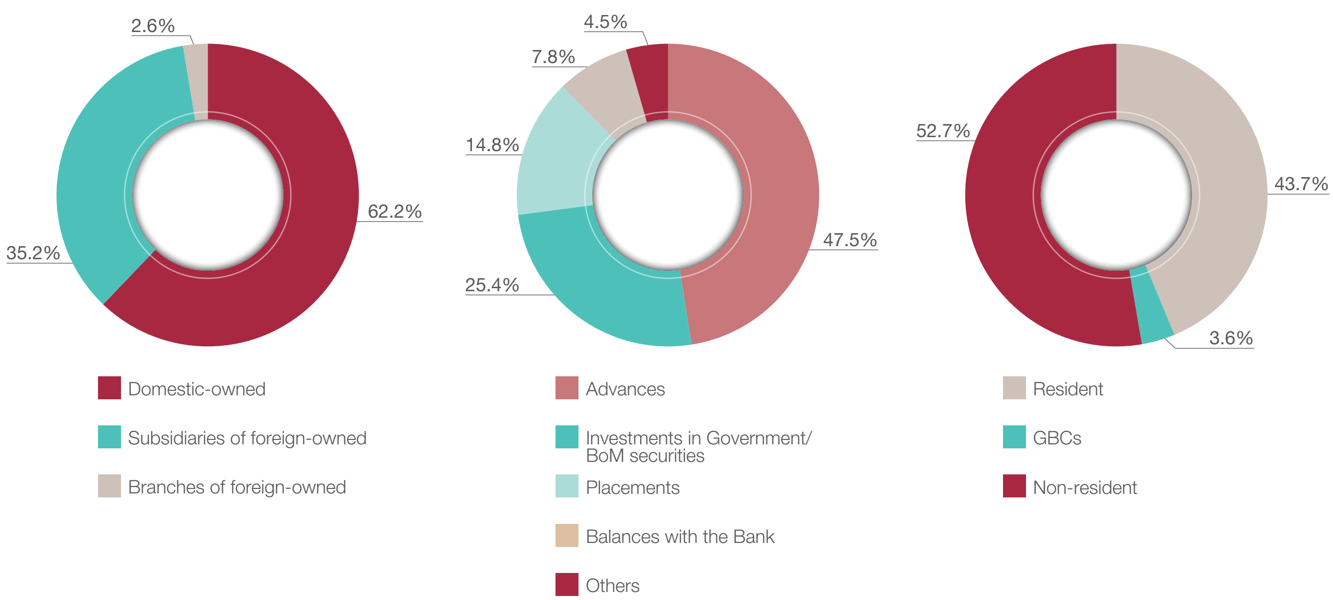
The banking sector withstood headwinds from the pandemic and Russia-Ukraine war on the back of strong capital and liquidity positions, which were well above the minimum required standard and through the application of sound and prudent credit risk management. With the gradual recovery of the economy, banking sector assets, deposits and credits expanded during the financial year. The quality of banking assets also improved, together with the financial health of the banking sector, as evidenced by higher reported profits after tax, improved return on average assets and return on equity.

Banking Sector Assets

Total assets of the banking sector increased by 7.9 per cent from Rs1,910.1 billion as at end-June 2021 to Rs2,060.4 billion as at end-June 2022 and represented about 429 per cent of GDP as at end-June 2022. Total assets of the banking sector crossed the Rs2 trillion threshold since December 2021. Assets of domestic-owned banks constituted 62 per cent of total banking sector assets while assets of foreign-owned subsidiaries and branches represented 35 per cent and 3 per cent of total assets, respectively (Chart 4.3).

Five banks, out of 19, have been identified as Domestic Systemically-Important Banks (D-SIBs) and are subject to enhanced supervision by the Bank, in line with the regulatory and supervisory framework of the BCBS put in place for this category of banks. The five banks, which are assessed on an annual basis, maintained their status as D-SIBs. As at end-June 2022, total assets of these D-SIBS stood at Rs1,398.4 billion, representing nearly 67.9 per cent of total banking sector assets, 67.8 per cent of total deposits and 67.6 per cent of total loans.

Chart 4.3: Banking Sector Assets as at end-June 2022



In terms of assets composition, investment in Government/BoM securities rose by 25.2 per cent to Rs523.4 billion as at end-June 2022, while advances grew by 13.5 per cent to Rs978.8 billion. However, placements decreased by 22.4 per cent to Rs305.3 billion over the same period.

Resident assets (excluding advances to GBCs) increased by 4.7 per cent from Rs860.2 billion as at end-June 2021 to Rs900.9 billion as at end-June 2022, but their share of total assets decreased from 45.0 per cent to 43.7 per cent. Non-resident assets grew by 10.5 per cent from Rs982.6 billion as at end-June 2021 to Rs1,085.8 billion as at end-June 2022, leading to a rise in their share to total assets from 51.5 per cent to 52.7 per cent.

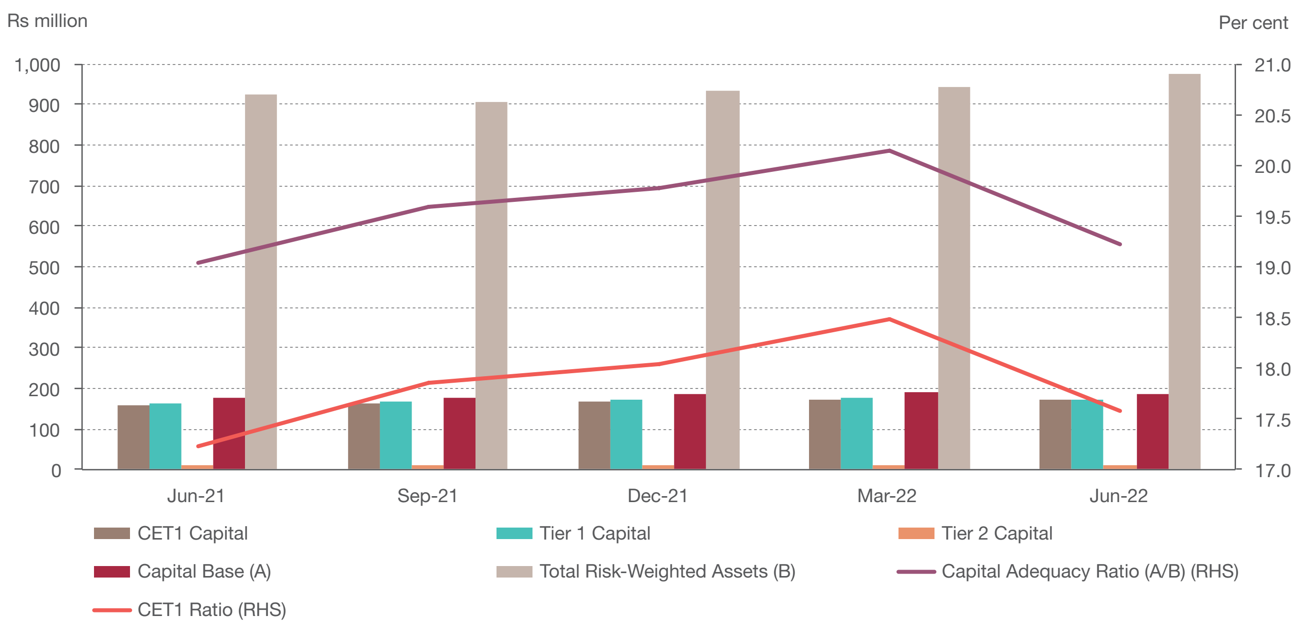
Capital Adequacy

Effective 1 April 2022, commercial banks were requested to maintain full CCB of 2.5 per cent, in addition to a minimum capital ratio of 10 per cent [BCBS requirement: minimum of 8 per cent]. D-SIBs have to maintain an additional capital buffer ranging from 1.0 to 2.5 per cent.

The capital position of the banking sector remained robust in 2022, as capital buffers were kept in excess of the regulatory requirements, thereby providing banks with a strong cushion to withstand potential shocks. The Capital Adequacy Ratio (CAR) of individual banks ranged from 12.8 per cent to 117.7 per cent, with all banks complying with the regulatory limits at the end of June 2022. The combined risk-weighted CAR of banks rose from 19.0 per cent to 19.2 per cent over the period under review, primarily due to the capital base rising by about 6.3 per cent relative to the expansion of 5.2 per cent in risk-weighted assets.

Banks' aggregate capital base (net of adjustment and capital deductions) increased by Rs11.0 billion to Rs187.3 billion as at end-June 2022 (Chart 4.4). Tier 1 capital – the higher quality core capital that includes equity capital – rose by 6.6 per cent to Rs174.9 billion as at end-June 2022, representing 93.4 per cent of gross capital. Tier 2 capital increased slightly by 1.4 per cent to Rs12.4 billion as at end-June 2022, with its share representing 6.6 per cent of gross capital.

Chart 4.4: Risk-Weighted Capital Adequacy Ratio



Risk Profile of On-Balance Sheet Assets

'Risk-free' assets or 0 per cent risk-weight assets, such as holdings of securities denominated in Mauritian rupee issued or guaranteed by Government and the Bank, represented a share of 40.3 per cent of on-balance sheet assets. Assets under the 100 per cent risk-weight bucket, consisting mainly of loans and advances, accounted for 29.9 per cent of on-balance sheet assets (Table 4.1). As at end-June 2022, an increase was recorded in the 0 per cent risk-weight bucket, while the share of the 20 per cent, 50 per cent and 100 per cent risk-weight buckets declined, indicating lower appetite of banks towards riskier assets. The average combined risk-weighted ratio declined from 39.81 as at end-June 2021 to 38.85 as at end-June 2022 due to higher growth of 7.8 per cent in total on and off-balance sheet assets relative to an expansion of 5.2 per cent in total risk-weighted assets (Table 4.2).

Table 4.1: Risk-Weights of On-Balance Sheet Assets

Risk Weights (%)	On-Balance Sheet Assets (Rs million) Jun-21	Percentage to Total On-Balance Sheet Assets (Per cent) Jun-21	On-Balance Sheet Assets (Rs million) Jun-22	Percentage to Total On-Balance Sheet Assets (Per cent) Jun-22
0	634,140	35.1	783,222	40.3
20	302,864	16.8	251,788	13.0
30	9,342	0.5	15,588	0.8
35	74,482	4.1	83,510	4.3
50	153,009	8.5	122,368	6.3
75	41,615	2.3	44,442	2.3
100	546,389	30.2	579,869	29.9
125	22,886	1.3	20,309	1.0
150	17,056	0.9	34,339	1.8
250	5,439	0.3	5,733	0.3
1250	0	0.0	-	0.0
	1,807,223	**100.0**	**1,941,167**	**100.0**

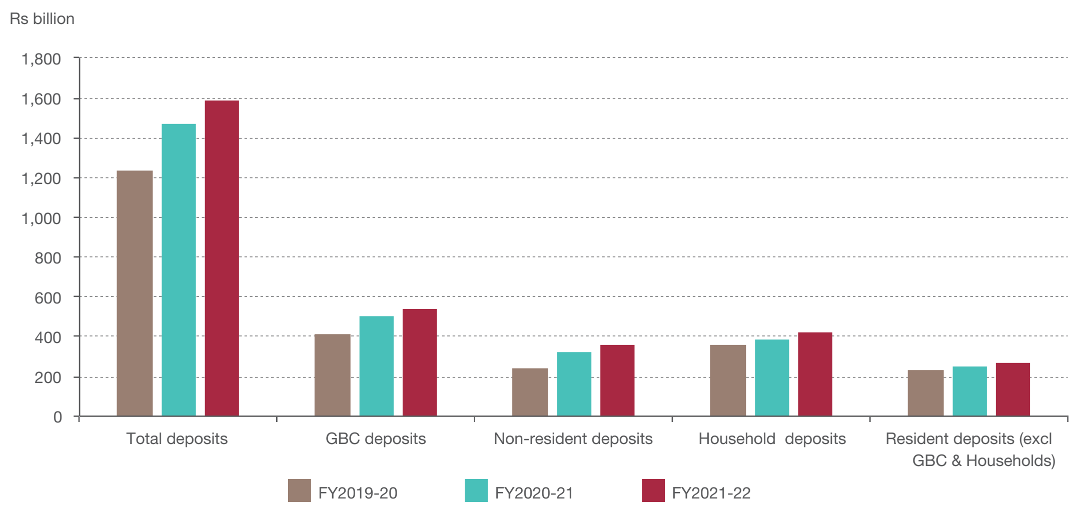
Table 4.2: Combined Risk-Weights of Banks' Assets

		End-June 2021	End-June 2022
	Total On-Balance Sheet Assets (Rs million)	1,807,223	1,941,167
	Total Off-Balance Sheet Assets (Rs million)	517,797	566,199
A	Total On and Off-Balance Sheet Assets (Rs million)	2,325,020	2,507,367
B	Total Risk-Weighted Assets (Rs million)	925,567	974,068
C	Average Combined Risk Weighting (B/A) (Per cent)	39.81	38.85

Deposits

Deposits were the principal source of funding for banks during FY2021-22. The share of deposits in total liabilities increased from 76.7 per cent as at end-June 2021 to 77.1 per cent as at end-June 2022, mainly driven by higher deposits from GBCs, non-residents, and households. The aggregate of GBC and non-resident deposits accounted for around 56.9 per cent of total banking sector deposits as at end-June 2022 compared to 56.3 per cent as at end-June 2021 (Chart 4.5). Thus, Mauritius remains an attractive jurisdiction for global business and non-residents. It may be highlighted that during the period January to June 2022, 832 new GBCs were licensed by FSC.

Chart 4.5: Breakdown of Deposits



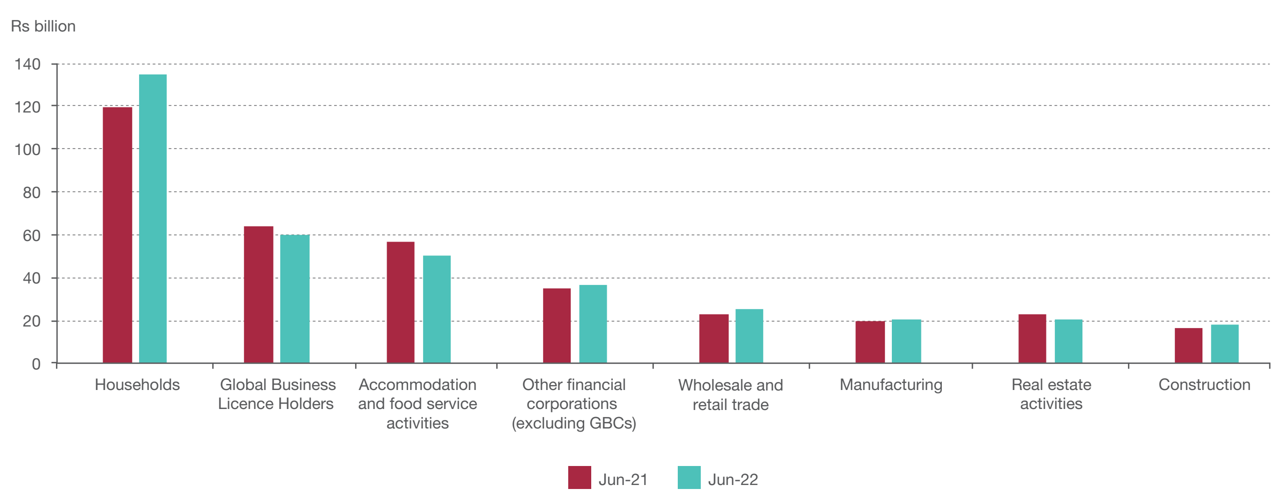
Advances

Total advances, including debentures and fixed-dated securities, increased by 13.5 per cent to Rs978.8 billion in FY2021-22, representing 61.6 per cent of total deposits and 47.5 per cent of total assets. During this period, demand for credit strengthened as the economy gradually recovered from the pandemic.

Advances in MUR increased by 10.1 per cent to Rs330.9 billion as at end-June 2022, with their share to total advances standing at 33.8 per cent. Advances in foreign currency rose by 15.4 per cent to Rs647.9 billion, representing 66.2 per cent of total advances as at end-June 2022. Advances to residents (excluding GBCs) grew by 8.2 per cent, from Rs392.8 billion as at end-June 2021 to Rs425.0 billion as at end-June 2022. Advances to GBCs increased by 9.5 per cent to Rs73.7 billion over the same period.

Loans (advances excluding debt securities) rose by 5.3 per cent to Rs413 billion as at end-June 2022. The share of loans to '*Households*' (including mortgages) increased from 30.4 per cent as at end-June 2021 to 32.8 per cent as at end-June 2022, indicating renewed confidence by households (Chart 4.6). On the other hand, the share of loans to '*Accommodation and food service activities'* declined from 14.4 per cent as at end-June 2021 to 12.1 per cent as at end-June 2022. Similarly, the share of loans to '*GBLHs*' and '*Real estate activities*' declined to 14.5 per cent and 4.9 per cent, respectively.

Chart 4.6: Loans (advances excluding debt securities) to the Private Sector in Mauritius



Moratorium on Loans

Since the outbreak of the COVID-19 pandemic, loan restructuring measures helped contain risks to financial stability and to the economy at large. With the gradual phasing out of support measures amidst the steady recovery of economic activity, credit facilities under moratorium represented 26.7 per cent of restructured credit facilities as at end-June 2022, compared to a significant proportion of 72.0 per cent as at end-June 2021. The moratorium granted to the '*Accommodation and food service activities*' sector constituted 72.9 per cent of moratoriums to all sectors as at end-June 2022, as the sector was severely impacted by the closure of borders.

Credit Concentration Risks

Credit concentration risk, one of the major risks faced by banks in Mauritius, refers to the risk of loss arising from a bank's overexposure to particular sectors of the economy and/or groups of connected counterparties.

Non-exempt large exposures in the banking sector, that is, exposures above 10 per cent of a bank's Tier 1 capital, totalled Rs589.8 billion, representing 50.5 per cent of total fund based and non-fund based facilities extended as at end-June 2022. The aggregate large exposures to borrowers represented 337.3 per cent of banks' Tier 1 capital as at end-June 2022, compared to 303.1 per cent of Tier 1 capital as at end-June 2021. This mild rise in credit concentration risk remained within the regulatory limit.

Asset Quality

Banks maintained relatively good asset quality, strong capitalisation and well-funded operations, indicating a financially strong and sound banking sector. The Non-Performing Loan (NPL) ratio of bank loans stood at 4.6 per cent as at end-June 2022, compared to 4.8 per cent as at end-June 2021. Gross non-performing advances of banks increased by 5.7 per cent to Rs40.9 billion as at end-June 2022, due to a rise in impaired facilities inside Mauritius.

The NPL ratio of bank loans allocated in Mauritius increased from 4.7 per cent as at end-June 2021 to 5.9 per cent as at end-June 2022, mainly due to the rise in gross non-performing advances on facilities extended in Mauritius to the '*GBC*' and '*Accommodation and food service activities'* sectors, as reflected in respective increases in NPL ratios to 18.0 per cent and 7.5 per cent. The NPL ratio for the '*Household*' and '*Construction*' sectors improved from 3.2 per cent and 16.8 per cent as at end-June 2021 to 2.4 per cent and 15.1 per cent, respectively, as at end-June 2022, as a result of the support measures rolled out by the Bank to households, economic operators and other SMEs from March 2020 to June 2022.

The NPL ratio of bank loans extended outside Mauritius improved from 4.9 per cent as at end-June 2021 to 3.2 per cent as at end-June 2022, following the write-off of loans in the '*Human health activities*', '*Other Financial Corporations*' and '*Transportation*' sectors. Gross non-performing advances extended outside Mauritius declined by 23.0 per cent, from Rs18.7 billion as at end-June 2021 to Rs14.4 billion as at end-June 2022.

The ratio of specific provisions to non-performing advances, also known as the Coverage Ratio, declined from 66.9 per cent as at end-June 2021 to 59.1 per cent as at end-June 2022, mostly due to a decrease in provisioning coupled with an increase in non-performing advances, which nevertheless remained within manageable levels. The provisioning coverage was adequate during FY2021-22. Stage 1 and Stage 2 combined provisions represented 1.1 per cent of total exposure as at end-June 2022, while the coverage ratio for Stage 3 provisions exposure was at around 60.4 per cent (Table 4.3). The increase in the amount of Stage 3 provisioning indicates a prudent credit risk management approach by banks.

Table 4.3: Stages of Provisioning

	Jun-21 (Rs million)	Sep-21 (Rs million)	Dec-21 (Rs million)	Mar-22 (Rs million)	Jun-22 (Rs million)
Provision:					
Stage 1	5,562	5,817	5,529	6,273	6,412
Stage 2	7,464	7,671	5,541	5,950	5,855
Stage 3	23,158	24,238	25,914	24,865	25,255

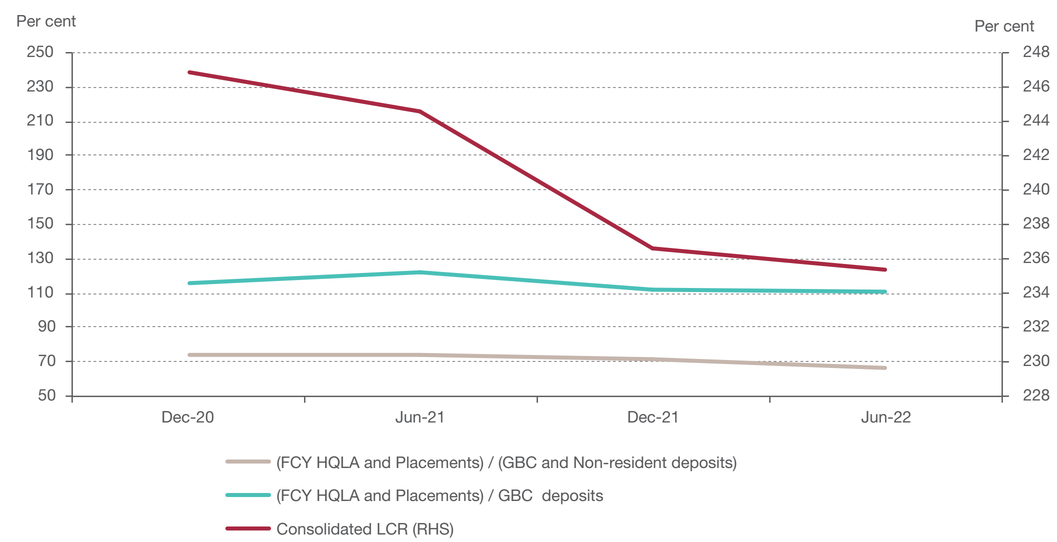
Liquidity

The banking sector in Mauritius has remained adequately liquid in FY2021-22. The LCR dropped from 246.1 per cent as at end-June 2021 to 236.0 per cent as at end-June 2022, but was well above the minimum regulatory requirement of 100 per cent (Chart 4.7). In general, the LCR of banks for both Mauritian rupees and other major currencies remained above the regulatory requirements. Further, the stock of High Quality Liquid Assets (HQLA) held by banks on a consolidated basis increased by 30.7 per cent, from Rs450.0 billion as at end-June 2021 to Rs588.0 billion as at end-June 2022.

Banks may be subject to liquidity shocks in the event of unexpected and sudden withdrawal of GBC and non-resident deposits. It is therefore vital for banks to have adequate level of HQLA and placements to mitigate such risks. Total HQLA and placements in the banking sector represented about 111 per cent of GBC deposits or about 67 per cent of GBC and non-resident deposits as at end-June 2022. A core level of GBC deposits in the range of USD10 to USD12 billion is consistently maintained in the local banking sector.

The Bank continuously monitors the liquidity positions of banks to pre-emptively detect any liquidity issues that may arise at any bank or in the system at large, and stands ready to take any remedial action deemed necessary.

Chart 4.7: Coverage for GBC/Non-Resident Deposits in terms of FCY HQLA and Placements



Profitability

Aggregate pre-tax profit of banks rose from Rs13.8 billion in FY2020-21 to Rs19.9 billion in FY2021-22 (Table 4.4).

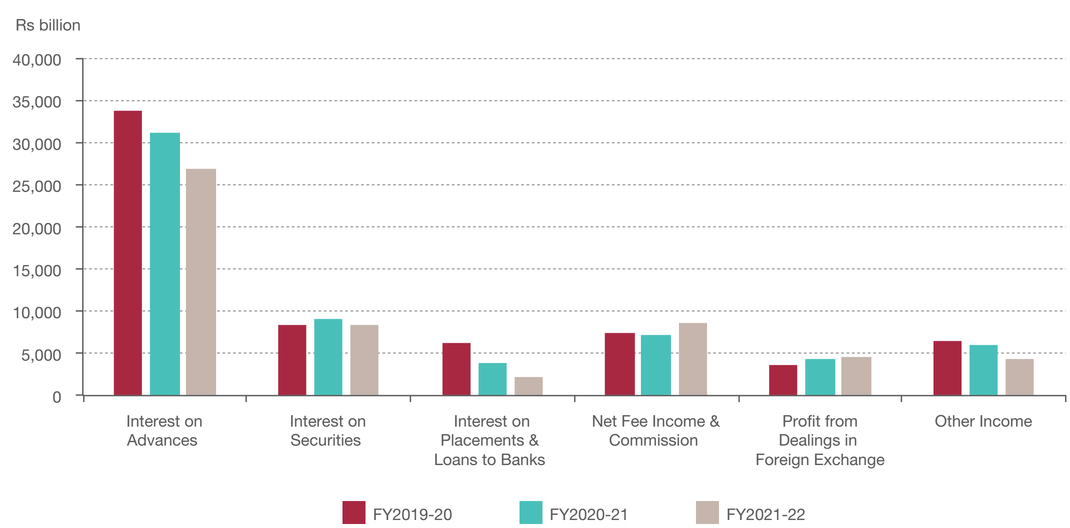
Table 4.4: Consolidated Income Statements of Banks

	FY2019-20 *(Rs million)*	FY2020-21 *(Rs million)*	FY2021-22 *(Rs million)*
Interest Income	**52,262**	**46,317**	**38,878**
Interest Expense	**16,052**	**12,292**	**6,304**
Net Interest Income	**36,210**	**34,026**	**32,574**
Non-Interest Income	**13,802**	**15,445**	**16,387**
Operating Income	**50,012**	**49,471**	**48,961**
Non-Interest Expense	**20,697**	**20,909**	**21,929**
Staff Costs	10,442	10,331	10,959
Operating Expenses	10,255	10,578	10,970
Operating Profit before Provisions	**29,315**	**28,561**	**27,032**
Provision and Adjustments to Income from Credit Losses	7,070	14,736	7,131
Profit before Tax	**22,246**	**13,825**	**19,901**
Provision for Income Taxes	3,072	1,893	2,507
Profit after Tax	**19,174**	**11,932**	**17,393**

12-month period for which the accounts were audited and are different for different banks.

The operating income of banks decreased by 1.0 per cent, from Rs49.5 billion in FY2020-21 to Rs49.0 billion in FY2021-22. Likewise, total income (interest and non-interest income) went down by 10.5 per cent to Rs55.3 billion in FY2021-22, mainly on account of a decrease in interest income (Chart 4.8).

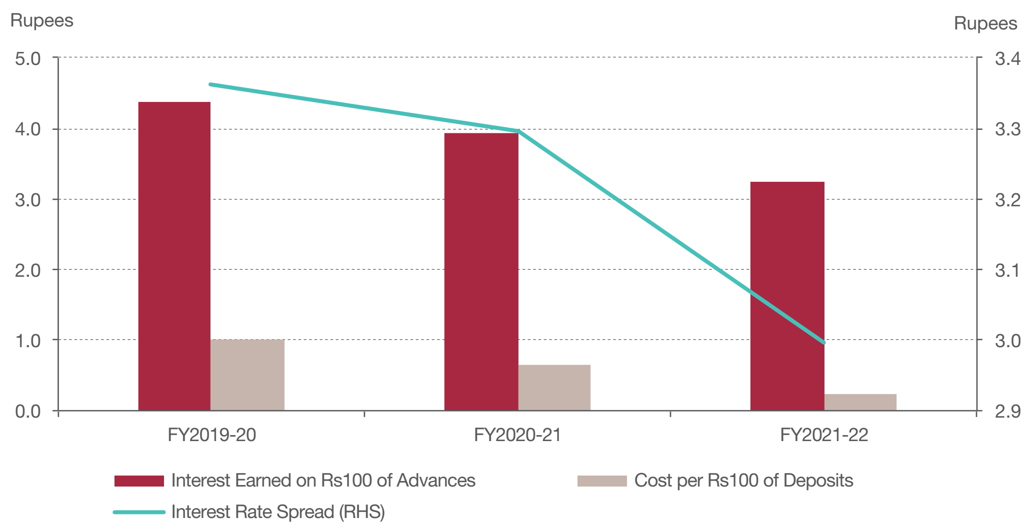
Chart 4.8: Components of Income of Banks



Interest earned on advances, representing 48.8 per cent of total income, dropped by 13.3 per cent as at end-June 2022 to reach Rs27.0 billion, mainly due to the low interest rate environment. However, non-interest income rose by 6.1 per cent, which was attributed to higher fee-related income and an increase in income generated from dealings in foreign currencies (Chart 4.9).

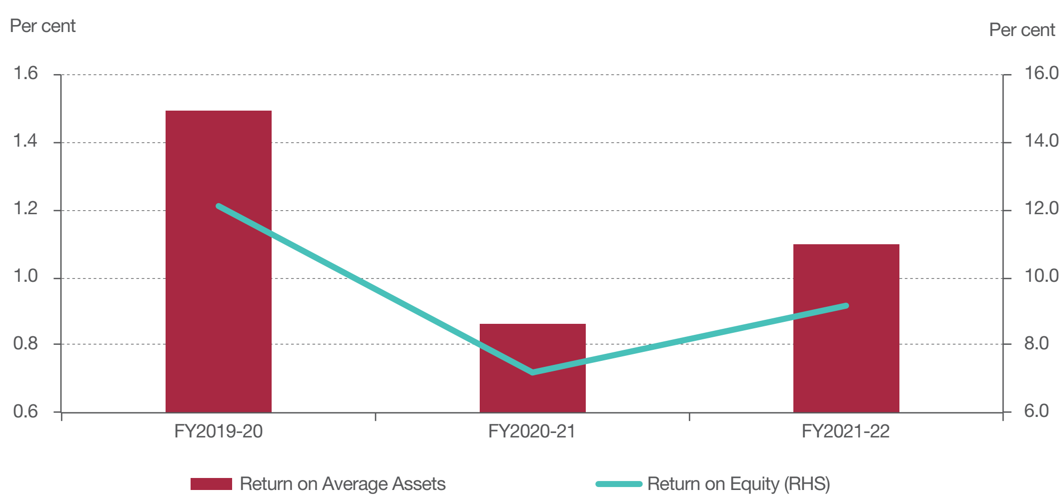
During FY2021-22, fee-related income increased by 20.9 per cent while profit generated from dealings in foreign currencies rose by 9.3 per cent, both accounting for 81.5 per cent of total non-interest income, compared to 74.2 per cent in the previous year. These changes in the sources of income partly show the diversification of banks' income strategy during the low interest rate period.

Chart 4.9: Interest Rate Spread of Banks



Post-tax, the level of profits increased significantly by 45.8 per cent during the period under review, mainly due to a lower level of provisioning and allowances for credit losses, resulting in an increase in the pre-tax Return on Average Assets and post-tax Return on Equity (Chart 4.10).

Chart 4.10: Return on Average Assets and Equity of Banks



Non-Bank Deposit Taking Institutions

Six NBDTIs were operating in Mauritius as at end-June 2022, with total assets of Rs67.2 billion. These represented a small fraction of banks' total assets (3.2 per cent). Three NBDTIs were exclusively involved in leasing activities, two only carried out lending business and one was involved in both leasing and lending operations.

As at end-June 2022, all NBDTIs were holding the minimum required capital of Rs200 million and maintained a minimum CAR of 10 per cent, as required under the Guideline on Capital Adequacy Ratio for NBDTIs. Profit after tax of NBDTIs increased by 0.3 per cent to Rs1,619 million during FY2021-22.

NBDTIs are required to maintain liquid assets representing a minimum of 10 per cent of their deposit liabilities. As at end-June 2022, liquid assets held by NBDTIs represented 21.2 per cent of deposits, compared to 23.0 per cent in the previous year.

Deposits remained the main source of funding for NBDTIs, standing at Rs41.6 billion as at end-June 2022. Outstanding credit facilities by NBDTIs increased by 4.7 per cent during the year, while gross non-performing advances dropped by 33.2 per cent. The advances-to-deposits ratio increased to 130.6 per cent, while leases-to-deposits ratio fell to 85.0 per cent during the period under review.

Cash Dealers

As at end-June 2022, there were six money changers and six foreign exchange dealers in operation. Cim Forex Ltd, to which a Foreign Exchange Dealer licence was issued on 25 April 2008, changed its name to Swan Forex Ltd on 1 August 2022. Consequently, a Foreign Exchange Dealer licence was issued to Swan Forex Ltd on 5 August 2022 and the licence issued in the name of Cim Forex Ltd was cancelled. While money changers deal principally in the exchange of foreign currency notes, foreign exchange dealers are authorised to carry out other activities that comprise the provision of remittance facilities and the conduct of spot and forward exchange transactions, in addition to the money-changing business. As at end-June 2022, cash dealers held assets equivalent to 0.1 per cent of GDP and 0.03 per cent of banking sector assets.

Total assets increased by 6.4 per cent to Rs620.5 million, mostly made up of the assets of foreign exchange dealers that increased from Rs531.9 million to Rs571.8 million during the year under review. The bulk of cash dealers' assets consisted of cash in hand, balances held with financial institutions and Government/BoM securities, representing 24.3 per cent, 30.5 per cent and 23.1 per cent, respectively, of their assets.

Cash dealers registered profit after tax amounting to Rs41.7 million in FY2021-22, as against net loss of Rs52.6 million in FY2020-21, largely reflecting a pick-up in their activities amidst a revival of the tourism sector and a higher increase in non-interest income compared to the expense counterpart. A majority of cash dealers registered profits in FY2021-22.

Financial Soundness Indicators

Financial Soundness Indicators (FSIs) reflected the continued resilience of deposit-taking institutions[5] as a whole. Deposit-taking institutions were adequately capitalised with ample liquidity buffers to sustain credit flows to the real sector. Profitability level also improved as economic activity gathered pace in the first half of 2022.

Capital Adequacy

Deposit-taking institutions remained adequately capitalised. The CAR stood at 20.3 per cent as at end-June 2022, up from 19.7 per cent as at end-June 2021. This increase in the CAR was supported by the strengthening of Tier 1 capital mainly by banks, leading to an improvement of the ratio of Tier 1 capital to risk-weighted assets to 19.0 per cent as at end-June 2022, from 18.3 per cent as at end-June 2021.

[5] *FSIs have been computed based on the new IMF Financial Soundness Indicators Compilation Guide 2019, with effect from December 2021. Some FSIs may, therefore, not be strictly comparable with those prior to December 2021. The upgraded set of FSIs incorporates new indicators while a few indicators have been discontinued. The definition of some existing indicators has concurrently been amended.*

Despite downside risks in early 2022, all deposit-taking institutions, including the D-SIBs, were able to meet their respective regulatory capital limits. Deposit-taking institutions individually held highly dispersed CAR ranging from 12.1 per cent to 117.7 per cent as at end-June 2022.

Asset Quality

The asset quality of deposit-taking institutions remained sound, notwithstanding a slight deterioration over the period under review. The NPL ratio, as defined in the IMF Financial Soundness Indicators Compilation Guide 2019, stood at 5.6 per cent as at end-June 2022, unchanged from the previous year. The Coverage Ratio stood at 60.0 per cent as at end-June 2022.

Adequate capitalisation by deposit-taking institutions provided a robust buffer against the marginal increase in NPL. The ratio of NPL net of provisions to capital rose to 8.8 per cent, from 8.2 per cent over the period under review. The sustained asset quality is reflective of the measures put in place by the authorities to support the economy during the pandemic.

Liquidity

Deposit-taking institutions held ample liquidity buffers against heightened liquidity risks. Liquid assets, consisting of currency and deposits (available either on demand or within three months or less) as well as Government/BoM securities stood at Rs1 trillion as at end-June 2022. They represented 47.9 per cent of total assets and 53.6 per cent of short-term liabilities as at end-June 2022.

Earnings and Profitability

Deposit-taking institutions remained profitable. Annualised profit after tax improved to Rs23.8 billion in 2022Q2, up from Rs21.5 billion in 2021Q2. Net interest income picked up and was accompanied by a decline in net impairment loss charges, as from end-December 2021. This was reflective of a boost in business confidence following the full re-opening of national borders in October 2021.

Pre-tax return on asset remained unchanged at 1.3 per cent through the period under review. Post-tax return on equity stood at 11.2 per cent in 2022Q2. Although an improvement was noted in 2022Q2, profitability level remained below pre-pandemic levels.

Market Risk

The exposure of deposit-taking institutions to foreign exchange risks remained within acceptable range at below 15 per cent of Tier 1 capital. The ratio of net open position of foreign exchange to capital of deposit-taking institutions stood at 1.3 per cent as at end-June 2022, down by 0.9 percentage point from end-June 2021.

Stress Testing the Banking Sector

The Bank evaluated the resilience of the banking sector to macroeconomic and idiosyncratic shocks through plausible scenarios based on hypothetical adverse conditions to the credit portfolios, exchange rate, interest rate and liquidity position of banks. Three hypothetical scenarios were built based on: (a) baseline scenario, where the economy is projected to grow at 7.4 per cent in 2022; (b) moderate scenario, where economic growth would stagnate in 2022; and (c) severe scenario, where it is estimated that the economy would contract by 5 per cent in 2022 with improvement occurring as from the second half of 2023.

The stress test results for June 2022 showed that the banking sector remained resilient to the above shocks. Some banks showed signs of vulnerabilities, particularly under the severe scenarios. These weaknesses are being addressed, as appropriate, to enhance the resilience of the banking sector. The reverse stress test confirmed the commendable resilience of banks as they were able to absorb higher level of NPL with their respective actual CAR. The complete phase-in of the CCB to 2.5 per cent, effective 1 April 2022, reinforced banks' capital buffers but also explained why a few banks showed vulnerabilities in some areas, under severe stress scenarios mostly.

As economic recovery gathered momentum, the banking sector continued to consolidate its financial buffers and, thus, risks to financial stability were well cushioned.

The Bank will continue to deploy its assessment toolkits to monitor risks to financial stability in the wake of potential threats to global and domestic economic prospects.

AML/CFT

As the AML/CFT regulator and supervisor of banks, NBDTIs, cash dealers, Payment Systems Providers and Payment Systems Operators, the Bank ensures that ML/TF risks are mitigated through appropriate legislation and controls. Given the position of Mauritius as a reputable IFC, it is of paramount importance to implement adequate and effective safeguards to protect the financial system from any abuse by unscrupulous individuals/entities or groups involved in ML/TF activities. These safeguards contribute to prevent ML/TF risks from crystallising and undermining trust in the financial system.

Mauritius has, through numerous initiatives, demonstrated its unflinching commitment to combat money laundering and the financing of terrorism and proliferation. To this effect, Mauritius has ratified and adhered to numerous international conventions, protocols and treaties. The country committed itself to the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation issued in February 2012 by the FATF and to its Mutual Evaluation procedure.

Mauritius, being a founder member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), which is an associate member of the FATF, participates in the peer review process to assess the implementation of the FATF Recommendations.

In FY2021-22, Mauritius exited the FATF list of jurisdictions under increased monitoring well before the specified timeline, as well as the EU List of High-Risk Third Countries. Mauritius thus strengthened its reputation as a trusted jurisdiction for investment and business.

At the time of the adoption of the Mutual Evaluation Report in July 2018, Mauritius was rated compliant or largely compliant on only 14 of the 40 FATF recommendations. As a result of an overhaul of the AML/CFT legal framework, as of date, Mauritius is amongst the very few countries which are Compliant or Largely Compliant on 40 out of 40 FATF recommendations.

Numerous amendments were made to the AML/CFT framework to help to achieve this result. Amongst others, a new set of Regulations, namely the Financial Intelligence and Anti Money Laundering Regulations 2018, was promulgated effective as from 1 October 2018, the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 ('UN Sanctions Act') was enacted and the Companies Act was amended to enhance the transparency of legal persons and gain access to beneficial ownership information and its verification. Mauritius also enacted the Virtual Assets and Initial Token Offering Services Act 2021, ('VAITOS Act') to develop the virtual asset ecosystem within a regulated system so as to manage and mitigate the ML/TF risks associated with such services.

Meeting of the Core Group

A Ministerial Committee, chaired by the Honourable Prime Minister was set up to closely monitor the commitments taken by Mauritius before the FATF. Moreover, a Core Group was set up under the co-chairmanship of the Financial Secretary, Governor of the Bank and the Director-General of the Independent Commission Against Corruption (ICAC) to develop and coordinate the strategies, policies and actions to ensure the implementation of the recommended actions in the 2018 Mutual Evaluation report.

The Core Group has the mandate to ensure the sustainability and continuity of the AML/CFT reforms and to take appropriate actions for any emerging ML/TF risks. The National Committee on AML/CFT now reports to the Core Group. Further, there are 11 Immediate Outcome Sub-Committees that work towards enhancing institutional coordination at the technical and operational levels. A National Sanctions Committee was also set up under the UN Sanctions Act to *inter alia*, coordinate and promote effective implementation of the obligations under the United Nations Security Council Resolution in Mauritius.

The National AML/CFT Strategy adopted in 2019, comprises eight core themes that enhance the ability of Mauritius to prevent, detect and deter money laundering and the financing of terrorism and proliferation, namely – (i) strengthening the AML/CFT legal and regulatory framework; (ii) implementing a comprehensive risk-based supervision framework; (iii) strengthening the process by which the ML/TF threats are detected and disrupted, criminals are prosecuted and illegal proceeds are confiscated; (iv) enhancing national coordination and cooperation; (v) consolidating capacity building, training and awareness raising programmes; (vi) enhancing transparency of legal persons and arrangements;

(vii) implementing an effective data collection management system in all relevant competent authorities; and (viii) enhancing regional and international cooperation.

Cognizant of the importance of capacity building in the area of AML/CFT, authorities have also set up a coordination mechanism, namely the Interagency Coordination Committee (ICC), which comprises the financial sector, Designated Non-Financial Businesses and Professions and Non-Profit Organisation supervisors, to, *inter alia*, disseminate informational and educational programs to both AML/CFT authorities and the private sector.

Interagency Coordination Committee

The AML/CFT Supervisors, comprising the Bank of Mauritius, Attorney General's Office, Financial Services Commission, Financial Intelligence Unit, Registrar of Companies, Gambling Regulatory Authority, Mauritius Institute of Professional Accountants and Registrar of Associations, concluded a Memorandum of Cooperation ('Memorandum') on 26 August 2020.

The Memorandum provides for the establishment of an Interagency Coordination Committee ('ICC'), whose inaugural meeting was held on 28 August 2020. The ICC is chaired by the Governor of the Bank of Mauritius, with the Solicitor General acting as the Vice-Chair. The Heads of AML/CFT Supervisors constitute the remaining members.

During FY2021-22, the ICC met on a regular basis to ensure effective implementation of AML/CFT measures. It discussed policy formulation and cross-cutting AML/CFT issues with a view to promoting collaboration, coordination and supervisory cooperation amongst member agencies and facilitating the implementation of a risk-based approach to AML/CFT supervision.

The ICC also oversees the work of three Technical Sub-Committees, which comprise representatives of all member agencies, namely:

(i) Technical Sub-Committee on Supervision, whose objectives include the establishment of an efficient and robust AML/CFT supervisory framework and the implementation of a risk-based approach to Supervision;

(ii) Technical Sub-Committee on Coordination, which focuses on the effective coordination amongst member agencies and law enforcement authorities; and

(iii) Technical Sub-Committee on Legal and Regulatory requirements, Training and Outreach, which adopts a coordinated approach for the revision of existing laws and regulations related to AML/CFT. It regularly organises joint outreach sessions for private sector stakeholders, and training sessions for staff members of AML/CFT Regulators and Supervisors.

With the coordinated efforts of its three Technical Sub-Committees, the ICC has contributed towards improving the effectiveness of the country's national AML/CFT framework and upholding highest standards of compliance to AML/CFT legislations and international best practices.

The ICC has, amongst its functions, the responsibility to bring improvement in supervisory effectiveness, namely, through the pooling of resources for joint training and outreach for the industry and for experienced financial sector supervisors. The banking sector and other sectors have significantly strengthened their understanding of ML/TF risks through the various outreach sessions spearheaded by the ICC. In line with its AML/CFT strategy, the Bank organised several workshops, in a hybrid format (physical and virtual), for building capacity in the sector.

Workshop on Beneficial Ownership Disclosure Framework

A workshop on Beneficial Ownership Disclosure Framework by the EU Global Facility on AML/CFT, in collaboration with the Ministry of Financial Services and Good Governance, was held at the Bank under the aegis of the ICC from 23 to 25 November 2021 for the benefit of AML/CFT Supervisors and the private sector. The workshop provided an overview of the international and EU beneficial ownership disclosure standards, practical tools to ensure quality beneficial ownership information, and risk-based approach and supervision of beneficial ownership requirements, amongst others.

Regional Workshop on Correspondent Banking

The Regional Workshop on Correspondent Banking took place at the seat of the Bank on 11 and 12 May 2022. It was organised by the Bank and the EU Global Facility on AML/CFT, with the participation of the ESAAMLG.

The Workshop saw the participation of international stakeholders, such as the IMF, the United Nations Office on Drugs and Crime, the Wolfsberg Group, the ESAAMLG, SWIFT, the Egmont Group, Facebook payments, the FATF and counterpart supervisors, namely the Banque de France and the central banks of Kenya, Ghana, Seychelles and Zimbabwe. Domestic agencies like the Financial Intelligence Unit and the ICAC also participated in the workshop as facilitators.

The programme covered the de-risking phenomenon in the ESAAMLG region, the main drivers of correspondent banking relationships, and measures that may be taken to tackle financial inclusion through the sharing of best practices in correspondent banking. Representatives of banks in Mauritius shared their experience on initiatives taken to address Correspondent Banking risks.

Workshop on Targeted Financial Sanctions

The Workshop on Targeted Financial Sanctions was held on 5 and 6 May 2022 for the benefit of AML/CFT Supervisors and the representatives of the National Sanctions Secretariat established under the UN Sanctions Act.

The Workshop, organised under the aegis of the ICC with the collaboration of the Ministry of Financial Services and Good Governance and the British High Commission, was facilitated by lead experts from the UK Office of Financial Sanctions Implementation.

The aim of the Workshop was to enhance collaboration, coordination and sharing of information between the UK and Mauritian authorities. Interactive sessions covering the relevant FATF Standards and the implementation of targeted financial sanctions were conducted.

Workshop on Beneficial Ownership Disclosure Framework

Payment Systems and Currency Management

Technology is rapidly transforming the payment landscape, with the result that underlying infrastructures have grown in scope and complexity over the past few years. Innovation, changing consumer preferences and technological developments are paving the way for the emergence of new operators in the payment space, which was until recently dominated by banks. The Bank remained focused on ensuring that payment services continued operating at high levels of safety, efficiency, reliability and integrity during FY2021-22.

The Bank is empowered under the National Payment Systems Act to regulate, oversee and supervise payment systems being operated in Mauritius. The National Payment Systems (Authorisation and Licensing) Regulations, which set out a licensing framework based on international standards, came into force on 31 May 2021. The Bank has licensed three Payment Service Providers, namely, CIM Financial Services Ltd, Emtel MFS Co Ltd and Cellplus Mobile Communications Limited.

Domestic Payment Systems

Mauritius Automated Clearing and Settlement System

Mauritius Automated Clearing and Settlement System (MACSS), the country's only large value payment system, is owned and operated by the Bank. It is a fully automated multi-currency system that allows transfer of funds on a Real Time Gross Settlement (RTGS) basis.

During FY2021-22, MACSS processed payments with same day finality without any downtime, confirming the resilience of the system. Throughput on MACSS, measured in volume and value terms, increased by 12.8 per cent and 24.7 per cent, respectively, during FY2021-22 (Chart 4.11).

A total number of 1,588,599 transactions for a total value of Rs4.4 trillion (equivalent to about 9 times the annual GDP) were processed during the year, with a daily average volume of 6,324 and average value of Rs17.6 billion.

Foreign currency transactions settled on MACSS nearly doubled compared to the previous year to reach an equivalent of USD37,992 million.

MACSS carries out batch settlements on a net deferred basis for:

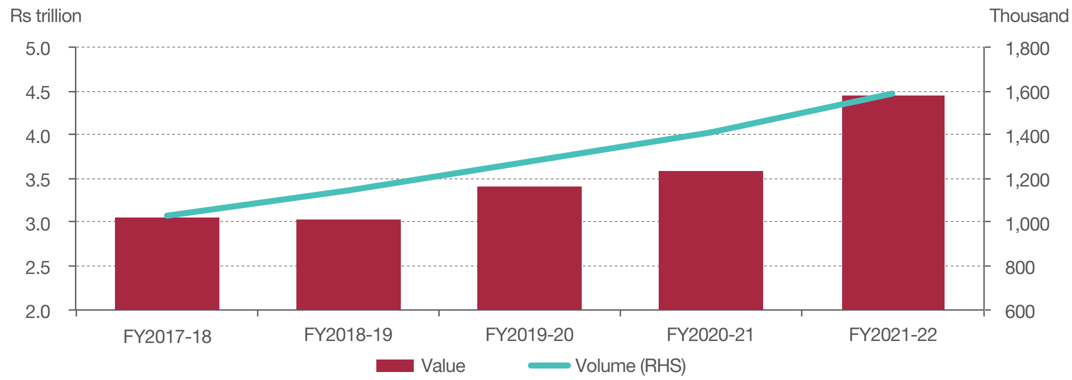
(i) Cheque clearing positions, direct debit and low value electronic transfers of the Port Louis Automated Clearing House (PLACH);

(ii) The Central Depository & Settlement Co. Ltd in Mauritian rupee, US dollar, euro, Pound sterling and South African rand;

(iii) The Contribution Network Project to the accounts of the Mauritius Revenue Authority (MRA) held with the Bank; and

(iv) Transactions routed through the MauCAS Card Payment System (CPS) and Instant Payment System (IPS).

Chart 4.11: Transactions on MACSS



- Bulk Clearing System

The Bulk Clearing System (BCS), operated by the PLACH, offers clearing services for cheques, direct debit instructions and low value Electronic Fund Transfers during four daily cycles.

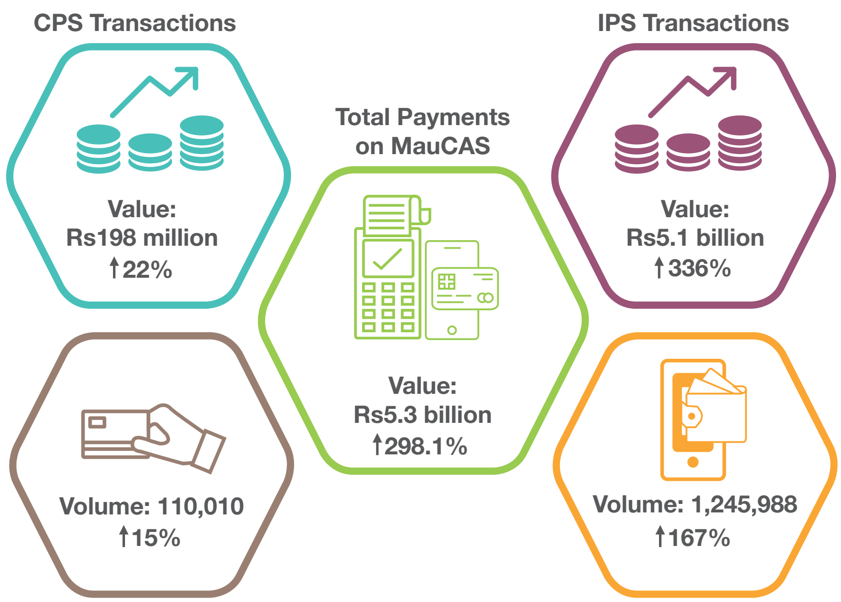
During FY2021-22, 3,388,718 cheques for a total value of Rs249 billion were cleared on the BCS, representing increases of 10.2 per cent and 20.2 per cent, respectively, in the volume and value of cheques cleared. While electronic modes of payments are gaining ground, the value of cheques cleared has not changed significantly compared to the previous five years.

The value of Electronic Fund Transfers rose by 24.2 per cent during the year to Rs234 billion. This increase can be mainly attributed to payments made by the MRA with regard to the Government Wage Assistance Scheme, the Self-Employed Assistance Scheme and financial assistance for the payment of salary compensation. Similarly, the value of transactions under the Direct Debit Scheme, which is mainly used by the MRA for the collection of taxes, contributions for the National Pension Fund and other social contributions, increased by 48.5 per cent to Rs7.3 billion over the same period.

- Mauritius Central Automated Switch (MauCAS)

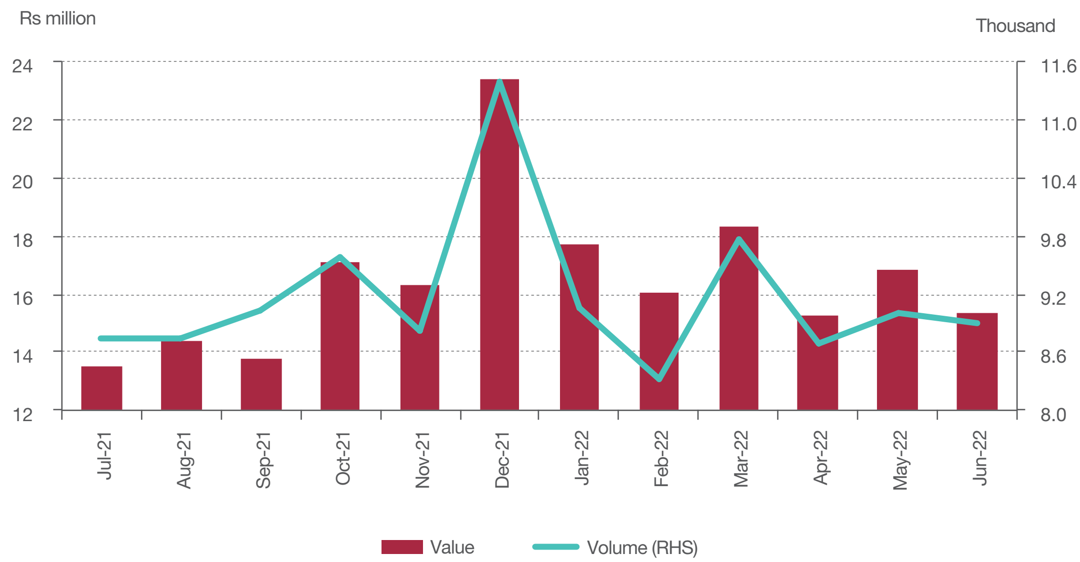
The MauCAS, the national payment switch, comprises a CPS and an IPS.

Key Metrics for FY2021-22



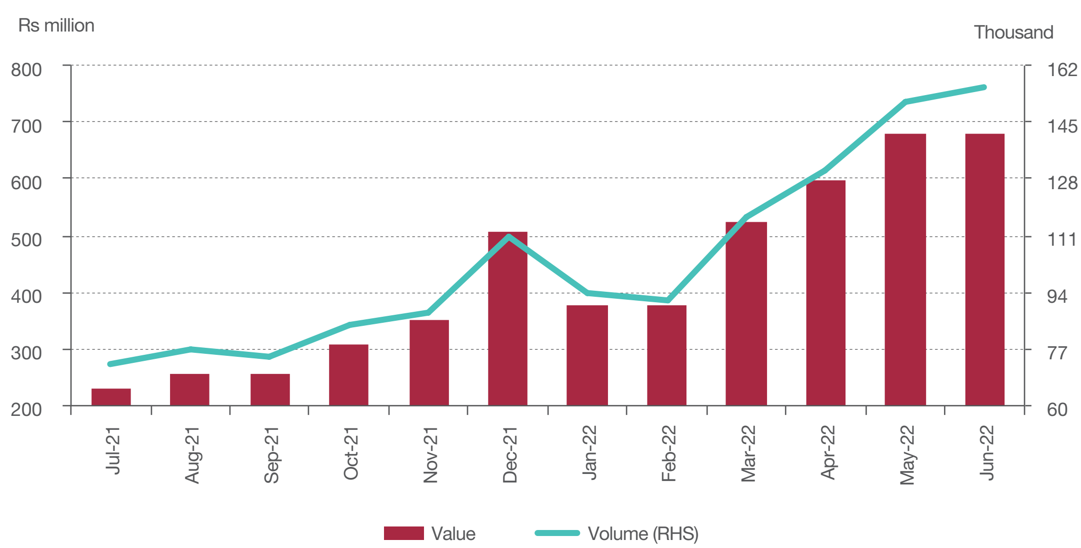
The CPS processes and settles domestic payments with locally issued cards. Currently, there are 6 participants onboarded on the CPS. During FY2021-22, 110,010 transactions for a total value of Rs198.1 million were processed through the CPS compared to 95,877 transactions for a total value of Rs162.1 million in FY2020-21 (Chart 4.12).

Chart 4.12: Transactions on CPS



The IPS is a fast retail payment system which processes payments in real-time on a 24/7 basis and enables inter-operability amongst participants. Currently, there are 11 banks and 3 non-bank participants on the IPS. In FY2021-22, 1,245,988 transactions were processed for a total amount of Rs5.1 billion compared to 466,848 transactions for a total value of Rs1.2 billion in FY2020-21 (Chart 4.13). This significant growth was driven by an increase in the number of participants, the implementation of mobile payments, including payments through the MauCAS QR Code, as well as banks switching their internet banking to the IPS platform.

Chart 4.13: Transactions on IPS



Mauritius Credit Information Bureau

The Bank owns and operates the Mauritius Credit Information Bureau (MCIB), the only repository of credit information in Mauritius since December 2005. The MCIB is a critical component of the country's credit infrastructure. It addresses asymmetric information challenges by bridging the information gap between lenders and borrowers, thus promoting more responsible access to finance. It is important to financial market participants as a tool for improving credit risk and overall credit portfolio management, as well as to the Bank for improving supervision and maintaining financial stability.

The Bank has made continuous efforts throughout the years to expand the coverage of the MCIB to more participants. While the MCIB platform began operations with 11 banks, its radius has now expanded beyond the banking sector, with participants from leasing, hire purchase, and insurance sectors. Following the revisions to the Bank of Mauritius Act and the Terms and Conditions of the MCIB to make provision for peer-to-peer and crowdfunding platforms to have access to the information of the MCIB, the latter also includes such operators as participants. The MCIB currently houses 52 participants (Table 4.5).

Table 4.5: Current Participants on the MCIB

Category	Number
Bank of Mauritius	1
Commercial banks	17
Leasing companies	8
Insurance companies	9
Other participants	9
Utility companies	5
Microfinance companies	1
Peer-to-Peer (P2P) Operators	2
Total	**52**

The MCIB ensures that all its participants adhere to the rules, laws and procedures set out in the Bank of Mauritius Act 2004 and the Terms and Conditions of the MCIB. These conditions cover data quality, security measures, and consumer rights in order to maintain a consistent level of service. Given the provisions for sanctions against non-compliant participants, the Bank applied monetary penalties against participants during the year under review.

Under the current MCIB application, further extension to other types of credit providers with different business models and specifications is restricted. Hence, the Bank has initiated a project to migrate the existing MCIB application to a more evolved platform based on novel technologies for a more flexible approach in the capture and sharing of data. The MCIB service was also enhanced to allow the retrieval of data by participants in XML format to support the automation of participants' credit processing.

During FY2021-22, the number of reports drawn from the MCIB recorded a substantial increase of 16.4 per cent to reach 520,720 (Chart 4.14). The number of credit facilities availed of by firms and individuals increased by 9.2 per cent to 537,412, mostly driven by hire purchase facilities contracted by individuals and loans contracted by firms (Table 4.6).

Chart 4.14: Number of Reports Drawn on the MCIB

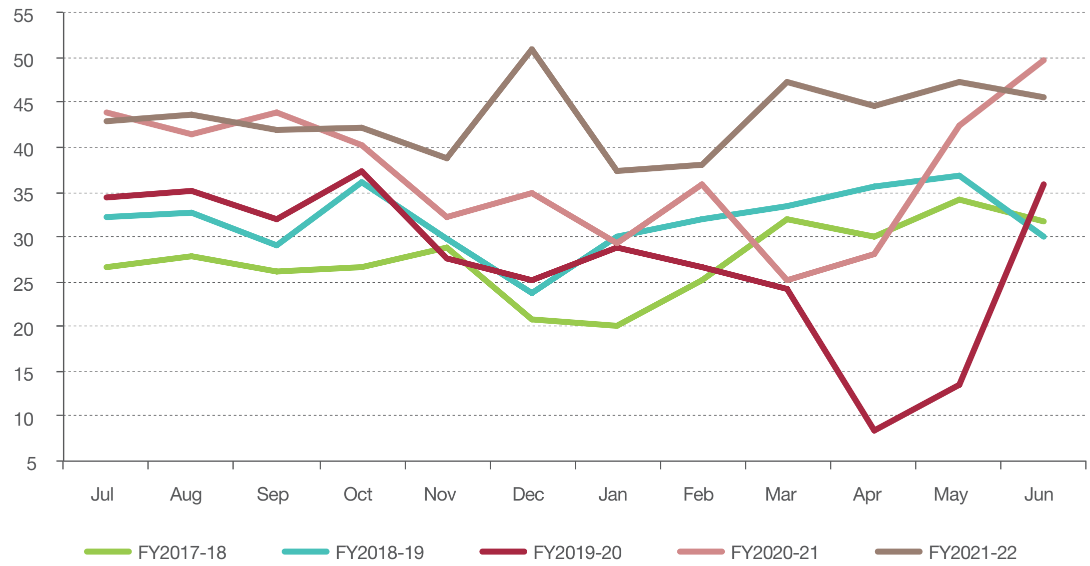


Table 4.6: Credit Facilities

Credit Type	Borrower Type	Year ended June 2018	Year ended June 2019	Year ended June 2020	Year ended June 2021	Year ended June 2022
Credit Card	Firms	2,447	1,518	1,050	1,034	1,524
	Individuals	21,744	18,988	13,821	18,080	16,356
Loans	Firms	11,211	12,310	10,786	12,521	14,915
	Individuals	82,606	92,720	94,773	131,601	139,138
Overdraft	Firms	4,421	4,488	3,746	2,923	3,926
	Individuals	5,095	4,672	4,753	3,545	3,874
Finance Lease	Firms	3,366	4.063	2,941	2,534	2,713
	Individuals	4,756	5,638	5,090	5,853	5,458
Retailer	Firms	134	242	245	230	242
	Individuals	366,035	442,765	348,265	313,885	349,266
Total number of new facilities		**501,815**	**583,345**	**485,470**	**492,206**	**537,412**

Regional Cross-Border Initiatives

- Common Market for Eastern and Southern Africa (COMESA)

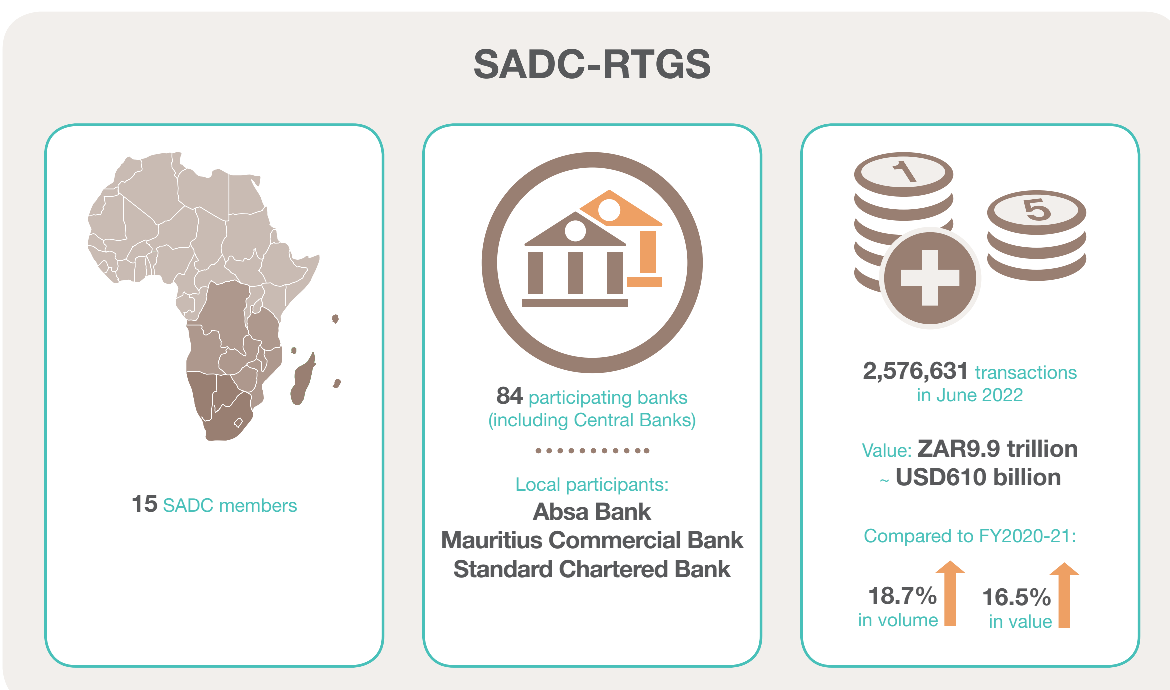
During FY2021-22, the volume and value of transactions settled on the COMESA Regional Payment and Settlement System (REPSS) increased by 13.5 per cent and 16.5 per cent, respectively, compared to FY2020-21. During the past 5 years, there has been a steady increase in the use of the REPSS platform for the settlement of intra-regional payments.

The COMESA Business Council (CBC), established as a private sector institution of the COMESA comprising Chambers of Commerce and other private sector organisations of the COMESA region, is working on a business model for the operation and implementation of a regional digital retail payment scheme. This scheme will cater for digital retail payments for micro, small and medium enterprises in the COMESA region and aim to boost economic growth. The Bank actively collaborates in CBC's activities related to this project.

- Southern African Development Community (SADC)

Fifteen SADC member countries currently participate in the SADC-RTGS, while the number of participating banks (including central banks) stands at 84. Three banks operating in Mauritius participate on this platform, namely ABSA Bank (Mauritius) Limited, Standard Bank (Mauritius) Limited and the Mauritius Commercial Bank Limited. The number of transactions settled on the SADC-RTGS as at June 2022 totalled 2,576,631 for a total value of ZAR9.9 trillion (equivalent to USD610 billion). In volume and value terms, these represent respective increases of 18.7 per cent and 16.5 per cent, compared to FY2020-21.

The SADC Banking Association has developed a payment scheme known as TCIB – Transactions Cleared on an Immediate Basis. The scheme allows cross-border low value credit transfers to be cleared through an appointed Regional Clearing and Settlement Operator (BankservAfrica). The SADC Payment Scheme supports the Bank of International Settlements PAFI recommendations and the World Bank Group's Universal Financial Access (UFA) 2020 initiative, which are aimed at greater financial inclusion.



- Association of African Central Banks (AACB)

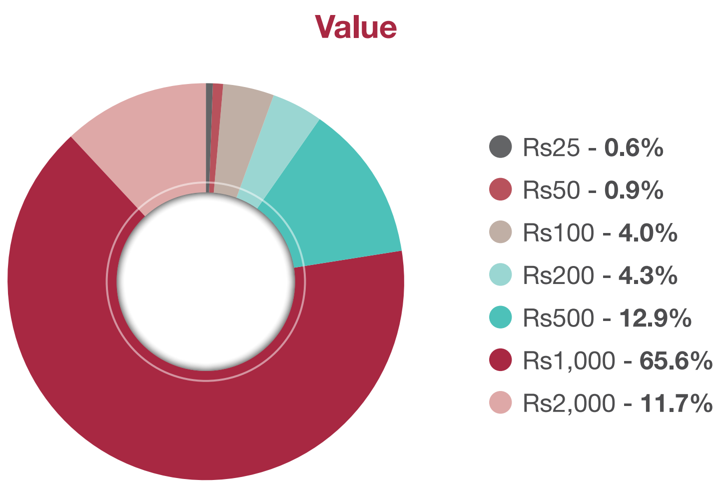
In February 2020, the AACB approved the execution of two initiatives for promoting cross-border payments in Africa, namely an Inter-Regional Payment System Integration Framework and an Integrated Inter-Regional Mobile Payment Strategy. The Bank has been nominated as the Deputy Chair of the Mobile Integration Strategy Working Group, which is the Task Force subgroup dedicated to developing the Integrated Inter-Regional Mobile Payment Strategy, and is actively contributing to its work programme.

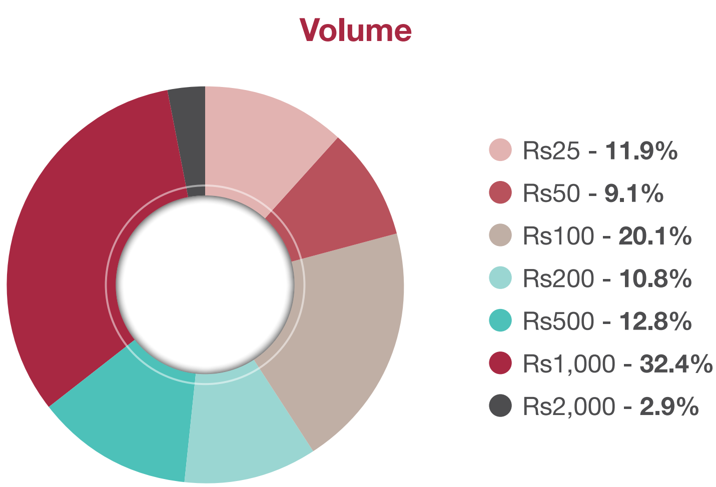
Currency Management

The Bank, as the sole issuer of rupee notes and coins, is required to ensure adequate supply of good quality banknotes and coins to meet the demand of the public. As part of its obligation, the Bank accepts deposits of banknotes and coins from banks, exchanges soiled and mutilated banknotes and attends to the destruction of soiled banknotes.

In FY2021-22, the value of banknotes in circulation increased by 7.5 per cent, while the volume of banknotes rose by 5.4 per cent. Banknotes of Rs1,000 denomination constituted around 66 per cent of the total value of banknotes in circulation (Chart 4.15), followed by banknotes of Rs500 denomination (around 13 per cent). In volume terms, banknotes of Rs1,000 denomination represented around 33 per cent of all banknotes in circulation, followed by banknotes of Rs100 denomination (around 20 per cent).

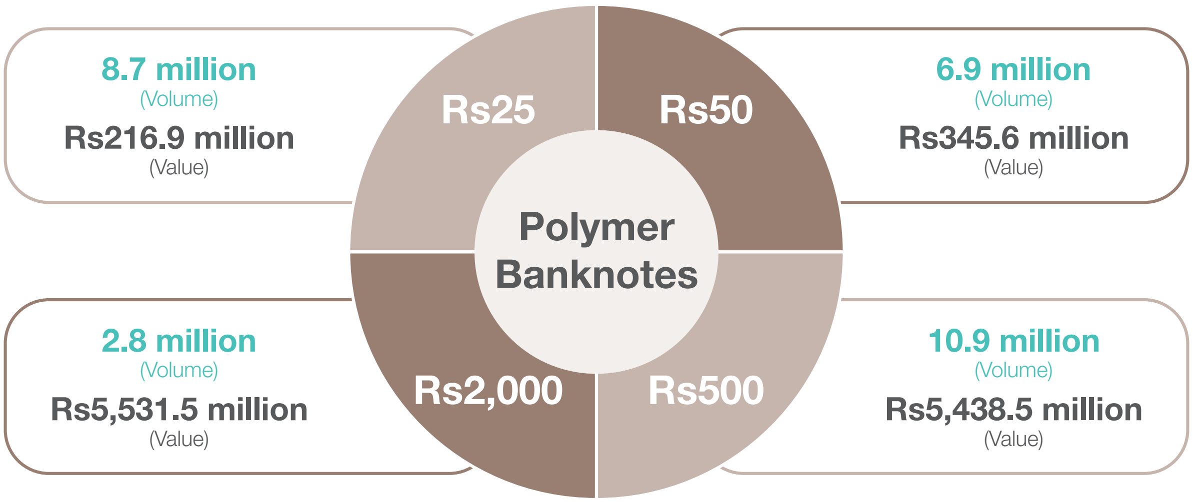
Chart 4.15: Banknotes in Circulation as at 30 June 2022





Polymer banknotes in denominations of Rs25, Rs50, Rs500 and Rs2,000 are currently in circulation. Polymer banknotes are cleaner and more durable, while containing enhanced security features. They represent around 30 per cent of the total volume and 25 per cent of the total value of banknotes in circulation.

Value and Volume of Polymer Banknotes in Circulation as at end-June 2022



During FY2021-22, the total value and volume of coins in circulation increased by 7.0 per cent and 3.7 per cent, respectively. The Bank maintained the Coin Deposit Campaign that it had launched back in July 2012 to encourage the public to deposit or exchange coins in their possession with banks.

The Bank accepted deposits of banknotes and coins totalling Rs31.5 billion in FY2021-22, while also issuing a total of Rs34.9 billion of currency. The Bank also examined around 63.2 million banknotes for an aggregate amount of Rs32.6 billion over the same period, of which Rs3.9 billion were found to be unfit for circulation. In this respect, the Bank pursued the destruction of soiled banknotes for an amount of Rs2.0 billion.

Gold Transactions

The Bank imports and sells to industrialists and licensed jewellers gold of high quality, that is, 24 carats 999.9 assay in bar forms of 1,000 grams, 500 grams and 100 grams as well as in grain forms.

The Bank also issues Dodo Gold coins of 22 carats in four different denominations, with face values of Rs1,000, Rs500, Rs250 and 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 and banks in Mauritius.

The daily selling prices of industrial gold, gold bars and coins, based on their gold content and on international gold market prices, are posted in the Bank's Banking Hall and on the Bank's website.

5 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

CONTENTS

Overview

The Bank of Mauritius (Bank) realised a net profit of Rs299 million, in terms of section 11(1) of the Bank of Mauritius Act 2004 (the "BOM Act" or the "Act"), for the financial year ended 30 June 2022 compared to Rs394 million in the previous year.

During the year, the Bank reviewed its investment strategy and adopted a new business model for its investment in fixed income securities. These investments are recorded as *Hold to Collect* (Rs49 billion) compared to *Hold to Collect and Sell,* which stood at Rs26 billion as at end June 2022 (2021: Rs61 billion). This enabled the Bank to sustain its income level, excluding fair value gains and losses on foreign assets, at Rs4.3 billion despite challenging conditions worldwide.

On the assets side of the balance sheet, the onslaught of the war in Ukraine at the end of February 2022 together with the aggressive rate hikes by the Federal Reserve Bank of New York since March 2022, affected the valuation of the Bank's foreign investments leading to a drastic fall in the Special Reserve Fund. This predicament was also faced by all major central banks around the world.

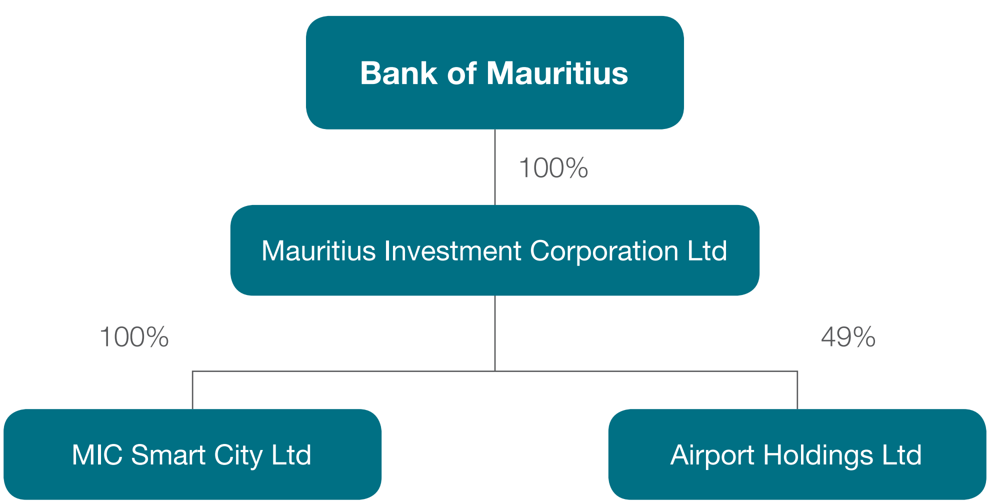
Mauritius opened its borders in October 2021 and while the tourism sector steadily picked up, tourist arrivals and related earnings remained behind pre-Covid-19 level as at 30 June 2022. Accordingly, the Bank intervened regularly on the foreign exchange market and sold a total amount of USD1.2 billion to commercial banks and other institutions during the financial year 2021/22.

In the prior financial year, the Bank, as part of the Covid-19 measures, granted a one-off exceptional contribution of Rs60 billion to Government out of which an amount of Rs55 billion was written off to its reserves and the balance of Rs5 billion was accounted as "Financial Assets Held at Amortised Cost" in its balance sheet. During this financial year, Government repaid the amount of Rs5 billion to the Bank bringing the net one-off exceptional contribution to Government to Rs55 billion.

The Bank's fully owned subsidiary, Mauritius Investment Corporation Ltd, acquired a 49% stake in Airport Holdings Ltd (AHL) in December 2021 for a consideration of Rs25 billion thus becoming an Associate. In accordance with IAS 28 - *Investments in Associates and Joint Ventures (2011)*, the Bank is required to account for AHL under the equity method in its group financial statements.

Group Structure

The Group consisting of the Bank and its subsidiaries, Mauritius Investment Corporation Ltd and MIC Smart City Ltd, and Airport Holdings Ltd (Associate) is presented below:



Overview (continued)

Group Results

The Group incurred a net loss, excluding fair value gains and losses, of Rs811.7 million as follows:

Net (Loss)/Profit for the Group	2022	2021
	Rs 000	Rs 000
BOM-Net Profit as per section 11(1) of the BOM Act	**299,313**	394,397
MIC-Net Profit	**368,157**	58,089
MIC Smart City Ltd-Net Loss	**(2,413)**	-
Airport Holdings Ltd-Share of Loss	**(1,476,763)**	-
Net (Loss)/Profit	**(811,706)**	452,486

Bank's Assets

Total assets of the Bank increased from Rs424 billion in FY 2020/21 to Rs454 billion in FY 2021/22. Foreign assets increased from Rs314 billion to Rs346 billion due to a significant increase in Cash and Cash Equivalents while domestic assets have decreased from Rs111 billion in FY 2020/21 to Rs108 billion in FY 2021/22 as Government repaid an amount of Rs5 billion from the one-off exceptional contribution of Rs60 billion.

Bank's Liabilities

Liabilities of the Bank increased from Rs411 billion in FY 2020/21 to Rs443 billion in FY 2021/22 mainly because of SDR allocation and loans denominated in USD. Following the 2021 General Allocation of SDR by the IMF to member countries, the Government of Mauritius received an amount of SDR136.3 million (Rs8.3 billion) in August 2021. The Bank had recourse to external funding to meet the demand for foreign exchange on the local market. Monetary Policy Instruments decreased from Rs114 billion last year to Rs108 billion as at end June 2022 due to active liquidity management in the domestic financial market.

Bank's Capital and Reserves

The capital and reserves of the Bank stood at Rs10.9 billion as at 30 June 2022. As in previous years, net profit realised during the year were ploughed back to the General Reserve Fund and no distribution was made to Government.

Statement of Responsibilities

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

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

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

The Board presently consists of the Governor as Chairperson, two Deputy Governors and six other Directors. The Act provides for not less than five but not more than seven other Directors.

The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

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

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Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of BANK OF MAURITIUS (the Bank), which comprise the consolidated and separate statement of financial position as at 30 June 2022 and consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies, as set out on pages 113 to 186.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of BANK OF MAURITIUS as at 30 June 2022, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Bank of Mauritius Act 2004.

Basis for Opinion

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

Other Information

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

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

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

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

Report on the Audit of the Consolidated and Separate Financial Statements

Responsibilities of Directors for the Consolidated and Separate Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

KPMG

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

Report on the Audit of the Consolidated and Separate Financial Statements

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG

KPMG
Ebène, Mauritius

29 October 2022

John Chung, BSc, FCA
Licensed by FRC

Statements of Financial Position

AS AT 30 JUNE 2022

	Note	GROUP 2022 Rs 000	GROUP 2021 Rs 000	BANK 2022 Rs 000	BANK 2021 Rs 000
ASSETS					
Foreign Assets					
Cash and Cash Equivalents	6	**103,430,996**	72,959,640	**103,430,996**	72,959,640
Gold Deposits	7	**32,780,953**	29,951,475	**32,780,953**	29,951,475
Financial Assets held at Amortised Cost	8(i)	**49,145,825**	-	**49,145,825**	-
Financial Assets held at Fair Value Through Other Comprehensive Income	9	**25,829,027**	61,322,898	**25,829,027**	61,322,898
Financial Assets held at Fair Value Through Profit or Loss	10(i)	**134,947,971**	149,457,294	**134,947,971**	149,457,294
		346,134,772	313,691,307	**346,134,772**	313,691,307
Domestic Assets					
Financial Assets held at Amortised Cost	8(ii)	**24,323,340**	27,417,238	**24,334,840**	27,422,487
Equity Investment in Mauritius Investment Corporation Ltd	12	**-**	-	**81,000,000**	1,000,000
Deposit for Acquisition of MIC Shares	12	**-**	-	**-**	80,000,000
Financial Assets held at Fair Value Through Profit or Loss	10(ii)	**14,691,446**	6,160,533	**-**	-
Investment Properties	13	**8,069,524**	2,414,647	**-**	-
Investment in Associate	14	**23,523,237**	-	**-**	-
Computer Software	15	**136,938**	11,181	**136,938**	11,181
Property, Plant and Equipment	16	**1,844,656**	1,769,604	**1,842,274**	1,767,339
Other Assets	17	**497,840**	404,760	**495,958**	403,052
		73,086,981	38,177,963	**107,810,010**	110,604,059
TOTAL ASSETS		**419,221,753**	351,869,270	**453,944,782**	424,295,366
LIABILITIES					
Currency in Circulation	18	**49,124,042**	45,706,636	**49,124,042**	45,706,636
Demand Deposits					
Government		**16,788,456**	38,389,110	**16,788,456**	38,389,110
Banks		**164,384,729**	122,782,469	**164,384,729**	122,782,469
Mauritius Investment Corporation Ltd		**-**	-	**34,982,705**	71,897,819
Others		**1,335,618**	1,423,033	**1,335,618**	1,423,033
		182,508,803	162,594,612	**217,491,508**	234,492,431
Monetary Policy Instruments	19	**107,703,218**	114,265,542	**107,703,218**	114,265,542
Provisions	20	**100,000**	100,000	**100,000**	100,000
Employee Benefits	21	**736,277**	1,320,799	**736,277**	1,320,799
Other Liabilities	22	**67,895,610**	15,365,088	**67,889,116**	15,355,600
TOTAL LIABILITIES		**408,067,950**	339,352,677	**443,044,161**	411,241,008
CAPITAL AND RESERVES					
Stated and Paid Up Capital	5	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Reserves	5	**1,153,803**	2,516,593	**900,621**	3,054,358
		11,153,803	12,516,593	**10,900,621**	13,054,358
TOTAL LIABILITIES, CAPITAL AND RESERVES		**419,221,753**	351,869,270	**453,944,782**	424,295,366

The financial statements have been approved and authorised for issue by the Board of Directors on 29 October 2022 and signed on its behalf by:

Shardhanand Gopaul
Assistant Director

Hemlata S Sewraj-Gopal
Second Deputy Governor

Harvesh Seegolam
Governor

The notes on pages 119 to 186 form an integral part of these financial statements.

Statements of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	GROUP 2022 Rs 000	GROUP 2021 Rs 000	BANK 2022 Rs 000	BANK 2021 Rs 000
Income					
Interest and Similar Income on Financial Assets using EIR	23	**1,171,971**	1,733,078	**1,171,971**	1,733,078
Interest and Similar Income on Financial Assets at Fair Value Through Profit or Loss	24	**3,473,911**	2,729,071	**3,082,630**	2,697,684
Miscellaneous Income	25	**57,737**	295,289	**27,698**	245,315
Gain on Revaluation of Foreign Currencies/SDR		**9,392,954**	14,621,178	**9,392,954**	14,621,178
Gain on Revaluation of Gold	7	**2,819,143**	1,436,484	**2,819,143**	1,436,484
Changes in Fair Value of Investment Properties	13	**1,629,200**	-	**-**	-
(Loss)/Gain on Financial Assets at Fair Value Through Profit or Loss	26	**(14,002,122)**	5,549,474	**(14,274,887)**	6,145,329
Total Income		**4,542,794**	26,364,574	**2,219,509**	26,879,068
Expenditure					
Interest Payable and Similar Charges	27	**401,538**	93,947	**401,538**	93,947
Staff Salaries and Other Benefits	28	**501,492**	459,854	**488,643**	458,245
General Expenditure		**378,097**	274,931	**354,083**	272,104
Fees Payable	29	**561,785**	515,607	**549,347**	500,624
Coin Issue Expenses		**34,483**	33,977	**34,485**	33,977
Note Issue Expenses		**40,347**	21,119	**40,347**	21,119
Depreciation and Amortisation	15,16	**111,521**	102,135	**110,332**	100,625
Directors' Remuneration	30	**33,305**	29,546	**28,218**	27,204
Reversal of Impairment Allowance on Financial Asset	11	**(6,315)**	(50,083)	**(6,315)**	(50,083)
Total Expenditure		**2,056,253**	1,481,033	**2,000,678**	1,457,762
Surplus of Income over Expenditure before Cost of Conducting Monetary Policy		**2,486,541**	24,883,541	**218,831**	25,421,306
OPEN MARKET OPERATIONS					
Cost of Conducting Monetary Policy	31	**(1,782,883)**	(2,510,653)	**(1,782,883)**	(2,510,653)
Share of Loss of Equity-Accounted Associate	14	**(1,476,763)**	-	**-**	-
NET (LOSS)/ PROFIT FOR THE YEAR		**(773,105)**	22,372,888	**(1,564,052)**	22,910,653
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to Profit or Loss					
Remeasurements of defined benefit liability	21	**(199,426)**	(313,265)	**(199,426)**	(313,265)
Items that are or may be reclassified subsequently to Profit or Loss					
Financial Assets at FVOCI-net change in fair value		**(312,141)**	569,781	**(312,141)**	569,781
Financial Assets at FVOCI-reclassified to profit or loss		**(78,118)**	(604,394)	**(78,118)**	(604,394)
TOTAL COMPREHENSIVE (LOSS)/INCOME		**(1,362,790)**	22,025,010	**(2,153,737)**	22,562,775

The notes on pages 119 to 186 form an integral part of these financial statements.

Statement of Distribution

FOR THE YEAR ENDED 30 JUNE 2022

	BANK	
	2022	2021
	Rs 000	Rs 000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AS PER IFRS	**(2,153,737)**	22,562,775
Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Foreign Currency and SDR	**(9,392,954)**	(14,621,178)
Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Gold	**(2,819,143)**	(1,436,484)
Transfer from/(to) Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-Loss/(Gain) on financial assets at FVTPL	**14,274,889**	(6,145,329)
Transfer from Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-Loss on financial assets at FVOCI	**390,258**	34,613
	2,453,050	(22,168,378)
NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004	**299,313**	394,397
Transfer to General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004	**(44,897)**	(59,160)
Transfer to General Reserve Fund in terms of section 11(5) of the Bank of Mauritius Act 2004	**(254,416)**	(335,237)
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004	**-**	-

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

The notes on pages 119 to 186 form an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

THE GROUP

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Revaluation Reserve	Fair Valuation Reserve	Retained Earnings	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 1 July 2020	2,000,000	2,736,017	40,565,079	-	-	-	45,301,096
Increase in Capital	8,000,000	-	(8,000,000)	-	-	-	-
Total Comprehensive Income	-	-	-	-	-	22,025,010	22,025,010
Transfer to Special Reserve Fund	-	-	22,168,378	-	-	(22,168,378)	-
Transfer to General Reserve Fund *	-	190,486	-	-	-	-	190,486
Transfer to General Reserve Fund	-	394,397	-	-	-	(394,397)	-
One-off Contribution to Government	-	(3,000,000)	(52,000,000)	-	-	-	(55,000,000)
Balance at 30 June 2021	10,000,000	320,901	2,733,457	-	-	(537,765)	12,516,593
Balance at 1 July 2021	**10,000,000**	**320,901**	**2,733,457**	**-**	**-**	**(537,765)**	**12,516,593**
Total Comprehensive Loss	**-**	**-**	**-**	**-**	**-**	**(1,362,790)**	**(1,362,790)**
Transfer of Accumulated Changes in Financial Assets at FVTPL to Fair Valuation Reserve	**-**	**-**	**-**	**-**	**(595,854)**	**595,854**	**-**
Transfer from Special Reserve Fund	**-**	**-**	**(2,453,050)**	**-**	**-**	**2,453,050**	**-**
Transfer to General Reserve Fund	**-**	**299,313**	**-**	**-**	**-**	**(299,313)**	**-**
Transfer to Revaluation Reserve	**-**	**-**	**-**	**1,626,788**	**-**	**(1,626,788)**	**-**
Transfer to Fair Valuation Reserve	**-**	**-**	**-**	**-**	**272,765**	**(272,765)**	**-**
Balance at 30 June 2022	**10,000,000**	**620,214**	**280,407**	**1,626,788**	**(323,089)**	**(1,050,517)**	**11,153,803**

* Following the increase in the Paid Up Capital of the Bank on 31 July 2020, an amount of Rs190.5 million representing profit for the year ended 30 June 2020, was transferred to the General Reserve Fund as per Section 11(5) of the Bank of Mauritius Act 2004.

The notes on pages 119 to 186 form an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

THE BANK

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Comprehensive Income	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 1 July 2020	2,000,000	2,736,017	40,565,079	-	45,301,096
Increase in Capital	8,000,000	-	(8,000,000)	-	-
Total Comprehensive Income	-	-	-	22,562,775	22,562,775
Transfer to Special Reserve Fund	-	-	22,168,378	(22,168,378)	-
Transfer to General Reserve Fund *	-	190,486	-	-	190,486
Transfer to General Reserve Fund	-	394,397	-	(394,397)	-
One-off Contribution to Government	-	(3,000,000)	(52,000,000)	-	(55,000,000)
Balance at 30 June 2021	10,000,000	320,901	2,733,457	-	13,054,358
Balance at 1 July 2021	**10,000,000**	**320,901**	**2,733,457**	**-**	**13,054,358**
Total Comprehensive Loss	**-**	**-**	**-**	**(2,153,737)**	**(2,153,737)**
Transfer from Special Reserve Fund	**-**	**-**	**(2,453,050)**	**2,453,050**	**-**
Transfer to General Reserve Fund	**-**	**299,313**	**-**	**(299,313)**	**-**
Balance at 30 June 2022	**10,000,000**	**620,214**	**280,407**	**-**	**10,900,621**

* Following the increase in the Paid Up Capital of the Bank on 31 July 2020, an amount of Rs190.5 million representing profit for the year ended 30 June 2020, was transferred to the General Reserve Fund as per Section 11(5) of the Bank of Mauritius Act 2004.

The notes on pages 119 to 186 form an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Cash Flow from Operating Activities				
Interest Received	**3,674,730**	2,579,488	**3,552,720**	2,579,488
Interest Paid on Monetary Policy Instruments	**(1,356,308)**	(1,896,677)	**(1,356,308)**	(1,896,677)
Miscellaneous Income	**21,902**	293,868	**20,023**	238,393
Staff Salaries and Other Benefits	**(432,691)**	(406,112)	**(432,691)**	(406,112)
General Expenditure	**(352,730)**	(219,185)	**(353,920)**	(206,710)
Fees Payable	**(398,883)**	(318,494)	**(398,883)**	(318,494)
Notes and Coin Issue	**(74,830)**	(55,096)	**(74,830)**	(55,096)
Other Expenditure	**(315,496)**	(225,993)	**(315,496)**	(225,993)
Net cash flow from operating activities before changes in operating assets and liabilities	**765,694**	(248,201)	**640,615**	(291,201)
Net (increase)/decrease in operating assets				
Financial Assets held at Amortised Cost	**3,174,236**	4,347,111	**3,174,236**	4,347,111
Other Assets	**(94,715)**	(87,024)	**(92,905)**	(87,024)
Net increase/(decrease) in operating liabilities				
Government Deposits	**(21,608,281)**	11,424,852	**(21,608,281)**	11,424,852
Banks Deposits	**41,482,790**	12,566,881	**41,482,790**	12,566,881
Mauritius Investment Corporation Ltd Deposits	**-**	-	**(36,915,114)**	71,897,819
Other Deposits	**(89,484)**	46,882	**(89,484)**	46,892
Other Liabilities	**490,274**	403,364	**489,673**	403,364
Net Cash Flow from Operating Activities	**24,120,514**	28,453,865	**(12,918,470)**	100,308,694
Cash Flows from Investing Activities				
Additions to Financial Assets held at Amortised Cost	**(72,249,878)**	-	**(72,249,878)**	-
Disposals of Financial Assets held at Amortised Cost	**25,294,146**	-	**25,294,146**	-
Additions to Financial Assets at FVOCI	**-**	(91,197,563)	**-**	(91,197,563)
Disposals of Financial Assets at FVOCI	**36,361,616**	136,167,010	**36,361,616**	136,167,010
Additions to Financial Assets at FVTPL	**(25,239,852)**	(52,007,824)	**(17,227,852)**	(45,282,824)
Disposals of Financial Assets at FVTPL	**25,812,102**	21,620,710	**25,812,102**	21,620,710
Additions to Monetary Policy Instruments	**141,634,101**	101,705,833	**141,634,101**	101,705,833
Disposal of Monetary Policy Instruments	**(148,623,000)**	(67,691,175)	**(148,623,000)**	(67,691,175)
Investment in Subsidiary	**-**	-	**-**	(81,000,000)
Acquisition of Investment Properties	**(4,025,677)**	(2,416,395)	**-**	-
Investment in Associate	**(25,000,000)**	-	**-**	-
Purchase of PPE and Intangibles	**(312,355)**	(64,299)	**(311,048)**	(60,523)
Proceeds of Sale of PPE	**-**	902	**-**	902
Dividend Received	**30,780**	24,800	**30,780**	24,800
Net cash flow from investing activities	**(46,318,017)**	46,141,999	**(9,279,033)**	(25,712,830)
Cash Flows from Financing Activities				
Currency in Circulation	**3,417,406**	3,374,890	**3,417,406**	3,374,890
Retirement Benefits Obligation Funding	**(839,900)**	-	**(839,900)**	-
Loan from Financial institutions	**49,541,705**	8,259,110	**49,541,705**	8,259,110
Repayment of Loans from Foreign Institutions	**(8,578,840)**	(9,533,423)	**(8,578,840)**	(9,533,423)
Transfer to Government	**-**	(60,000,000)	**-**	(60,000,000)
Net Cash Flow from Financing Activities	**43,540,371**	(57,899,423)	**43,540,371**	(57,899,423)
Net Cash Flow	**21,342,868**	16,696,441	**21,342,868**	16,696,441
Effect of Exchange Rate Fluctuations	**9,128,488**	5,559,931	**9,128,488**	5,559,931
Net increase in Cash and Cash Equivalents	**30,471,356**	22,256,372	**30,471,356**	22,256,372
Cash and Cash Equivalents at beginning of year	**72,959,640**	50,703,268	**72,959,640**	50,703,268
Cash and Cash Equivalents at end of year	**103,430,996**	72,959,640	**103,430,996**	72,959,640

The notes on pages 119 to 186 form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

1. LEGAL FRAMEWORK

Bank of Mauritius (the "Bank")

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004 (the "Act"), the Bank is established to act as the central bank for the Republic of Mauritius. Its main place of business is at Sir William Newton Street, Port Louis, and it operates an office in Rodrigues. The Bank is an independent institution with its own legal personality and submits, in accordance with section 32(3) of the Act, a copy of its audited financial statements to the Minister 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 and disseminate, on a timely basis, monetary and related financial statistics; and
- manage the foreign exchange reserves of Mauritius.

Under section 10 of the Act, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government of Mauritius. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The capital was increased to Rs2 billion in November 2011 and to Rs10 billion in July 2020 in terms of Section 47 (5)(a) of the Act.

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 profit of the Bank.

Under section 11(3) of the Act, the balance of the net profit 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.

In terms of Section 35(1) of the Act the Bank has the sole right to issue Mauritius currency notes, coins and digital currency.

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 Group and the Bank have prepared their financial statements in accordance with International Financial Reporting Standards ("IFRS").

Where necessary, comparative figures have been amended to conform with changes in presentation in the current year.

The financial statements include the consolidated financial statements of the parent, Bank of Mauritius, and its subsidiary (together the "Group") and the separate financial statements of the parent (the "Bank").

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

Functional currency is the currency of the primary economic environment in which the Group and the Bank operate. 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 Group and the Bank is Mauritian Rupees ("Rs").

These financial statements are presented in Mauritian Rupees rounded to the nearest thousand (Rs 000) except when otherwise indicated.

(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.

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of Estimates and Judgements (continued)

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) Going Concern

The Bank made an assessment of its ability to continue as going concern and it is satisfied that it has the resources to continue its business for the foreseeable future. The Bank recorded a total comprehensive loss of Rs2.2 billion for the year ended 30 June 2022 compared to a total comprehensive income of Rs22.6 billion for the year ended 30 June 2021. The Bank realised a net profit of Rs299.3 million (2021: Rs394.4 million) in terms section 11(1) of the Bank of Mauritius Act 2004. In addition, the Bank has a positive equity of Rs10.9 billion (2021: Rs13.1 billion). In terms Section 10(5) of the Bank of Mauritius Act 2004, Government is required to maintain the capital of the Bank from any impairment. The financial statements have thus been prepared on a going concern basis.

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

New standards and interpretations not yet effective

At the date of authorisation of the financial statements of the Group and the Bank for the year ended 30 June 2022, the following relevant Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Date issued by IASB	Effective Date Periods Beginning On or After
IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments	Annual Improvements to IFRS Standards (2018 – 2020)	May 2020	1 January 2022
IAS 16 amendment	Property, Plant and Equipment: Proceeds before Intended Use	May 2020	1 January 2022
IFRS 3 amendment	Reference to the Conceptual Framework	May 2020	1 January 2022
IAS 8 amendment	Definition of Accounting Estimates	February 2021	1 January 2023
IAS 1 and IFRS Practice Statement 2 amendment	Disclosure Initiative: Accounting Policies	February 2021	1 January 2023

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

2. BASIS OF PREPARATION (CONTINUED)

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

New standards and interpretations not yet effective (continued)

The Group and the Bank are of the opinion that the impact of the application of the Standards and Interpretations will be as follows.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The above amendment will not have any material impact on the Group and the Bank's financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and
- added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

2. BASIS OF PREPARATION (CONTINUED)

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

New standards and interpretations not yet effective (continued)

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The above amendments will not have any material impact on the Group and the Bank's financial statements.

Definition of accounting estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

1. The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
2. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
3. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
4. The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
5. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The above amendments will not have any material impact on the Group and the Bank's financial statements.

2. BASIS OF PREPARATION (CONTINUED)

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

New standards and interpretations not yet effective (continued)

Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 January 2023 but may be applied earlier.

The above amendments will not have any material impact on the Group and the Bank's financial statements.

3. ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are set out below. The terms Group and Bank are used interchangeably and applicable to either the Group and the Bank or both depending on the nature of the accounting policies and/or the notes that are disclosed.

(a) Basis of Consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognised directly in profit or loss. Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, previously held identifiable assets, liabilities and contingent liabilities of the acquired entity are revalued to their fair value at the date of acquisition, being the date at which the Group achieves control of the acquired entity. Further the equity interest previously held by the Group is re-measured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Initial estimates of consideration transferred and fair values of assets acquired and liabilities assumed are finalised within twelve months after the date of acquisition and any adjustments are accounted for as retroactive adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the statement of profit or loss and other comprehensive income.

When the consideration transferred by the Group in the business combination included assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The subsequent accounting for changes in the fair value of the contingent consideration depends on how the contingent consideration is classified. Contingent consideration that is qualified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investment in subsidiary in the separate financial statements of the Bank is carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

(iv) Investment in Associate

The Group and the Bank's interest in equity-accounted investee comprises investment in associate. An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies of the investee company.

Investment in associate is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of the equity-accounted investee, until the date on which significant influence ceases.

(b) Financial Instruments

Classification

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

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Classification (continued)

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

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

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

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

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

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

All other financial assets are classified at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis. The Group and the Bank classify all equity investments as financial assets at FVTPL.

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

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group and the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL, because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely Payments of principal and interest (SPPI)

Under IFRS 9, the SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding i.e. cash flows that are consistent with a basic lending arrangement.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. Liquidity risks and administrative cost), as well as profit margin.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Business model assessment (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would meet this condition. In making the assessment, the Group and the Bank consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group and the Bank's claim to cash flows from specified assets (e.g. Non-recourse arrangement); and
- features that modify consideration of the time value of money-e.g. periodical reset of interest rates.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within both a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss requirements. Gains and losses on derecognition or modification are recognised directly in profit or loss and presented in similar income on financial assets. Impairment losses are presented as separate line item in the statement of profit or loss.

The Group and the Bank include in this category:

- Cash and cash equivalents
- Short term deposits meeting the definition of cash and cash equivalents
- Quoted debt instruments under the internally managed portfolio which are held to collect contractual cash flows
- Loans in foreign currency
- Loans in local currency
- Cash deposits
- Government securities
- Staff loans
- Other receivables

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Financial assets at fair value through Other Comprehensive Income (OCI) (debt instruments)

The Group and the Bank measure a debt instrument at fair value through OCI if both of the following conditions are met and if the instrument is not designated as at FVTPL:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Bank's debt instruments at fair value through OCI includes quoted debt instruments under the internally managed portfolio.

Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- It is classified as financial asset held for trading for the purpose of selling or repurchasing in the near term; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group and the Bank include in this category:

- gold deposits
- secured redeemable convertible bonds and fixed secured notes
- equity instruments in unquoted investments
- foreign investments managed by external fund managers designated at FVTPL

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Initial recognition of financial assets: classification and measurement

Financial assets are initially measured at their fair value. Except in the case of financial assets recorded at fair value, transaction costs that are directly attributable to the acquisition of financial assets are added to, or subtracted from, this amount. The Group and the Bank's policy is to use settlement date accounting for the recognition of purchases and sales of trading investments. The Group and the Bank recognise an asset on the day it is received. The Group and the Bank derecognise an asset and recognise any gain or loss on disposal on the day that it is delivered.

Subsequent measurement of financial assets

Effective interest rate

Under IFRS 9, interest income is recorded using the effective interest method on all financial instruments measured at amortised cost and on interest bearing financial assets measured at FVOCI. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

Subsequent to initial recognition, financial assets are either measured at amortised cost or at fair value.

The Group and the Bank classify its financial assets as subsequently measured under the following classification categories on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

Financial liabilities – Classification, subsequent measurement and gains and losses

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

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

The Group and the Bank include in this category:

- currency in circulation
- demand deposits
- monetary policy instruments
- loans from foreign counterparties
- abandoned funds
- special drawing rights (SDR)
- other deposits
- interest and other payables

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group and the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Bank have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Bank have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Bank have transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Bank continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained. Examples of such transactions are securities lending, sale-and-repurchase transactions and gold swaps.

Sale-and-repurchase agreements (repos) are transactions in which the Group and the Bank sell a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group and the Bank continue to recognise the securities in their entirety in the statement of financial position because they retain substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group and the Bank sell the contractual rights to the cash flows of the securities, they do not have the ability to use the transferred assets during the term of the arrangement.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Derecognition (continued)

Securities lending agreements are transactions in which the Group and the Bank lend securities and receives cash as collateral. The Group and the Bank continue to recognise the securities in their entirety in the statement of financial position because they retain substantially all of the risks and rewards of ownership. The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay it. Because as part of the lending arrangement the Group and the Bank sell the contractual rights to the cash flows of the securities, they do not have the ability to use the transferred assets during the term of the arrangement.

Gold swaps are transactions in which the Group and the Bank sell gold and simultaneously agree to repurchase it at a fixed price on a future date. In all cases, the Group and the Bank retain substantially all of the risks and rewards of ownership. Therefore, the Group and the Bank continue to recognise the transferred gold in its statement of financial position. The cash received is recognised as a financial asset and a corresponding liability is recognised. The Group and the Bank do not separately recognise swap that prevents derecognition of the gold as a derivative because doing so would result in recognising the same rights and obligations twice. Because the Group and the Bank sell the contractual rights to the cash flows of the gold, they do not have the ability to use the transferred assets during the term of the arrangement.

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

Reclassifications

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

Impairment of financial assets

The Group and the Bank recognise an allowance for expected credit losses (ECLs) on all of the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments measured at amortised cost and FVOCI
- Loan commitments and financial guarantee contracts issued

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Bank expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, an impairment allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Impairment of financial assets (continued)

Definition of default

For internal credit risk management purposes, the Group and the Bank consider a financial asset in default and therefore Stage 3 (credit-impaired) for ECL calculations in accordance with the contractual terms of the financial asset.

For foreign investment assets and domestic loans:

- A missed or delayed disbursement of a contractually-obligated interest or principal payment as defined in credit agreements and indentures;
- A bankruptcy filing or legal receivership by the debt issuer or obligor that will likely cause a miss or delay in future contractually-obligated debt service payments;
- A distressed exchange whereby:
  1) an issuer offers creditors new or restructured debt, or a new package of securities, cash or assets, that amount to a diminished value relative to the debt obligation's original promise and
  2) the exchange has the effect of allowing the issuer to avoid a likely eventual default;
- A change in the payment terms of a credit agreement or indenture imposed by the sovereign that results in a diminished financial obligation, such as a forced currency or re-denomination (imposed by the debtor, or the debtor's sovereign) or a forced change in some other aspect of the original promise, such as indexation or maturity.

If any of those criteria are met, the asset is moved to stage 3.

The Group and the Bank consider treasury and interbank balances in default when the required intraday payments are not settled by the close of business, as outlined in the individual agreements.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group and the Bank compare the risk of a default occurring on the financial asset as at the reporting date with the risk as at the date of initial recognition. The Group and the Bank consider many factors when assessing a financial asset for a significant increase in credit risk, including:

- an actual or expected significant deterioration in the financial asset's credit rating;
- significant deterioration in external market indicators of credit risk for a financial asset (e.g., a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the counterparty's ability to meet its debt obligations;

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Impairment of financial assets (continued)

Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the counterparty;
- significant increases in credit risk on other financial instruments of the same counterparty; or an actual or expected significant adverse change in the regulatory, economic or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its debt obligations.

For foreign investment, the Group and the Bank consider that there has been a significant increase in credit risk when:

- If the rating of the financial asset is 'investment grade' at initial recognition, a significant increase in credit risk is identified if it downgrades to 'speculative grade'. The financial asset will be moved to stage 2.
- If the rating of the financial asset is 'speculative grade' at initial recognition, an increase in credit risk is identified if there is a one notch downgrade in credit rating. The financial asset will be moved to stage 2.

The Group and the Bank consider that the asset has cured: if the asset moves one notch upwards in credit rating after being downgraded, then the Group and the Bank would monitor the coupon payments due in the year. If no coupon payments are missed, then they would move the financial asset back to stage 1.

If the asset's credit rating does not move after being moved to stage 2, then the Group and the Bank would need to obtain the next twelve coupon payments for asset with quarterly coupon payments, the next six coupon payments for asset with semi-annual coupon payments, the next three coupon payments for assets with yearly coupon payments before moving the asset back to stage 1.

Inputs into measurement of ECLs

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD are estimates at a certain date that are based on a mix of internally compiled data, rating agency outputs and expert judgement, comprising both quantitative and qualitative factors.

LGD is the estimated percentage of exposure that will be lost at the time of default.

EAD represents the amount of exposure that the Group and the Bank are exposed to if there is a default.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Impairment of financial assets (continued)

Forward looking information

In its ECL models, the Group and the Bank rely on credit ratings from credit rating agencies (Standard & Poor's (S&P), Moody's, Fitch Group) and the Bloomberg indices rating on global fixed income for the probability of default component. Credit ratings are a tool, among others, that investors can use when making decisions about purchasing bonds and other fixed income investments. They express independent opinions on creditworthiness, using a common terminology that may help investors make more informed investment decisions.

As part of their ratings analysis, the external credit agencies evaluate current and historical information and also assess the potential impact of a broad range of forward looking information, such as:

- Industry specific risk and broad economic factors that may affect the business cycle
- Key performance indicators
- Economic, regulatory and geopolitical influences
- Management and corporate governance attributes
- Competitive position.

Additionally, for sovereign or national government, the analysis may take into consideration:

- Fiscal and Economic performance
- Monetary Stability
- Effectiveness of the Government's institutions.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments when such differences are significantly material.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Bank currently have a legally enforceable right to offset the amounts and intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

'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 Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Fair Value Measurement Principles

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group and the Bank determine 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 Group and the Bank recognise 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 Group and the Bank for reserve management purposes. IFRS 9 excludes from its scope gold deposits and therefore *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, has been considered to assess the most appropriate accounting standard for the gold deposits. Accordingly, the Group and the Bank have considered IFRS 9 to be the most appropriate accounting standard for gold deposits. The gold deposits do not meet the SPPI test as prescribed in IFRS 9 and are hence classified at fair value through profit or loss. Accordingly, all gains and losses on revaluation of gold are recognised in profit or loss. Gold is valued at the price ruling on the international market.

Gains and Losses on Subsequent Measurement

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

3. ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Bank of Mauritius Securities

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with other financial institutions and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at amortised cost. The Group and the Bank have elected to present the statement of cash flows using the direct method.

(c) Computer Software

Under IAS 38 Intangible assets, Computer Software which does not form an integral part of computer hardware, is classified as an intangible asset. Intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the rate of $33^1/_3$% per annum so as to write off the depreciable value of the assets over their estimated useful lives. Amortisation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted as appropriate.

(d) Property, Plant and Equipment

Recognition and Measurement

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

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

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

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

Depreciation

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

3. ACCOUNTING POLICIES (CONTINUED)

(d) Property, Plant and Equipment (continued)

Depreciation (continued)

Depreciation is provided at the following annual percentage rates:

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

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

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. The costs of inventories are based on a first-in-first-out (FIFO) principle and include all expenditure incurred in acquiring the inventories and in bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated selling expenses. Inventories include Industrial Gold, Dodo Gold Coins, Gold Bars and Silver Coins which are sold to the public.

(f) Currency in Circulation

Notes and coins issued represent an unserviced liability of the Group and the Bank and are recorded at face value. The costs of minting coins are amortised in the profit and loss account over three years while that of printing banknotes are amortised over two years.

The Group and the Bank also issue a range of Mauritius commemorative coins. All costs associated with the production of these numismatic coins are expensed in profit or loss when incurred.

(g) Employee Benefits

Defined Benefit Pension Plan

The Group and 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 Group and the Bank employ the State Insurance Company of Mauritius Ltd as their actuary. When the calculation results in a potential asset for the Group and 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.

3. ACCOUNTING POLICIES (CONTINUED)

(g) Employee Benefits (continued)

Defined Benefit Pension Plan (continued)

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

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

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank have 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 when the Group and 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. Since September 2020, the Group and the Bank contribute to the Contribution Sociale Generalisee payable by their staff and is included in the item Staff Salaries and Other Benefits.

(h) Income and Expenditure Recognition

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

Dividend income from equity investments is accounted for in profit or loss as "Interest and Similar Income" when the right to receive payment is determined.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

3. ACCOUNTING POLICIES (CONTINUED)

(h) Income and Expenditure Recognition (continued)

Interest income and expense are recognised in profit or loss using the effective interest 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 gross carrying amount of the financial asset or liability.

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

Interest and similar 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;
- negative interest paid on certain cash accounts;
- realised gains/losses on debt instruments at fair value through other comprehensive income;
- dividend income on financial assets at fair value through profit or loss.

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

The gain or loss on revaluation of foreign currencies and Special Drawing Rights (SDR) arise on the foreign assets comprising of cash and cash equivalents and financial assets held at fair value. The gain or loss on investment property is presented under a separate line item.

(i) 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 profit of the Group and the Bank in terms of section 11 of the Bank of Mauritius Act 2004, foreign exchange differences are excluded in accordance with section 47(2) of the Act. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transactions.

3. ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets

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

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

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

(k) Provisions

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event, and it is probable that the Group and 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 Group and 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) Short-term leases and leases of low-value assets

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

(m) Investment Property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

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

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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 of Financial Assets

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3(b). 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, 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.

One of the main assumptions used in determining the net cost or income for employee benefits is the discount rate. The Group and the Bank determine 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 Group and the Bank consider the interest rates of high-quality corporate bonds or its equivalent that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability. Details of the defined benefit obligation are disclosed in Note 21.

Calculation of Expected Credit Loss

Impairment under IFRS 9 adopts a staging approach, with stage 1 representing the lowest credit risk and stage 3 the highest. When a new asset is originated it is classified in stage 1 (normal origination). Moving from stage 1 to stage 2 is a judgement, and is based on management defined criteria of whether there is a significant increase in credit risk. Given the impact of ECL on the Group and the Bank's financial statements, this is not considered to be a significant judgement.

4. USES OF ESTIMATES AND JUDGEMENT (CONTINUED)

Calculation of Expected Credit Loss (continued)

When measuring ECL, the Group and the Bank use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how the drivers will affect each other as described in detail in Note 3(b).

Probability of default ("PD") is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions as described in detail in Note 3(b).

Loss given default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group and the Bank would expect to receive, taking into account cash flows from credit enhancements.

Actual loss experience may differ from changes in estimated forward looking information and economic drivers.

Determination of Fair Value of Investment Property

The Group carries its investment property at fair value, with changes in fair value being recognized in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 30 June 2022. The valuer used a valuation technique based on sales comparison approach and residual method of valuation.

5. CAPITAL AND RESERVES

Stated and Paid up Capital

The stated and paid up capital of the Bank is Rs10 billion in accordance with section 10(4) of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government of Mauritius (refer to Note 1).

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with section 11(2) of the Bank of Mauritius Act 2004 (refer to Note 1).

Special Reserve Fund

In terms of section 47(1) of the Bank of Mauritius Act 2004, the Special Reserve Fund is a reserve built up from any net realised gains or losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, SDR, or foreign currencies subsequent to any change in the values or exchange rates of gold, SDR, or foreign currencies in terms of the domestic currency.

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

5. CAPITAL AND RESERVES (CONTINUED)

Special Reserve Fund (continued)

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

Revaluation Reserve and Fair Valuation Reserve

Revaluation reserve relates to the revaluation on investment property and fair valuation reserve relates to fair value movements in convertible bonds and fixed secured notes.

6. CASH AND CASH EQUIVALENTS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Current Accounts	**10,963,328**	11,070,409	**10,963,328**	11,070,409
Short term deposits	**78,726,334**	56,396,048	**78,726,334**	56,396,048
Special Drawing Rights	**13,732,765**	5,484,796	**13,732,765**	5,484,796
Foreign Currency Notes	**8,569**	8,387	**8,569**	8,387
	103,430,996	72,959,640	**103,430,996**	72,959,640

7. GOLD DEPOSITS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Opening Balance	**29,951,475**	28,532,838	**29,951,475**	28,532,838
Adjustment for Prior Year Interest	**(2,525)**	(12,115)	**(2,525)**	(12,115)
Disposal during the Year	**-**	(8,257)	**-**	(8,257)
Interest Receivable	**12,860**	2,525	**12,860**	2,525
Gain on Revaluation	**2,819,143**	1,436,484	**2,819,143**	1,436,484
Closing Balance	**32,780,953**	29,951,475	**32,780,953**	29,951,475

Gold deposits represent allocated gold bars in storage and on deposits.

8. FINANCIAL ASSETS HELD AT AMORTISED COST

(i) Foreign Assets

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Foreign Investments	**49,148,407**	-	**49,148,407**	-
Impairment Allowance	**(2,582)**	-	**(2,582)**	-
	49,145,825	-	**49,145,825**	-

8. FINANCIAL ASSETS HELD AT AMORTISED COST (CONTINUED)

(i) Foreign Assets (continued)

Foreign Investments held at Amortised Cost represent quoted fixed income securities which are managed internally and principally held to collect contractual cash flows. The Bank reviewed its investment strategy and recorded the fixed income securities in the hold to collect portfolio since 1 July 2021.

(ii) Domestic Assets

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Loans in Local Currency	**8,910,666**	7,121,402	**8,910,666**	7,121,402
Staff Loans	**86,999**	98,402	**86,999**	98,402
Impairment Allowance	**(178)**	(90)	**(178)**	(90)
	8,997,487	7,219,714	**8,997,487**	7,219,714
Government Securities	**15,245,034**	15,132,534	**15,245,034**	15,132,534
One-off Contribution	**-**	5,000,000	**-**	5,000,000
Others	**42,657**	37,239	**54,157**	42,488
Net Balances due in Clearing	**38,162**	27,751	**38,162**	27,751
	24,323,340	27,417,238	**24,334,840**	27,422,487

Loans in local currency are granted to economic operators to support the economic development of the country. These loans are guaranteed and are at fixed interest rates. One-off contribution of Rs5 billion in 2021 was repaid by Government during the year.

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

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Foreign Investments	**25,831,467**	61,334,323	**25,831,466**	61,334,323
Impairment Allowance	**(2,440)**	(11,425)	**(2,440)**	(11,425)
	25,829,027	61,322,898	**25,829,027**	61,322,898

Foreign Investments held at FVOCI represent mainly quoted fixed income securities which are held to collect contractual cash flows and to sell. During the year, proceeds from maturing securities from the balance of Rs61,334,323,000 were reinvested in the new business model of Hold to Collect portfolio as explained in Note 8(i).

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

(i) Foreign Assets

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Foreign Investments	**133,083,033**	147,834,760	**133,083,033**	147,834,760
Equity Investments	**1,864,938**	1,622,534	**1,864,938**	1,622,534
	134,947,971	149,457,294	**134,947,971**	149,457,294

Foreign Investments include funds entrusted to external fund managers and investment in foreign currency denominated securities and bonds. Equity investments represent shares in unquoted institutions, and these have been fair valued on the basis of their latest net asset value.

(ii) Domestic Assets

	GROUP		BANK	
	2022	2021	**2022**	2021
Convertible Bonds	**Rs 000**	Rs 000	**Rs 000**	Rs 000
Opening balance	**6,160,533**	-	**-**	-
Additions during the year	**7,762,000**	6,725,000	**-**	-
Interest receivable	**383,302**	31,387	**-**	-
Interest received	**(139,175)**	-	**-**	-
Net increase/(decrease) in fair value	**272,320**	(595,854)	**-**	-
Closing balance	**14,438,980**	6,160,533	**-**	-
Fixed Secured Notes				
Opening balance	**-**	-	**-**	-
Additions during the year	**250,000**	-	**-**	-
Interest receivable	**7,980**	-	**-**	-
Interest received	**(5,959)**	-	**-**	-
Net increase in fair value	**445**	-	**-**	-
Closing balance	**252,466**	-	**-**	-
Total	**14,691,446**	6,160,533	**-**	-

Financial Assets at FVTPL include investments made by MIC in secured redeemable convertible bonds of systemically large, important and viable companies in Mauritius, with the main objective of maintaining financial stability in the wake of the COVID-19 pandemic. The carrying amount at 30 June 2022 reflects the fair value of the bonds which have been estimated using a scenario-based valuation model. The investment held in fixed secured notes are quoted in an active market. The fair value of quoted securities is based on published market prices.

11. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS

THE GROUP AND THE BANK

	Foreign Assets		Domestic Assets	
	Stage 1	Stage 2	Stage 1	
	12-month	Lifetime	12-month	
	ECL	ECL	ECL	
	Collective basis	Collective basis	Collective basis	Total
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
Impairment Allowance as at 30 June 2021	**11,425**	**-**	**90**	**11,515**
Changes to Risk Parameters and FX Translation	**(3,476)**	**-**	**16**	**(3,460)**
Financial Assets Derecognised	**(5,427)**	**-**	**(2)**	**(5,429)**
New Financial Assets	**2,500**	**-**	**74**	**2,574**
ECL Charge for the Year	**(6,403)**	**-**	**88**	**(6,315)**
Impairment Allowance as at 30 June 2022	**5,022**	**-**	**178**	**5,200**
Impairment Allowance as at 30 June 2020	24,397	34,385	2,816	61,598
Transfer to Stage 1	34,385	(34,385)	-	-
Changes to Risk Parameters and FX Translation	(25,968)	-	(2,683)	(28,651)
Financial Assets Derecognised	(22,697)	-	(80)	(22,777)
New Financial Assets	1,308	-	37	1,345
ECL Charge for the Year	(47,357)	-	(2,726)	(50,083)
Impairment Allowance as at 30 June 2021	11,425	-	90	11,515

12. EQUITY INVESTMENT IN MAURITIUS INVESTMENT CORPORATION LTD

THE BANK

	2022	2021
	Rs 000	Rs 000
Opening Balance	**1,000,000**	-
Conversion of Share Application Money	**80,000,000**	-
Additions	**-**	1,000,000
Closing Balance	**81,000,000**	1,000,000

The Bank owns 100% of the share capital of MIC. During the financial year share application money for Rs80 billion was converted into share capital.

Investment in subsidiary in the separate financial statements of the Bank is carried at cost, net of any impairment.

13. INVESTMENT PROPERTIES

THE GROUP

	2022	2021
	Rs 000	Rs 000
Opening Balance	2,414,647	-
Additions by MIC	4,025,677	2,414,647
Fair Value Adjustment (MIC Smart City)	1,328,875	-
Fair Value Adjustment (MIC)	300,325	-
Closing Balance	8,069,524	2,414,647

The investment properties are held by MIC and MIC Smart City Ltd, which is a subsidiary of MIC (Note 37). Changes in fair value of investment properties are recognised as gains/(losses) in profit or loss and are unrealised.

Investment properties have been fair valued on 30 June 2022 by an independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair value was determined on an open-market basis by reference to market evidence of transaction prices for similar properties or on a discounted cash flow analysis. Details of the Group's investment properties and information about the fair value hierarchy in the table below. There were no transfers between the levels during the year.

	Level 1	Level 2	Level 3	Total
30 June 2022	Rs 000	Rs 000	Rs 000	Rs 000
Land	-	-	8,069,524	8,069,524
	-	-	8,069,524	8,069,524

The sales comparison approach and residual method of valuation have resulted in an increase of Rs1,629 million in the fair value of the carrying value of investment properties as at 30 June 2022. The assumptions used in the models are based on certain inputs and data prevailing as at 30 June 2022.

Valuation technique, assumptions and sensitivity analysis

The investment properties were valued on 30 June 2022 by a qualified independent professional valuer; Elevante Property Services Ltd. The sales comparison approach involves the assessment of the property based on sales comparable in the neighbourhood and adjusted to reflect its location, characteristics and size. The residual method of valuation involves a discounted cash flow analysis.

The fair value of investment properties is based on its market value, which is defined as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion. On the basis of current economic and property environment, the directors are satisfied that the carrying amount of investment properties reflects the fair value at the reporting date.

13. INVESTMENT PROPERTIES (CONTINUED)

THE GROUP (CONTINUED)

The following table shows the significant unobservable inputs used and the sensitivity of these inputs on the fair value:

2022	Fair value hierarchy	Significant unobservable input	Range of unobservable input
Agricultural land	Level 3	Price per Ha	Rs1,388.0-Rs3,445.1
		Rs3.89million	±5%

14. INVESTMENT IN ASSOCIATE

THE GROUP

	2022 Rs 000	2021 Rs 000
Interest in equity-accounted associate	**23,523,237**	-

(a) Details of the associate are as follows:

Name of associate	Type of shares	Principal place of business	Percentage of equity held	
			2022	2021
Airport Holdings Limited	Equity	Mauritius	**49%**	-

Bank of Mauritius' subsidiary, Mauritius Investment Corporation Ltd (MIC) has in December 2021 subscribed for 49% of the shares of Airport Holdings Ltd (AHL) an entity created in August 2021 by the Government of Mauritius to hold the strategic investments related to the airport operations and national airline activities of the country. The objective of AHL is to restructure the various operating entities acquired, to enable the recovery of the travel and tourism sector which was badly affected by the COVID-19 pandemic. Given that the restructuring is ongoing, and AHL has up to 18 months to produce and publish its first set of statutory financial statements, the audited consolidated financial statements of AHL are not yet available at this stage. Therefore, the share of profits or losses for equity-accounting of the associate have been based on the unaudited consolidated management accounts.

14. INVESTMENT IN ASSOCIATE (CONTINUED)

THE GROUP (CONTINUED)

The following table summarises the financial information of Airport Holdings Ltd as included in its unaudited consolidated management accounts:

	2022 Rs 000
Non-Current Assets	63,069,746
Current Assets	12,848,596
Non-Current Liabilities	31,001,263
Current Liabilities	15,360,871
Revenue	10,458,994
Profit or loss from continuing operations	(3,013,801)
Total comprehensive loss	(3,013,801)

The reconciliation of the carrying amounts are as follows:

	2022 Rs 000
Group's interest in net assets of associate at beginning of year	-
Cost of acquisition of Group's interest in associate during the year	25,000,000
Total comprehensive loss attributable to the Group for the period	(1,476,763)
Carrying amount of interest in equity-accounted associate at end of year	23,523,237

15. COMPUTER SOFTWARE

THE GROUP AND THE BANK

Cost	Rs 000
At 30 June 2020	148,089
Additions	1,428
At 30 June 2021	149,517
Additions	136,219
Transfer from Capital Work in Progress (Note 16)	1,207
At 30 June 2022	**286,943**
ACCUMULATED AMORTISATION	
At 1 July 2020	126,971
Charge for the year	11,365
At 30 June 2021	138,336
Charge for the year	11,669
At 30 June 2022	**150,005**
CARRYING VALUE	
At 30 June 2022	**136,938**
At 30 June 2021	11,181

The Directors have reviewed the carrying values of intangible assets and are of the opinion that, at 30 June 2022, the carrying values have not suffered any impairment.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicle	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COST						
At Start of the Period	1,969,359	1,666	932,772	251,351	29,579	3,184,727
Additions	1,051	31,700	9,057	15,832	5,230	62,870
Transfer	-	(324)	324	-	-	-
Disposals	-	-	(252)	(4,219)	(2,963)	(7,434)
At 30 June 2021	**1,970,410**	**33,042**	**941,900**	**262,963**	**31,846**	**3,240,162**
Additions	**1,618**	**130,517**	**31,976**	**12,025**	**-**	**176,136**
Transfer	**-**	**(9,476)**	**118**	**9,358**	**-**	**-**
Transfer to Computer Software	**-**	**(1,207)**	**-**	**-**	**-**	**(1,207)**
Scrapped	**-**	**-**	**(68)**	**(15,888)**	**-**	**(15,956)**
At 30 June 2022	**1,972,028**	**152,876**	**973,926**	**268,458**	**31,846**	**3,399,134**
ACCUMULATED DEPRECIATION						
At 1 July 2020	398,825	-	741,607	221,269	25,519	1,387,220
Charge for the year	36,474	-	28,395	21,249	4,652	90,770
Disposals	-	-	(252)	(4,218)	(2,961)	(7,431)
At 30 June 2021	**435,299**	**-**	**769,750**	**238,300**	**27,209**	**1,470,558**
Charge for the year	**36,506**	**-**	**31,012**	**29,798**	**2,536**	**99,852**
Scrapped	**-**	**-**	**(68)**	**(15,864)**	**-**	**(15,932)**
At 30 June 2022	**471,805**	**-**	**800,694**	**252,234**	**29,745**	**1,554,478**
CARRYING AMOUNT						
At 30 June 2022	**1,500,222**	**152,876**	**173,233**	**16,225**	**2,100**	**1,844,656**
At 30 June 2021	1,535,111	33,042	172,151	24,664	4,636	1,769,604

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE BANK

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicle	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COST						
At 1 July 2020	1,969,359	1,666	932,772	251,351	29,579	3,184,727
Additions	1,051	31,700	9,057	15,832	1,455	59,095
Transfer	-	(324)	324	-	-	-
Disposals	-	-	(252)	(4,219)	(2,963)	(7,434)
At 30 June 2021	**1,970,410**	**33,042**	**941,901**	**262,964**	**28,071**	**3,236,388**
Additions	**1,618**	**130,517**	**31,972**	**10,722**	**-**	**174,829**
Transfer	**-**	**(9,476)**	**118**	**9,358**	**-**	**-**
Transfer to Computer Software	**-**	**(1,207)**	**-**	**-**	**-**	**(1,207)**
Scrapped	**-**	**-**	**(68)**	**(15,888)**	**-**	**(15,956)**
At 30 June 2022	**1,972,028**	**152,876**	**973,923**	**267,156**	**28,071**	**3,394,054**
ACCUMULATED DEPRECIATION						
At 1 July 2020	398,825	-	741,607	221,269	25,518	1,387,219
Charge for the year	36,474	-	28,395	21,249	3,142	89,260
Disposals	-	-	(252)	(4,218)	(2,960)	(7,431)
At 30 June 2021	**435,299**	**-**	**769,750**	**238,300**	**25,700**	**1,469,049**
Charge for the year	**36,506**	**-**	**31,012**	**29,364**	**1,781**	**98,663**
Scrapped	**-**	**-**	**(68)**	**(15,864)**	**-**	**(15,932)**
At 30 June 2022	**471,805**	**-**	**800,694**	**251,800**	**27,481**	**1,551,780**
CARRYING AMOUNT						
At 30 June 2022	**1,500,223**	**152,876**	**173,229**	**15,356**	**590**	**1,842,274**
At 30 June 2021	1,535,111	33,042	172,151	24,664	2,371	1,767,339

The Directors have reviewed the carrying values of tangible assets and are of the opinion that as at 30 June 2022, the carrying values have not suffered any impairment.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

17. OTHER ASSETS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Gold Bars	**153,728**	152,105	**153,728**	152,105
Industrial Gold and Dodo Gold Coins	**160,491**	96,252	**160,491**	96,252
Commemorative Coins	**45,822**	12,921	**45,822**	12,921
Prepayments	**113,586**	119,523	**113,586**	119,523
Others	**24,213**	23,959	**22,331**	22,251
	497,840	404,760	**495,958**	403,052

18. CURRENCY IN CIRCULATION

THE GROUP AND THE BANK

	2022	2021
	Rs 000	Rs 000
Notes issued		
Face value		
2,000	**5,531,578**	4,573,986
1,000	**31,065,353**	28,741,381
500	**6,084,702**	6,163,155
200	**2,054,525**	2,007,406
100	**1,915,606**	1,868,396
50	**434,838**	412,936
25	**283,321**	256,710
Demonetised Notes	**413,241**	429,766
Total	**47,783,164**	44,453,736
Coins issued		
Face value		
20 rupees	**342,696**	304,245
10 rupees	**435,652**	409,674
5 rupees	**190,494**	181,146
1 rupee	**223,544**	213,128
50 cents	**46,228**	44,456
25 cents **	**6,322**	6,323
20 cents	**56,354**	54,886
10 cents **	**2,415**	2,415
5 cents	**13,782**	13,295
2 cents **	**330**	330
1 cent	**223**	223
Others***	**22,838**	22,779
Total	**1,340,878**	1,252,900
Total face value of Notes and Coins in Circulation	**49,124,042**	45,706,636

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

19. MONETARY POLICY INSTRUMENTS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Bank of Mauritius Savings Bonds	**1,038**	1,038	**1,038**	1,038
Bank of Mauritius Bonds	**15,151,801**	15,144,637	**15,151,801**	15,144,637
Bank of Mauritius Notes	**35,207,788**	42,042,591	**35,207,788**	42,042,591
Bank of Mauritius Bills	**54,752,702**	53,936,024	**54,752,702**	53,936,024
Bank of Mauritius 2020 Savings Bonds	**2,589,889**	3,141,252	**2,589,889**	3,141,252
	107,703,218	114,265,542	**107,703,218**	114,265,542

20. PROVISIONS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Balance as at 30 June	**100,000**	100,000	**100,000**	100,000

The provision relates to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Group and 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 and since the case is still ongoing, the expected timing of the cash flows cannot be determined reliably.

21. EMPLOYEE BENEFITS

THE GROUP AND THE BANK

Amounts recognised in the Statement of Financial Position:

	2022	2021
	Rs 000	Rs 000
Defined Benefit Plan (Note (a))	**557,104**	1,154,648
Short Term Employee Benefits (Note (b))	**179,173**	166,151
	736,277	1,320,799

(a) Defined Benefit Plan

The Bank operates a defined benefit plan for its employees who joined the Bank prior to January 2013 and the plan is wholly funded. The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

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

The report dated 26 August 2022 submitted by The State Insurance Company of Mauritius Ltd, who also acts as independent actuaries, is produced hereunder.

21. EMPLOYEE BENEFITS (CONTINUED)

THE GROUP AND THE BANK (CONTINUED)

(a) Defined Benefit Plan (continued)

	2022 Rs 000	2021 Rs 000
Current Service Cost	**28,325**	25,546
Employee Contributions	**(10,475)**	(9,843)
Fund Expenses	**717**	811
Net Interest Expense	**50,102**	30,526
Net Periodic Pension Cost included in Staff Salaries and Other Benefits	**68,669**	47,040

Past service cost is nil.

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

	2022 Rs 000	2021 Rs 000
Actuarial Loss	**199,426**	313,265

Movements in liability recognised in the Statement of Financial Position:

	2022 Rs 000	2021 Rs 000
At start of the year	**1,154,648**	820,474
Past service liability contribution	**(839,900)**	-
Total Expenses as per above	**68,669**	47,040
Actuarial Loss recognised in OCI	**199,426**	313,265
Bank of Mauritius share of pension (topping-up)	**(337)**	(325)
Employer Contributions	**(25,402)**	(25,806)
At end of the year	**557,104**	1,154,648

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

	2022 Rs 000	2021 Rs 000
At start of the year	**1,972,251**	1,649,182
Current Service Cost	**28,325**	25,546
Interest Cost	**94,668**	59,370
Actuarial loss	**134,302**	328,301
Benefits Paid	**(93,733)**	(90,149)
At end of the year	**2,135,813**	1,972,250

21. EMPLOYEE BENEFITS (CONTINUED)

THE GROUP AND THE BANK (CONTINUED)

(a) Defined Benefit Plan (continued)

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

	2022	2021
	Rs 000	Rs 000
At start of the year	817,602	828,709
Expected Return on Plan Assets	44,566	28,844
Actuarial Gain/(Loss)	(65,124)	15,035
Contributions from the Employer	25,402	25,806
Past service liability contribution	839,900	-
Employee Contributions	10,475	9,843
Bank of Mauritius Share of Pension	337	325
Benefits Paid (Excluding BOM share of pension)	(93,733)	(90,149)
Fund Expenses	(718)	(811)
At end of the year	1,578,707	817,602

The amount included in the Statement of Financial Position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

	2022	2021
	Rs 000	Rs 000
Present Value of Defined Benefit Obligation	2,135,813	1,972,250
Fair Value of Plan Assets	(1,578,709)	(817,602)
Net Liability arising from Defined Benefit Obligation	557,104	1,154,648

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

	2022	2021
	%	%
Local Equities	13.6	11.8
Overseas Equities and Bonds	25.0	30.1
Fixed Interest Securities and Cash	58.0	54.8
Others	3.4	3.3

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

The history of experience adjustments is as follows:

	2022	2021
	Rs 000	Rs 000
Experience losses on plan liabilities	(134,302)	(328,300)
Experience (losses)/gains on plan assets	(65,124)	15,035
	(199,426)	(313,265)

21. EMPLOYEE BENEFITS (CONTINUED)

THE GROUP AND THE BANK (CONTINUED)

(a) Defined Benefit Plan (continued)

The Group and the Bank expect to make a contribution of Rs26.0 million (2021: Rs26.6 million) to the defined benefit plans during the next financial year. This estimate may be amended by the Bank on the basis of availability of more accurate information.

	BANK	
	2022	2021
	Years	Years
Weighted average duration of the defined benefit obligation (calculated as a % change in PV of liabilities for a 1% change in discount rate)	**13**	13

The principal assumptions used for actuarial valuation were:

	2022	2021
Discount rate	**5.10%**	4.80%
Future salary increases	**3.50%**	3.00%
Future pension increases	**2.50%**	2.00%
Mortality before retirement		nil
Mortality in retirement		PA (90) Tables rated down by 2 years
Retirement age		65 years

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

		2022	2021
		Rs 000	Rs 000
Discount rate	+100 basis points	**(241,800)**	(226,100)
	-100 basis points	**295,100**	276,300
Salary growth	+100 basis points	**101,800**	99,000
	-100 basis points	**(91,400)**	(88,700)
Pension growth	+100 basis points	**178,000**	164,000
	-100 basis points	**(152,900)**	(140,800)
Life Expectancy	+One Year	**66,100**	59,300
	-One Year	**(65,700)**	(59,000)

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependencies between the assumptions.

21. EMPLOYEE BENEFITS (CONTINUED)

THE GROUP AND THE BANK (CONTINUED)

(b) Short Term Employee Benefits

	2022	2021
	Rs 000	Rs 000
Provision for Annual and Sick Leaves	**100,778**	96,615
Provision for Passage Benefits	**78,395**	69,536
	179,173	166,151

(c) Employer Contribution towards Pension Cost

	GROUP		**BANK**	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Contributions Expensed (Note 28)	**79,596**	56,537	**78,975**	56,343

(d) State Pension Plan (Note 28)

	GROUP		**BANK**	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
National Pension Scheme Contributions	**2,432**	2,061	**2,354**	2,059
Contribution Sociale Generalisee	**23,725**	16,878	**23,292**	16,805
	26,157	18,939	**25,645**	18,864

22. OTHER LIABILITIES

	GROUP		**BANK**	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Loans from Foreign Financial Institutions	**52,339,138**	8,530,023	**52,339,138**	8,530,023
Special Drawing Rights	**12,550,203**	4,313,355	**12,550,203**	4,313,355
Abandoned Funds	**2,684,387**	2,159,247	**2,684,387**	2,159,247
Creditors	**186,993**	220,643	**186,993**	220,643
Interest and Charges Payable	**117,816**	124,749	**111,322**	115,261
Others	**17,073**	17,071	**17,073**	17,071
	67,895,610	15,365,088	**67,889,116**	15,355,600

23. INTEREST AND SIMILAR INCOME ON FINANCIAL ASSETS USING EFFECTIVE INTEREST RATE ("EIR")

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Interest Income at Amortised Cost				
Repurchase Agreement	**92,270**	789	**92,270**	789
Loans and Advances	**152,754**	217,753	**152,754**	217,753
Government Securities	**112,500**	113,110	**112,500**	113,110
Special Drawing Rights	**27,674**	3,848	**27,674**	3,848
Current Accounts	**98,935**	63,140	**98,935**	63,140
Fixed Income Securities	**293,407**	-	**293,407**	-
	777,540	398,640	**777,540**	398,640
Interest and Similar Income at FVOCI				
Fixed Income Securities	**304,877**	693,204	**304,877**	693,204
Realised Gain on disposal of Fixed Income Securities	**89,554**	641,234	**89,554**	641,234
	394,431	1,334,438	**394,431**	1,334,438
	1,171,971	1,733,078	**1,171,971**	1,733,078

24. INTEREST AND SIMILAR INCOME ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Income from UCITS	**2,246,467**	1,843,010	**2,246,467**	1,843,010
Dividend Income	**624,830**	536,168	**624,830**	536,168
Interest Income	**602,614**	293,775	**211,333**	262,388
Other Income	**-**	56,118	**-**	56,118
	3,473,911	2,729,071	**3,082,630**	2,697,684

UCITS: Undertakings for the collective investments of transferable securities. These are managed by the Bank's external fund managers.

25. MISCELLANEOUS INCOME

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Payments System Fees	**101,480**	102,266	**101,480**	102,266
Processing and Licence Fees	**95,281**	95,515	**95,281**	95,515
Front end fee, Legal Cost and Registration Fees	**35,858**	55,475	**-**	-
(Loss)/Profit on Foreign Exchange Transactions	**(185,386)**	25,429	**(185,386)**	25,429
Fees and Charges	**427**	9,943	**427**	9,943
Penalty	**7,900**	2,700	**7,900**	2,700
Other	**2,201**	3,062	**8,020**	8,563
(Loss)/Profit on Sale of Property, Plant and Equipment	**(24)**	899	**(24)**	899
	57,737	295,289	**27,698**	245,315

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

26. (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Domestic Investments	**272,765**	(595,855)	**-**	-
Foreign Investments	**(14,411,188)**	6,041,005	**(14,411,188)**	6,041,005
Unquoted Investments	**136,301**	104,324	**136,301**	104,324
	(14,002,122)	5,549,474	**(14,274,887)**	6,145,329

27. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Interest Paid on Foreign Currency Loans	**274,813**	36,958	**274,813**	36,958
Negative Interest and Charges	**98,628**	53,766	**98,628**	53,766
International Monetary Fund Charges	**26,521**	2,869	**26,521**	2,869
Interest Relief on Household Loans	**1,576**	354	**1,576**	354
	401,538	93,947	**401,538**	93,947

28. STAFF SALARIES AND OTHER BENEFITS

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Staff Salaries and Allowances	**376,894**	346,848	**365,388**	345,539
Short Term Employee Benefits	**13,023**	31,224	**13,023**	31,224
Employer Contribution Towards Pension Cost (Note 21(c))	**79,596**	56,537	**78,975**	56,343
Staff Family Protection Scheme	**5,582**	6,214	**5,504**	6,195
National Pension Fund (Note 21(d))	**2,432**	2,061	**2,354**	2,059
Contribution Sociale Generalisee (Note 21(d))	**23,725**	16,878	**23,292**	16,805
HRDC Levy	**240**	92	**107**	80
	501,492	459,854	**488,643**	458,245

29. FEES PAYABLE

Fees payable by the Bank represent management fees payable to external fund managers with respect to funds managed by them as disclosed under *Foreign Investments* in Note 10(i). Fees payable also include custodian fees.

30. DIRECTORS' REMUNERATION

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Governor	**11,929**	11,554	**11,929**	11,554
Deputy Governors (2)	**14,129**	13,490	**14,129**	13,490
Other Directors: Bank (6)	**2,160**	2,160	**2,160**	2,160
Other Directors: MIC	**2,160**	1,560	**-**	-
Chairperson: MIC	**2,927**	782	**-**	-
	33,305	29,546	**28,218**	27,204

Directors of the Bank are paid a monthly fee of Rs30,000 (2021: Rs30,000). At 30 June 2022 the number of Other Directors on the board of the Bank was 6 (2021:6). Directors of MIC are paid a monthly fee of Rs30,000 (2021: Rs30,000). The number of Other Directors on the Board of MIC was 6 (2021:3). The Chairperson of MIC was paid a monthly fee of GBP3,500 (Rs195,335) for the period July 2021 to 31 March 2021 and with effect from April 2022, the Chairperson is paid a monthly fee of GBP6,500 (Rs362,765).

31. COST OF CONDUCTING MONETARY POLICY

The Bank, in the pursuit of its objectives to maintain price stability and to promote orderly and balanced economic development, undertakes open market operations to manage liquidity conditions in the domestic money markets. The cost of open market operations conducted through the issue of Bank of Mauritius Securities and also through special deposits from banks are provided below.

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Interest				
Bank of Mauritius Securities	**1,782,883**	2,324,705	**1,782,883**	2,324,705
Special Deposits	**-**	185,948	**-**	185,948
	1,782,883	2,510,653	**1,782,883**	2,510,653

32. COMMITMENTS AND OTHER CONTINGENCIES

Commitments not otherwise provided for in these financial statements and which existed at 30 June 2022 are as follows:

The Bank has a commitment to pay on call 60% of the value of 1,263 shares for capital subscription in the African Export-Import Bank.

Other capital commitments at reporting date amounted to Rs15 million (2021: Rs22 million).

The Board of MIC approved bond subscription for a total amount of Rs1.2 billion (2021: Rs10.4 billion). This amount has not yet been disbursed as at 30 June 2022.

There was no other contingent liability that existed at 30 June 2022.

33. SHORT-TERM LEASES AND LEASES OF LOW VALUE ASSETS

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

The following table relates to the lease of the Bank's fallback site and other properties with lease terms between 1 to 5 years. The Bank does not have an option to purchase the leased properties at the end of the lease periods.

2022	**1 Year**	**>1-5 Yrs**	**Total**
	Rs 000	**Rs 000**	**Rs 000**
Lease of Servers (1 yr contract)	**230**		**230**
Archiving-Plaine Lauzun DBM	**215**	**-**	**215**
Fallback Site-Cyber Tower	**3,433**	**15,078**	**18,511**
	3,878	**15,078**	**18,956**

2021	1 Year	>1-5 Yrs	Total
	Rs 000	Rs 000	Rs 000
Archiving-Plaine Lauzun DBM	205	-	205
Fallback Site-Cyber Tower	2,985	15,023	18,008
	3,190	15,023	18,213

An amount of **Rs4,534,862** (2021: Rs4,124,464) has been expensed in profit or loss for the year relating to short-term and low value item leases. The total cash outflow for short-term and low value item leases recognised in statement of cash flows amounted to **Rs4,534,862** (2021: Rs4,124,464).

34. FINANCIAL INSTRUMENTS

(a) Introduction

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As the monetary authority for Mauritius, the Group and the Bank's activities are policy orientated. In the course of carrying out their functions, the Group and the Bank are faced with financial risks, operational risks and reputational risks. The main financial risks to which the Group and the Bank are 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 Group and 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 Group and the Bank invest. 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 their prime objectives.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (i) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to the short term nature of the financial instrument or the effect of discounting is not material.

THE GROUP

	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	2022	**2022**	2021	2021
Financial Assets	**Rs 000**	**Rs 000**	Rs 000	Rs 000
Amortised Cost				
Foreign Investments	**49,145,825**	**48,218,785**	-	-
Cash and Cash Equivalents	**103,430,996**	**103,430,996**	72,959,640	72,959,640
Government Securities	**15,245,034**	**14,733,900**	15,132,534	14,643,150
Loans and Advances	**9,018,360**	**9,018,360**	7,241,014	7,241,014
Other Financial Assets	**59,946**	**59,946**	5,043,690	5,043,690
	24,323,340	**23,812,206**	27,417,238	26,927,854
	176,900,161	**175,461,987**	100,376,878	99,887,494
Fair Value Through Other Comprehensive Income				
Foreign Investments	**25,829,027**	**25,829,027**	61,322,898	61,322,898
Fair Value Through Profit or Loss				
Gold Deposits	**32,780,953**	**32,780,953**	29,951,475	29,951,475
Foreign Investments	**133,083,033**	**133,083,033**	147,834,760	147,834,760
Loan and Advances	**14,691,446**	**14,691,446**	6,160,533	6,160,533
Other Investments	**1,864,938**	**1,864,938**	1,622,534	1,622,534
	149,639,417	**149,639,417**	155,617,827	155,617,827
	182,420,370	**182,420,370**	185,569,302	185,569,302
Total Financial Assets	**385,149,558**	**383,711,384**	347,269,078	346,779,694
Financial Liabilities				
Amortised Cost	**407,231,673**	**405,490,212**	337,931,878	336,745,514

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (i) Categories and fair values of financial instruments (continued)

THE BANK

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2022	**2022**	2021	2021
Financial Assets	**Rs 000**	**Rs 000**	Rs 000	Rs 000
Amortised Cost				
Foreign Investments	**49,145,825**	**48,218,785**	-	-
Cash and Cash Equivalents	**103,430,996**	**103,430,996**	72,959,640	72,959,640
Government Securities	**15,245,034**	**14,733,900**	15,132,534	14,643,150
Loans and Advances	**9,018,360**	**9,018,360**	7,241,014	7,241,014
Other Financial Assets	**71,446**	**71,446**	5,048,939	5,048,939
	24,334,840	**23,823,706**	27,422,487	26,933,103
	176,911,661	**175,473,487**	100,382,127	99,892,743
Fair Value Through Other Comprehensive Income				
Foreign Investments	**25,829,027**	**25,829,027**	61,322,898	61,322,898
Fair Value Through Profit or Loss				
Gold Deposits	**32,780,953**	**32,780,953**	29,951,475	29,951,475
Foreign Investments	**133,083,033**	**133,083,033**	147,834,760	147,834,760
Other Investments	**1,864,938**	**1,864,938**	1,622,534	1,622,534
	134,947,971	**134,947,971**	149,457,294	149,457,294
	167,728,924	**167,728,924**	179,408,769	179,408,769
Total Financial Assets	**370,469,612**	**369,031,438**	341,113,794	340,624,410
Financial Liabilities				
Amortised Cost	**442,207,884**	**440,466,422**	409,820,209	408,593,846

(b) (ii) Fair value of financial instruments

The Group and the Bank measure 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.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (ii) Fair value of financial instruments (continued)

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:

THE GROUP

	Level 1	Level 2	Level 3	Total Carrying Amount	Total Fair Value
2022	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Financial Assets					
Gold Deposits	**32,780,953**	**-**	**-**	**32,780,953**	**32,780,953**
Foreign Investments	**25,829,027**	**133,083,033**	**-**	**158,912,060**	**158,912,060**
Other Investments	**-**	**-**	**1,864,938**	**1,864,938**	**1,864,938**
Convertible Bonds	**-**	**-**	**14,438,980**	**14,438,980**	**14,438,980**
Fixed Secured Notes	**252,466**	**-**	**-**	**252,466**	**252,466**
	58,862,446	**133,083,033**	**16,303,918**	**208,249,397**	**208,249,397**
2021					
Financial Assets					
Gold Deposits	29,951,475	-	-	29,951,475	29,951,475
Foreign Investments	61,322,898	147,834,760	-	209,157,658	209,157,658
Other Investments	-	-	1,622,534	1,622,534	1,622,534
Convertible Bonds	-	-	6,160,533	6,160,533	6,160,533
	91,274,373	147,834,760	7,783,067	246,892,200	246,892,200

THE BANK

	Level 1	Level 2	Level 3	Total Carrying Amount	Total Fair Value
2022	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Financial Assets					
Gold Deposits	**32,780,953**	**-**	**-**	**32,780,953**	**32,780,953**
Foreign Investments	**25,829,027**	**133,083,033**	**-**	**158,912,060**	**158,912,060**
Other Investments	**-**	**-**	**1,864,938**	**1,864,938**	**1,864,938**
	58,609,980	**133,083,033**	**1,864,938**	**193,557,951**	**193,557,951**
2021					
Financial Assets					
Gold Deposits	29,951,475	-	-	29,951,475	29,951,475
Foreign Investments	61,322,898	147,834,760	-	209,157,658	209,157,658
Other Investments	-	-	1,622,534	1,622,534	1,622,534
	91,274,373	147,834,760	1,622,534	240,731,667	240,731,667

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (ii) Fair value of financial instruments (continued)

The fair value of the level 2 instruments is calculated using the net asset value ("NAV") of the external fund managers. The NAV is based using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

A reconciliation of fair value measurements in level 3 is set out below:

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Opening balance	**7,783,067**	1,354,603	**1,622,534**	1,354,603
Additions during the year	**7,762,000**	6,749,142	**-**	24,142
Dividend/Interest receivable	**383,302**	31,387	**-**	-
Interest received	**(139,175)**	-	**-**	-
Dividend utilised for the purchase of shares	**-**	(24,142)	**-**	(24,142)
Change in fair value	**514,724**	(327,923)	**242,404**	267,931
Closing balance	**16,303,918**	7,783,067	**1,864,938**	1,622,534

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities. There have been no transfers between the levels in the fair value hierarchy during the year.

Valuation techniques used

For other investments, the Group and the Bank determine fair values using the valuation technique as per table below:

Type of Instrument	Fair value at 30 June 2022 Rs 000	Valuation techniques	Significant unobservable inputs	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Other investments	**1,859,158** (2021:1,622,534)	Net asset value of the investee company	None	Not applicable	Not applicable
Convertible bonds	**14,438,980** (2021:6,160,533)	Scenario-Based Technique: employs a hybrid approach to valuation incorporating the MUR yield curve, default probabilities and credit spreads.	MUR yield curve Probability of default	**0.87% - 4.45%** (2021:1.93% - 3.82%) **0.01%-9.75%** (2021: 0.079% - 0.540%)	An increase in yield curve would result in lower fair value An increase in the probability of default would result in lower fair value.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (ii) Fair value of financial instruments (continued)

Valuation techniques used (continued)

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, net asset value is used. The fair value of a convertible bond has been calculated as the present value of discounted cash flows. This valuation model considers the present value of expected cash flows discounted at risk-free rate plus a pre-determined issuer credit spread, in a simulation framework. Cash flows are conditional on the default of the issuer which is proxied using an estimated probability of default. The final fair value of the convertible bond is the average of the randomly generated simulated prices.

(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 Group and the Bank's future cash inflows from financial assets held at the reporting date.

The Group and the Bank are 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 Group and the Bank. Credit risk on the securities held by the Group and the Bank are managed by holding only high quality marketable securities issued chiefly by entities enjoying a good credit rating. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties. Investment in Government securities is considered as risk free. Credit risk also arises when the Group and the Bank provide liquidity to financial institutions through open market operations as part of monetary policy implementation.

The Group and the Bank use a broad range of forward looking information, such as:

- Industry specific risk and broad economic factors that may affect the business cycle;
- Key performance indicators;
- Economic, regulatory and geopolitical influences;
- Management and corporate governance attributes; and
- Competitive position.

Additionally, for Sovereign or national government, the analysis may take into consideration:

- Fiscal and Economic performance;
- Monetary Stability; and
- Effectiveness of the Government's institutions.

The Group and the Bank mitigate the credit risk of derivatives, reverse sale-and-repurchase agreements and securities lending by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

Derivative transactions are entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Group and the Bank execute a credit support annex in conjunction with the ISDA agreement, which requires the Group and the Bank and their counterparties to post collateral to mitigate counterparty credit risk. Certain derivatives are 'settled-to-market' daily, whereby the daily variation margin is a partial settlement of the outstanding derivative positions and the fair values of the derivatives are reduced accordingly.

The Group and the Bank's sale-and-repurchase, and reverse sale-and-repurchase transactions and securities lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

The Group and the Bank receive and give collateral in the form of cash and marketable securities in respect of the following transactions:

- sale-and-repurchase, and reverse sale-and-repurchase, agreements; and
- securities lending and borrowing.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

(i) Concentration of Credit Exposure by Geographical Area

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

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Mauritius	**39,025,114**	33,569,631	**24,345,168**	27,414,347
USA	**129,110,889**	101,970,008	**129,110,889**	101,970,008
United Kingdom	**162,692,181**	166,124,613	**162,692,181**	166,124,613
Europe	**34,435,082**	27,192,751	**34,435,082**	27,192,751
Other	**19,886,292**	18,412,075	**19,886,292**	18,412,075
	385,149,558	347,269,078	**370,469,612**	341,113,794

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

(ii) Concentration of Credit Exposure by Counterparty Types

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

	GROUP		BANK	
	2022	2021	**2022**	2021
	Rs 000	Rs 000	**Rs 000**	Rs 000
Government	**82,974,397**	78,061,709	**82,974,397**	71,906,425
Supranational Financial Institutions	**271,159,921**	252,368,409	**271,159,921**	252,368,409
Foreign Banks and Financial Institutions	**6,407,613**	6,450,416	**6,407,613**	6,450,416
Other	**24,607,627**	10,388,544	**9,927,681**	10,388,544
	385,149,558	347,269,078	**370,469,612**	341,113,794

(iii) Credit Exposure by Credit Rating

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

	Credit Rating	GROUP				BANK			
		2022		2021		**2022**		2021	
		Rs 000	**%**	Rs 000	%	**Rs 000**	**%**	Rs 000	%
Cash and Cash Equivalents	Central Banks	**101,151,864**	**29.22**	68,047,031	21.69	**101,151,864**	**29.22**	68,047,031	21.69
	Others	**2,279,132**	**0.66**	4,912,609	1.57	**2,279,132**	**0.66**	4,912,609	1.57
Gold Deposits	Others	**32,780,953**	**9.47**	29,951,475	9.55	**32,780,953**	**9.47**	29,951,475	9.55
Foreign Financial assets held at Amortised Cost and Fair Value Through Other Comprehensive income	Aaa	**60,452,023**	**17.46**	21,099,958	6.73	**60,452,023**	**17.46**	21,099,958	6.73
	Aa	**-**	**0.00**	1,241,557	0.40	**-**	**0.00**	1,241,557	0.40
	A	**449,638**	**0.13**	1,978,606	0.63	**449,638**	**0.13**	1,978,606	0.63
	Baa	**57,669**	**0.02**	1,576,416	0.50	**57,669**	**0.02**	1,576,416	0.50
	Ba	**837,876**	**0.24**	1,908,328	0.60	**837,876**	**0.24**	1,908,328	0.60
	Others	**13,177,646**	**3.81**	33,518,033	10.69	**13,177,646**	**3.81**	33,518,033	10.69
Foreign Financial Assets held at Fair Value Through Profit or Loss	Central banks	**5,041,716**	**1.46**	18,840,874	6.00	**5,041,716**	**1.46**	18,840,874	6.00
	Others	**129,906,255**	**37.53**	130,616,420	41.64	**129,906,255**	**37.53**	130,616,420	41.64
Total Foreign Financial Assets		**346,134,772**	**100.00**	313,691,307	100.00	**346,134,772**	**100.00**	313,691,307	100.00

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

(iii) Credit Exposure by Credit Rating (continued)

	Credit Rating	GROUP				BANK			
		2022		2021		**2022**		2021	
		Rs 000	**%**	Rs 000	%	**Rs 000**	**%**	Rs 000	%
Loans and Advances	Others	**9,018,062**	**23.11**	7,241,014	21.56	**9,018,062**	**37.06**	7,241,014	26.41
Government Securities	Others	**15,245,034**	**39.08**	15,132,534	45.07	**15,245,034**	**62.65**	15,132,534	55.18
Other Assets	Others	**60,244**	**0.15**	5,043,690	15.02	**71,744**	**0.29**	5,048,939	18.41
Financial Assets held at Fair Value Through Profit or Loss	Others	**14,691,446**	**37.66**	6,160,533	18.35	**-**	**-**	-	-
Total Domestic Financial Assets		**39,014,786**	**100.00**	33,577,771	100.00	**24,334,840**	**100.00**	27,422,487	100.00

Summary	Credit Rating	GROUP				BANK			
		2022		2021		**2022**		2021	
		Rs 000	**%**	Rs 000	%	**Rs 000**	**%**	Rs 000	%
Foreign Financial Assets	Central Banks	**106,193,580**	**30.68**	86,887,905	27.70	**106,193,580**	**30.68**	86,887,905	27.70
	Aaa	**60,452,023**	**17.46**	21,099,958	6.73	**60,452,023**	**17.46**	21,099,958	6.73
	Aa	**-**	**-**	1,241,557	0.40	**-**	**0.00**	1,241,557	0.40
	A	**449,638**	**0.13**	1,978,606	0.63	**449,638**	**0.13**	1,978,606	0.63
	Baa	**57,669**	**0.02**	1,576,416	0.50	**57,669**	**0.02**	1,576,416	0.50
	Ba	**837,876**	**0.24**	1,908,328	0.60	**837,876**	**0.24**	1,908,328	0.60
	Others	**178,143,986**	**51.47**	198,998,537	63.44	**178,143,986**	**51.47**	198,998,537	63.44
		346,134,772	**100.00**	313,691,307	100.00	**346,134,772**	**100.00**	313,691,307	100.00
Domestic Financial Assets	Others	**39,014,786**	**100.00**	33,577,771	100.00	**24,334,840**	**100.00**	27,422,487	100.00
		39,014,786	**100.00**	33,577,771	100.00	**24,334,840**	**100.00**	27,422,487	100.00

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

(iv) Credit Exposure by Credit Quality

	2022		2021	
	GROUP	**BANK**	GROUP	BANK
	Stage 1	**Stage 1**	Stage 1	Stage 1
	12-month	**12-month**	12-month	12-month
	ECL	**ECL**	ECL	ECL
	Rs 000	**Rs 000**	Rs 000	Rs 000
Securities at Amortised Cost				
Credit Rating AAA to Baa: Low to fair risk	**49,145,825**	**49,145,825**	-	-
Credit Rating Ba: Monitoring	**-**	**-**	-	-
Credit Rating below Ba: Default	**-**	**-**	-	-
Total Carrying Amount	**49,145,825**	**49,145,825**	-	-
Loss Allowance	**2,582**	**2,582**	-	-
Securities at FVOCI				
Credit Rating AAA to Baa: Low to fair risk	**25,310,170**	**25,310,170**	59,414,570	59,414,570
Credit Rating Ba: Monitoring	**518,857**	**518,857**	1,908,328	1,908,328
Credit Rating below Ba: Default	**-**	**-**	-	-
Total Carrying Amount	**25,829,027**	**25,829,027**	61,322,898	61,322,898
Loss Allowance	**2,440**	**2,440**	(11,425)	(11,425)

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

(v) Collateral

THE GROUP AND THE BANK

The following table gives details of loans availed by the Bank under a Securities Lending Agreement and Repurchase Agreements (Repo):

	BANK 2022 Rs 000	BANK 2021 Rs 000
Loans (Note 22)	**52,339,138**	4,263,240
Securities on Lending and on Repo	**55,014,340**	4,559,345

30 JUNE 2022

Types of financial instruments	**Gross amounts of financial instruments in the statement of financial position**	**Related financial instruments that are not offset**	**Net amount**
	Rs 000	**Rs 000**	**Rs 000**
Financial assets			
Foreign Investments	**55,014,340**	**(52,339,138)**	**2,675,202**
Financial liabilities			
Loans from Foreign Institutions	**(52,339,138)**	**52,339,138**	**-**

30 JUNE 2021

Types of financial instruments	**Gross amounts of financial instruments in the statement of financial position**	**Related financial instruments that are not offset**	**Net amount**
	Rs 000	Rs 000	Rs 000
Financial assets			
Foreign Investments	4,559,345	(4,263,240)	296,105
Financial liabilities			
Loans from Foreign Institutions	(4,263,240)	4,263,240	-

(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 Group and the Bank require highly liquid marketable securities such as Government of Mauritius Treasury Bills as collateral for loans after applying a haircut for additional security.

The Group and the Bank manage 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 Group and the Bank have set limits with regard to currency and counterparty exposures to contain the risk.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The tables below show the Group and the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

THE GROUP

Maturity Analysis		Up to 3 months	Above 3 and to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2022		**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Non Derivative Financial Assets							
Foreign Assets	**(i)**	138,691,778	24,804,971	11,801,257	170,690,364	1,864,938	347,853,308
Loans and Advances		200,243	201,105	527,080	6,584,037	16,715,710	24,228,175
Government Securities		-	-	-	15,582,534	-	15,582,534
Other Assets		60,243	-	-	86,664	-	146,907
Total Financial Assets		138,952,264	25,006,076	12,328,337	192,943,599	18,580,648	387,810,924
Non Derivative Financial Liabilities							
Currency in Circulation	**(ii)**	49,124,042	-	-	-	-	49,124,042
Demand Deposits	**(iii)**	182,508,803	-	-	-	-	182,508,803
Monetary Policy Instruments		49,379,316	13,573,090	12,463,348	31,261,099	6,175,788	112,852,641
Other Liabilities		14,363,575	265,892	4,809,652	48,456,491	-	67,895,610
Total Financial Liabilities		295,375,736	13,838,982	17,273,000	79,717,590	6,175,788	412,381,096
Net Liquidity Gap		(156,423,472)	11,167,094	(4,944,663)	113,226,009	12,404,860	(24,570,172)

Note:
(i) The Foreign Assets of the Group are highly liquid and can be realised at any point in time by the Group.
(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.
(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

34. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

THE GROUP

Maturity Analysis		Up to 3 months	Above 3 and to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2021		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	**(i)**	116,657,269	11,485,028	7,208,102	176,861,860	2,915,936	315,128,195
Loans and Advances		32,322	1,523	4,293,146	1,354,185	7,418,022	13,099,198
Government Securities		-	-	-	15,582,534	-	15,582,534
Other Assets		43,689	-	-	49,758	5,043,145	5,136,592
Total Financial Assets		116,733,280	11,486,551	11,501,248	193,848,337	15,377,103	348,946,519
Non Derivative Financial Liabilities							
Currency in Circulation	**(ii)**	45,706,636	-	-	-	-	45,706,636
Demand Deposits	**(iii)**	162,594,612	-	-	-	-	162,594,612
Monetary Policy Instruments		38,509,431	8,519,335	15,658,409	49,059,814	6,398,080	118,145,069
Other Liabilities		15,370,586	-	-	-	-	15,370,586
Total Financial Liabilities		262,181,265	8,519,335	15,658,409	49,059,814	6,398,080	341,816,903
Net Liquidity Gap		(145,447,985)	2,967,216	(4,157,161)	144,788,523	8,979,023	7,129,616

Note:
(i) The Foreign Assets of the Group are highly liquid and can be realised at any point in time by the Group.
(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.
(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

THE BANK

Maturity Analysis		Up to 3 months	Above 3 and to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2022		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	(i)	138,691,778	24,804,971	11,801,257	170,690,364	1,864,938	347,853,308
Loans and Advances		200,243	201,105	527,080	6,584,037	2,024,264	9,536,729
Government Securities		-	-	-	15,582,534	-	15,582,534
Other Assets		71,743	-	-	86,664	-	158,407
Total Financial Assets		138,963,764	25,006,076	12,328,337	192,943,599	3,889,202	373,130,978
Non Derivative Financial Liabilities							
Currency in Circulation	(ii)	49,124,042	-	-	-	-	49,124,042
Demand Deposits	(iii)	217,491,508	-	-	-	-	217,491,508
Monetary Policy Instruments		49,379,316	13,573,090	12,463,348	31,261,099	6,175,788	112,852,641
Other Liabilities		14,357,080	265,892	4,809,652	48,456,491	-	67,889,115
Total Financial Liabilities		330,351,946	13,838,982	17,273,000	79,717,590	6,175,788	447,357,306
Net Liquidity Gap		(191,388,182)	11,167,094	(4,944,663)	113,226,009	(2,286,586)	(74,226,328)

Note:
(i) The Foreign Assets of the Bank are highly liquid and can be realised at any point in time by the Bank.
(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.
(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

THE BANK

Maturity Analysis		Up to 3 months	Above 3 and to 6 months	Above 6 and up to 12 months	Between 1 and 5 years	Above 5 years	Total
At 30 June 2021		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	**(i)**	116,657,269	11,485,028	7,208,102	176,861,860	2,915,936	315,128,195
Loans and Advances		32,322	1,523	4,293,146	1,354,185	1,257,489	6,938,665
Government Securities		-	-	-	15,582,534	-	15,582,534
Other Assets		48,939	-	-	49,758	5,048,645	5,147,342
Total Financial Assets		116,738,530	11,486,551	11,501,248	193,848,337	9,222,070	342,796,736
Non Derivative Financial Liabilities							
Currency in Circulation	**(ii)**	45,706,636	-	-	-	-	45,706,636
Demand Deposits	**(iii)**	234,492,431	-	-	-	-	234,492,431
Monetary Policy Instruments		38,509,431	8,519,335	15,658,409	49,059,814	6,398,080	118,145,069
Other Liabilities		15,355,600	-	-	-	-	15,355,600
Total Financial Liabilities		334,064,098	8,519,335	15,658,409	49,059,814	6,398,080	413,699,736
Net Liquidity Gap		(217,325,568)	2,967,216	(4,157,161)	144,788,523	2,823,990	(70,903,000)

Note:
(i) The Foreign Assets of the Bank are highly liquid and can be realised at any point in time by the Bank.
(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.
(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk

Repricing Analysis

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

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

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

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

	Change in yield (basis points)	Effect on Profit and equity 2022	Effect on Profit and equity 2021
		Rs 000	Rs 000
Foreign Currency Portfolio	**+50**	**1,553,562**	1,255,851
	-50	**(1,553,562)**	(1,255,851)
Government Securities	**+50**	**76,225**	75,000
	-50	**(76,225)**	(75,000)

Government securities are amortised in the Statement of Financial Position of the Bank.

The tables below summarise the Group and the Bank's exposure to interest rate risk. The amounts disclosed in the tables are the contractual undiscounted cash flows, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

THE GROUP

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2022	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	131,017,715	24,423,440	1,509,262	9,772,619	169,997,066	9,414,670	346,134,772
Loans and Advances	179,370	201,105	294,738	1,535,572	7,305,071	14,694,354	24,210,210
Government Securities	-	-	-	-	15,582,534	-	15,582,534
Other Assets	60,243	-	-	-	86,664	-	146,907
Total Financial Assets	131,257,328	24,624,545	1,804,000	11,308,191	192,971,335	24,109,024	386,074,423
Non Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	49,124,042	49,124,042
Demand Deposits	78,573,098	-	-	-	-	103,935,705	182,508,803
Monetary Policy Instruments	49,015,141	12,968,869	3,822,305	8,262,369	35,823,287	-	109,891,971
Other Liabilities	272,387	265,892	4,809,652	243,812	48,212,679	14,091,188	67,895,610
Total Financial Liabilities	127,860,626	13,234,761	8,631,957	8,506,181	84,035,966	167,150,935	409,420,426
Net Liquidity Gap	3,396,702	11,389,784	(6,827,957)	2,802,010	108,935,369	(143,041,911)	(23,346,003)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

THE GROUP

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2021	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	95,826,844	5,863,130	5,454,032	6,926,795	177,273,176	22,347,330	313,691,307
Loans and Advances	6,287	1,502	1,506	76,604	7,035,415	6,181,832	13,303,146
Government Securities	-	-	-	-	15,132,534	-	15,132,534
Other Assets	43,690	-	-	-	98,402	4,994,500	5,136,592
Total Financial Assets	95,876,821	5,864,632	5,455,538	7,003,399	199,539,527	33,523,662	347,263,579
Non Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	45,706,636	45,706,636
Demand Deposits	55,291,770	-	-	-	-	107,302,842	162,594,612
Monetary Policy Instruments	38,083,455	8,270,335	12,473,427	37,685,738	17,767,019	-	114,279,974
Other Liabilities	4,328,341	-	-	-	-	11,042,245	15,370,586
Total Financial Liabilities	97,703,566	8,270,335	12,473,427	37,685,738	17,767,019	164,051,723	337,951,808
Net Liquidity Gap	(1,826,745)	(2,405,703)	(7,017,889)	(30,682,339)	181,772,508	(130,528,061)	9,311,771

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

THE BANK

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2022	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	131,017,715	24,423,440	1,509,262	9,772,619	169,997,066	9,414,670	346,134,772
Loans and Advances	179,370	201,105	294,738	1,535,572	7,305,071	2,908	9,518,764
Government Securities	-	-	-	-	15,582,534	-	15,582,534
Other Assets	60,244	-	-	-	86,664	11,499	158,407
Total Financial Assets	131,257,329	24,624,545	1,804,000	11,308,191	192,971,335	9,429,077	371,394,477
Non Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	49,124,042	49,124,042
Demand Deposits	78,573,097	-	-	-	-	138,918,411	217,491,508
Monetary Policy Instruments	49,015,141	12,968,869	3,822,305	8,262,369	35,823,287	-	109,891,971
Other Liabilities	265,893	265,893	4,809,651	243,812	48,212,679	14,091,188	67,889,116
Total Financial Liabilities	127,854,131	13,234,762	8,631,956	8,506,181	84,035,966	202,133,641	444,396,637
Net Liquidity Gap	3,403,198	11,389,783	(6,827,956)	2,802,010	108,935,369	(192,704,564)	(73,002,160)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

THE BANK

Repricing Analysis	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
At 30 June 2021	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Non Derivative Financial Assets							
Foreign Assets	95,826,844	5,863,130	5,454,032	6,926,795	177,273,176	22,347,330	313,691,307
Loans and Advances	6,287	1,502	1,506	76,604	7,035,415	21,299	7,142,613
Government Securities	-	-	-	-	15,132,534	-	15,132,534
Other Assets	43,439	-	-	-	98,402	5,005,500	5,147,341
Total Financial Assets	95,876,570	5,864,632	5,455,538	7,003,399	199,539,527	27,374,129	341,113,795
Non Derivative Financial Liabilities							
Currency in Circulation	-	-	-	-	-	45,706,636	45,706,636
Demand Deposits	55,291,770	-	-	-	-	179,200,661	234,492,431
Monetary Policy Instruments	38,083,455	8,270,335	12,473,427	37,685,738	17,767,019	-	114,279,974
Other Liabilities	4,313,355	-	-	-	-	11,042,245	15,355,600
Total Financial Liabilities	97,688,580	8,270,335	12,473,427	37,685,738	17,767,019	235,949,542	409,834,641
Net Liquidity Gap	(1,812,010)	(2,405,703)	(7,017,889)	(30,682,339)	181,772,508	(208,575,413)	(68,720,846)

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 0.45% p.a. to 4.0% p.a. (2021: 0.45% p.a. to 5.0% p.a.) and from -0.50% p.a. to 7.37% p.a. (2021: -0.55% p.a. to 8.79% p.a.) for foreign currency denominated assets.

The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 0.55% p.a. to 6.95% p.a. (2021: 0.15% p.a. to 6.95% p.a.) and from 0.38% p.a. to 2.60% p.a. (2021: -0.50% p.a. to 0.66% p.a.) for liabilities denominated in foreign currencies.

Mauritius Investment Corporation Ltd

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. MIC's income and operating cash are not dependent on changes in interest rates as MIC has fixed rate interest bearing financial assets.

The interest-bearing Mauritian rupee denominated assets earn fixed interest at rates ranging from 3% p.a. to 3.5% p.a. On this basis, MIC is not significantly exposed to interest rate risk.

Fair value sensitivity analysis for fixed-rate instruments

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

	Change in yield (basis points)	Effect on Profit and Equity 2022
		Rs 000
Financial assets at fair value through profit or loss ("FVTPL")	+100	(407,000)
	-100	377,000

Equity price risk

Equity price risk is the risk of unfavourable changes in fair values of equities as the result of changes in the value of individual shares. The equity price risk exposure arises from the MIC's investments in Secured Redeemable Convertible Bonds.

The MIC's policy is to manage price risk through selection of securities and other financial instruments within the specified limits set by its investment policy.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Foreign Currency Risk

MIC did not have assets and liabilities denominated in foreign currencies.

The Bank 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 and loans from foreign financial institutions.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside the Special Reserve Fund (Note 5), which is used to cater for movements due to appreciation/depreciation in foreign currencies, Gold and SDR.

The Bank considers it has a diversified portfolio of foreign currencies which would mitigate any foreign currency risk that may arise from volatility in exchange rates. The composition of the Bank's Foreign Assets based on the SDR Basket is as follows:

	2022	2021
	Rs 000	Rs 000
SDR Basket	**285,671,943**	268,829,369
Non-SDR Basket	**60,462,829**	44,861,938
	346,134,772	313,691,307

The SDR Basket comprises the following currencies: GBP, USD, EUR, JPY and RMB.

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 2022	Effect on Profit and Equity 2021
		Rs 000	Rs 000
Foreign Currency Portfolio	**+50 cents**	**7,059,603**	6,927,674
	-50 cents	**(7,059,603)**	(6,927,674)

35. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius are disclosed in Notes 5, 8(ii) and 23 to the financial statements. The Bank also maintains demand deposits Rs16,780,829,111 (2021: Rs38,389,110,457) for the Government.

Emoluments payable to Directors are disclosed in Note 30 as per their terms of appointment.

The Bank contributes for the post-retirement benefits of its employees as disclosed in Note 21(c) and the Second Deputy Governor who is on the permanent and pensionable establishment of the Bank. The contribution of the Second Deputy Governor was Rs932,904 (2021: Rs932,000).

The balances and transactions with the subsidiary are disclosed in Notes 8(ii), 10(ii),12 ,13, 14, 16, 17, 22, 24, 25, 26, 28, 29 and 30.

36. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND (“IMF”)

As a member of IMF, Mauritius was initially allocated an amount of SDR15,744,000. In August 2009, the IMF Board of Governors approved an allocation of Special Drawing Rights (SDR) to member countries. Accordingly, a total amount of SDR81,061,549 was allocated to Mauritius. In August 2021, the IMF Board of Governors approved an additional General Allocation of SDRs and an amount of SDR136,292,305 was allocated to Mauritius bringing the total allocation to SDR233,097,854. A total amount of SDR25,894,000 was utilized for prescribed transfers bringing the balance to SDR207,203,854. 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 Rs26,520,727 (2021: Rs2,869,245).

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: Others”. 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.

37. BUSINESS COMBINATION

In June 2021, the Group, through its wholly owned subsidiary, Mauritius Investment Corporation Ltd, entered into an agreement with Omnicane Limited and acquired 100% of the shareholding of Mon Tresor Smart City Ltd (MTSC) and as a result the Group has obtained control on MTSC. The transaction primarily involved acquisition of the investment properties of MTSC whose main operation is real estate and property development in the context of smart city scheme. In June 2022, MTSC changed its name to MIC Smart City Ltd.

The Group has assessed whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has concluded that the acquired set is a business.

37. BUSINESS COMBINATION (CONTINUED)

The Group has accounted for the above transaction under IFRS 3, "Business Combinations" in the consolidated financial statements. Details of purchase consideration, fair value of the acquiree's assets and liabilities arising from the acquisition and any goodwill/ bargain purchase are given below:

	2021
	Rs 000
Purchase consideration	2,416,395
Fair value of net assets acquired	2,416,395
Goodwill/ (Excess of group's interest in the fair value of acquiree's assets and liabilities over cost)	-

Fair value of the acquiree's assets and liabilities arising from the acquisition are as follows:

	2021
	Rs 000
Investment properties	2,414,647
Other receivables	1,645
Cash and cash equivalents	240
Other payables	(137)
Net assets	2,416,395
Net cash outflow on acquisitions	2,416,395

The valuation techniques used for measuring the fair value of material assets acquired are disclosed in Note 13.

38. SUBSEQUENT EVENTS

There were no significant events after the reporting date which need disclosures.

39. TAXATION

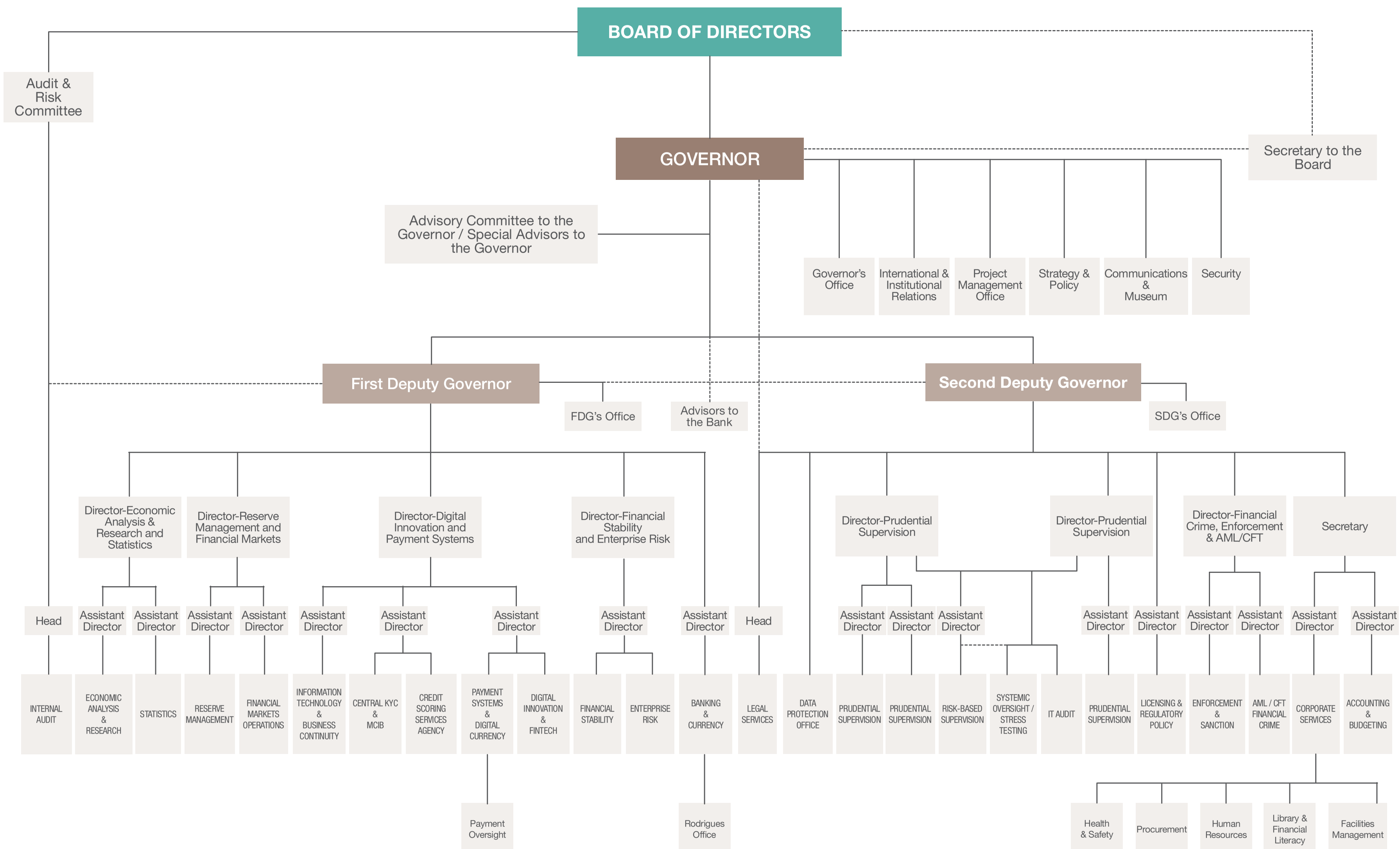
The Bank and its subsidiaries are exempt for payment of tax under the Mauritius Income Tax Act 1995.

6 APPENDICES

Appendices

Appendix I

Bank of Mauritius - Organisation Chart

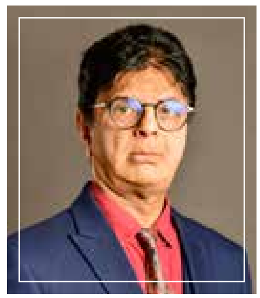


Appendix II

Senior Management

The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the Board and the general supervision of the Bank. The Deputy Governors are, under the general supervision of the Governor, responsible for the day-to-day administration of the Bank. The Bank is organised into core departments: Economic Analysis & Research and Statistics; Reserve Management and Financial Markets; International and Institutional Relations; Strategy and Policy; Legal; Communications and Museum; Digital Innovation and Payment Systems; Financial Stability and Enterprise Risk; two departments overseeing Prudential Supervision; and Financial Crime, Enforcement & AML/CFT. The Secretary of the Bank oversees the Corporate Services and Accounting & Budgeting divisions.

Harvesh Kumar Seegolam
Governor
MSc International Finance, BSc (Hons) Economics



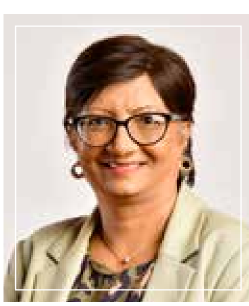
Mardayah Kona Yerukunondu
First Deputy Governor
LLB (Hons), Barrister

Hemlata Sadhna Sewraj-Gopal
Second Deputy Governor
ACA, BA (Hons) Economics

Neetyanand Kowlessur
Acting Secretary
Msc Financial Economics, BA (Hons) Economics

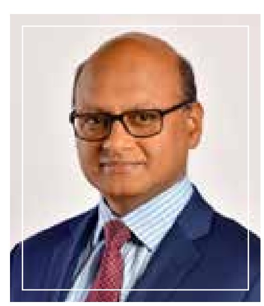
Ramsamy Chinniah
Director - Supervision
FCCA, MSc Financial Economics

Marjorie M. A. Heerah-Pampusa
Director
Economic Analysis & Research and Statistics
MA Economics, BSc (Hons) Economics



Sudha Hurrymun
Director - Supervision
FCCA, MSc Finance

Pauline Charazac
Advisor on International and Institutional Relations
MA, Public Affairs
BA, Social Sciences and Humanities



Youssouf Waesh Khodabocus
Acting Director - Financial Stability and Enterprise Risk
BA (Hons) Economics

Ng Cheong Jose Li Yun Fong
Assistant Director - Information Technology and Business Continuity
BSc Computer Science

Yuntat Chu Fung Leung
Assistant Director - Banking & Currency
MBA Finance, BA (Hons) Economics and Social Studies

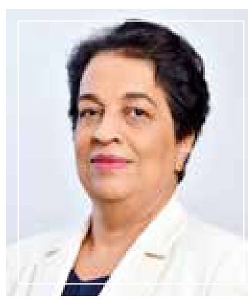
Urvashi Chuttarsing-Soobarah
Assistant Director - Supervision
MSc Financial Mathematics, BSc Mathematics

Smeeta Bissoonauth
Assistant Director - Enterprise Risk
ACMA CGMA, MSc Actuarial Science

Rajshri Jutton-Gopy
Head - Legal Services
LLB (Hons), Attorney

Shardhanand Gopaul
Assistant Director - Accounting & Budgeting
FCCA, MSc (conversion) Information Systems

Sanjay Ramnarainsing
Assistant Director - Financial Markets Operations
FCCA, MBA Financial Management



Tilotma Gobin-Jhurry
Assistant Director - Payment Systems & Digital Currency and Digital Innovation & FinTech
BSc Professional Graduate Diploma

Ashwin Moheeput
Assistant Director - Economic Analysis & Research
PhD Economics, MSc Economics, BSc (Hons) Economics

Dhirajsingh Rughoobur
Acting Head - Governor's Office
MSc International Securities, Investment and Banking
BA (Hons) Economics

Appendix III

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

Governor, Harvesh Seegolam, attended

i. Meetings with the Organisation for Economic Co-operation and Development (OECD), Agence Française de Développement, Bank of England, Moody's Ratings and the Official Monetary and Financial Institutions Forum amongst others in France and the United Kingdom from 28 October to 6 November 2021;

ii. Meetings with the Central Bank of the United Arab Emirates, the Dubai International Financial Centre, the Dubai Financial Services Authority and working sessions on digital banking in the United Arab Emirates from 22 to 25 January 2022. A Memorandum of Understanding was also signed with the Dubai International Financial Centre;

iii. Meetings for signature of bilateral cooperation letters / agreements between the Bank of Mauritius and the Central Bank of Kuwait; the Bank of Mauritius and the Banque de France; and between the Bank of Mauritius and the Autorité de Contrôle Prudentiel et de Résolution of France amongst others. Bilateral meetings were equally held with the Kuwait Investment Authority, the Prudential Regulation Authority of the UK and the Fédération Bancaire Française amongst others from 13 to 23 March 2022 to the Gulf, the United Kingdom and France;

iv. The IMF / World Bank Spring Meetings from 18 to 22 April 2022 in Washington DC, USA and several ancillary meetings in the margins of the Spring Meetings; and

v. Meetings with the OECD, the European Banking Authority, the Banque de France Open Lab, the Reserve Bank of India, the National Payments Corporation of India and the National Institute of Bank Management of India from 9 to 14 June 2022 in France and India.

First Deputy Governor, Mardayah Kona Yerukunondu, attended

i. Meetings with Crane Currency, Mashreq Bank, Dubai Islamic Bank, Dubai Investment Corporation, Emirates Islamic Bank, Abu Dhabi Investment Authority, Islamic Financial Services Board and the launch of the Mauritius Commercial Bank Dubai Office in United Arab Emirates from 4 to 10 December 2021;

ii. The Commercial Launch of the Pan-African Payment and Settlement System hosted by Afreximbank/AfCFTA in Accra, Ghana on 13 January 2022;

iii. Meetings with External Managers in London, United Kingdom and the Franklin Templeton Investment Institute 2022 Global Investor Forum in New York, USA from 12 to 18 May 2022; and

iv. Meetings of the IILM Governing Board and General Assembly in Abu Dhabi, United Arab Emirates from 8 to 9 June 2022.

Second Deputy Governor, Hemlata Sadhna Sewraj-Gopal, attended

i. Meetings at the Deutsche Bundesbank and BIS in Frankfurt, Germany and Basel, Switzerland from 2 to 7 March 2022;

ii. The Conference of Governors of French-speaking countries in Casablanca, Morocco from 25 to 26 May 2022; and

iii. The FSB RCG Sub-Saharan Africa Meeting hosted by the Financial Stability Board in Accra, Ghana from 15 to 16 June 2022.

Appendix IV

Overseas Meetings, Training Courses, Seminars and Workshops

Directors/Assistant Directors/Heads of Divisions

Ramsamy Chinniah, Director-Supervision,

i. Accompanied the First Deputy Governor for several meetings in Dubai and Abu Dhabi, including with Crane Currency, Mashreq Bank, Dubai Islamic Bank, Dubai Investment Corporation, Emirates Islamic Bank, Abu Dhabi Investment Authority, Islamic Financial Services Board, and the launch of Mauritius Commercial Bank Dubai Office from 4 to 10 December 2021.

Marjorie Marie-Agnes Heerah Pampusa, Director-Economic Analysis & Research and Statistics,

i. Accompanied the Governor to the IMF/World Bank Spring Meetings from 18 to 22 April 2022 in Washington DC, USA and several ancillary meetings in the margins of the Spring Meetings.

Sudha Hurrymun, Director-Supervision,

i. Accompanied the Second Deputy Governor to the FSB RCG Sub-Saharan Africa Meeting hosted by Financial Stability Board from 15 to 16 June 2022, Accra, Ghana.

Pauline Carole Amelie Charazac, Advisor - International & Institutional Relations

i. Accompanied the Governor on mission from 28 October to 6 November 2021 to France and the United Kingdom for a series of meetings with the Organisation for Economic Co-operation and Development (OECD), Agence Française de Développement, Bank of England, Moody's Ratings and the Official Monetary and Financial Institutions Forum amongst others;

ii. Accompanied the First Deputy Governor from 4 to 10 December 2021 for several meetings in Dubai and Abu Dhabi, including with Crane Currency, Mashreq Bank, Dubai Islamic Bank, Dubai Investment Corporation, Emirates Islamic Bank, Abu Dhabi Investment Authority, Islamic Financial Services Board, and the launch of Mauritius Commercial Bank Dubai Office;

iii. Accompanied the Governor for meetings from 12 to 23 March 2022; to the Gulf, the United Kingdom and France for signature of bilateral cooperation letters / agreements between the Bank of Mauritius and the Central Bank of Kuwait; the Bank of Mauritius and the Banque de France; and between the Bank of Mauritius and the Autorité de Contrôle Prudentiel et de Résolution of France amongst others. Bilateral meetings were equally held with the Kuwait Investment Authority, the Prudential Regulation Authority of the UK and the Fédération Bancaire Française amongst others;

iv. Accompanied the Governor to the IMF / World Bank Spring Meetings from 18 to 22 April 2022 in Washington DC, USA and several ancillary meetings in the margins of the Spring Meetings; and

v. Accompanied the Governor to France for meetings with the OECD, European Banking Authority and Banque de France Open Lab from 9 to 10 June 2022.

Youssouf Waesh Khodabocus, Acting Director-Financial Stability & Enterprise Risk,

i. Accompanied the Governor to Dubai for meetings with the Central Bank of the United Arab Emirates, the Dubai International Financial Centre, the Dubai Financial Services Authority and working sessions on digital banking in the United Arab Emirates from 22 to 25 January 2022. A Memorandum of Understanding was also signed with the Dubai International Financial Centre; and

ii. Accompanied the Governor to the IMF/World Bank Spring Meetings from 18 to 22 April 2022 in Washington DC, USA and several ancillary meetings in the margins of the Spring Meetings.

Neetyanand Kowlessur, Acting Secretary, attended the

i. SNRL Training Programme in Resource Mobilisation hosted by SADC from 20 to 24 June 2022, Johannesburg, South Africa.

Urvashi Chuttarsing-Soobarah, Assistant Director-Supervision,

i. Accompanied the Second Deputy Governor for meetings at the Deutsche Bundesbank and BIS in Frankfurt, Germany and Basel, Switzerland from 2 to 7 March 2022.

Rajshri Devi Jutton-Gopy, Head-Legal Services, attended the

i. 43rd ESAAMLG Task Force of Senior Officials Meetings hosted by ESAAMLG from 3 to 8 April 2022, Arusha, Tanzania.

Shardhanand Gopaul, Assistant Director-Accounting & Budgeting Division, attended the

i. High-Level Conference on the Promotion of Good Governance and Fight against Corruption hosted by African Union Commission/IMF from 13 to 14 June 2022, Gaborone, Botswana.

Ashwin Moheeput, Assistant Director- Economic Analysis & Research, attended the

i. SADC Macroeconomic Sub-Committee Meeting hosted by SADC from 22 to 23 June 2022, Johannesburg, South Africa.

Chiefs

Dhirajsingh Rughoobur, Chief-International & Institutional Relations,

i. Accompanied the Governor on mission from 28 October to 6 November 2021 to France and the United Kingdom for a series of meetings with the OECD, Agence Française de Développement, Bank of England, Moody's Ratings and the Official Monetary and Financial Institutions Forum amongst others;

ii. Accompanied the Governor for meetings from 12 to 23 March 2022; to the Gulf, the United Kingdom and France for signature of bilateral cooperation letters / agreements between the Bank of Mauritius and the Central Bank of Kuwait; the Bank of Mauritius and the Banque de France; and between the Bank of Mauritius and the Autorité de Contrôle Prudentiel et de Résolution of France amongst others. Bilateral meetings were equally held with the Kuwait Investment Authority, the Prudential Regulation Authority of the UK and the Fédération Bancaire Française amongst others; and

iii. Accompanied the Governor to France for meetings with the OECD, European Banking Authority and Banque de France Open Lab from 9 to 10 June 2022.

Feycal Caunhye, Chief – Communications Office,

i. Accompanied the Governor for meetings from 12 to 23 March 2022; to the Gulf, the United Kingdom and France for signature of bilateral cooperation letters / agreements between the Bank of Mauritius and the Central Bank of Kuwait; the Bank of Mauritius and the Banque de France; and between the Bank of Mauritius and the Autorité de Contrôle Prudentiel et de Résolution of France amongst others. Bilateral meetings were equally held with the Kuwait Investment Authority, the Prudential Regulation Authority of the UK and the Fédération Bancaire Française amongst others.

Aswin Kumar Ramduny, Chief-Digital Innovation and Fintech,

i. Accompanied the First Deputy Governor to the Commercial Launch of the Pan-African Payment and Settlement System hosted by Afreximbank/ AfCFTA on 13 January 2022, Accra, Ghana.

Senior Analysts

Prithee Nishi Gopy, Senior Analyst-Internal Audit, attended the

i. Seminar on Internal Audit and Control hosted by Banque de France International Banking and Finance Institute from 8 to 10 June 2022, Paris, France.

Analysts/Attorney-at-Law/Facilities Officer

Doorgesh Choonucksing, Facilities Officer-Facilities Management, attended the

i. Technical Training on the BPS M7 Banknote Sorting Machine and Nota Pack System hosted by Giesecke and Devrient from 7 February to 4 March 2022, Dubai.

Percy Fabrice Dabeesing, Analyst-Banking and Currency, attended the

i. BPS M7 Management Training hosted by Giesecke and Devrient from 27 June to 1 July 2022, Dubai.

Arjun Munbodh, Analyst-Supervision, attended the

i. Financial Inclusion Subcommittee Meeting hosted by SADC from 17 to 20 May 2022, Johannesburg, South Africa.

Aneeshta Ramma, Attorney-At-Law-Legal Services, attended the

i. 43rd ESAAMLG Task Force of Senior Officials Meetings hosted by ESAAMLG from 3 to 8 April 2022, Arusha, Tanzania.

Bank Officers Grade I

Dhaneshwari Angnoo, Bank Officer Grade I-Banking and Currency, attended the

i. BPS M7 Management Training hosted by Giesecke and Devrient from 27 June to 1 July 2022, Dubai.

Shilpa Busgopal-Narain, Bank Officer Grade I-Banking and Currency, attended the

i. BPS M7 Management Training hosted by Giesecke and Devrient from 27 June to 1 July 2022, Dubai.

Kevina Dwarka, Bank Officer Grade I-Supervision, attended the

i. Workshop on Compliance with International and EU Requirements concerning the FATF 'Recommendation 8' hosted by ESAAMLG from 7 to 9 March 2022, Johannesburg, South Africa.

Saraspadee Ramalingum, Bank Officer Grade I-Banking and Currency, attended the

i. BPS M7 Management Training hosted by Giesecke and Devrient from 27 June to 1 July 2022, Dubai.

Divya Seewon, Bank Officer Grade I-Financial Stability, attended the

i. Meeting of Working Group to prepare a COMESA wide 2021 Financial Stability Report hosted by COMESA Monetary Institute from 22 to 24 June 2022, Nairobi, Kenya.

Services Technician

Jugdishsarwan Rughoonundun, Services Technician-Facilities Management, attended the

i. Technical Training for Maintenance Technicians hosted by Giesecke and Devrient from 4 to 29 July 2021, Dubai.

Nundivar Varmah Hurdoyal, Services Technician-Facilities Management, attended the

i. Technical Training on the BPS M7 Banknote Sorting Machine and Nota Pack System hosted by Giesecke and Devrient from 7 February to 4 March 2022, Dubai.

Appendix V

Staff Turnover

Recruitment

Sn	Name	Designation	Effective Date
1.	BHOLAH, Miss Nivedita Darshini	Bank Officer	06/09/2021
2.	CHEDUMBARUM PILLAY, Mrs Jeevalakshmi	Chief – Human Resources	13/09/2021
3.	EMERITH, Mrs Priya	Barrister at Law	18/10/2021
4.	BEESOON, Ms Khema Deepti	Analyst	16/05/2022
5.	CANOO, Miss Khushboo	Business Intelligence Developer	23/05/2022

Retirement

Sn	Name	Designation	Effective Date
1.	RAMDHONY, Mrs Jamawantee	Bank Officer Grade II	11/08/2021
2.	SOBUN, Mrs Luxmi Devi	Analyst	18/08/2021
3.	BASTIEN SYLVA, Mrs Marie Lily Claude	Chief	25/08/2021
4.	CHEENEEBASH, Mr Toolseelall	Bank Attendant/Driver	18/12/2021
5.	SOOKUN, Mrs Lata	Bank Officer Grade II	14/01/2022
6.	GOWREAH, Mr Deojeet	Bank Attendant Grade I	20/01/2022
7.	BHUGOWANDEEN, Mrs Sati Ansuya	Bank Officer	11/04/2022
8.	PRATAP GAYA, Mrs Usha	Analyst	22/06/2022

Resignation

Sn	Name	Designation	Effective Date
1.	RUGHOO, Miss Komal	Analyst	15/08/2021
2.	CUNTHEN, Mrs Manisha	Help Desk Officer	12/11/2021
3.	SOWDAGUR, Mr Prashant	Bank Officer Grade I	15/11/2021
4.	SUNEECHUR, Mr Vickram	Bank Officer	01/01/2022
5.	MOOTOOSAMY, Mr Kumaravel	Analyst	01/03/2022
6.	HURREERAM, Mr Vachaspati Sharma	Analyst	28/04/2022
7.	MADHOU, Dr Ashwin Kumar	Chief	30/04/2022
8.	RAMGOOLAM, Mrs Priyamvada Devi	Bank Officer Grade II	09/06/2022
9.	SAITEE, Miss Pratima	Bank Officer Grade II	10/06/2022

Termination

Sn	Name	Designation	Effective Date
1.	JHUMKA, Mr Muhammad Zaheer	Bank Attendant/Driver	12/07/2021
2.	BISSESSUR, Mr Leckraz	Bank Attendant Grade III	22/03/2022

Appendix VI

Main Legislative Amendments

The Finance (Miscellaneous Provisions) Act 2022

The Finance (Miscellaneous Provisions) Act 2022, which provides for the implementation of measures announced in the Budget Speech 2022-2023 and for matters connected, consequential and incidental thereto, has been gazetted on 2 August 2022 as Act No. 15 of 2022.

The amendments which are of interest to the Bank of Mauritius ('Bank') are set out hereunder. These amendments pertain to the Bank of Mauritius Act 2004 ('BoM Act'), the Banking Act 2004 ('BA'), the Financial Intelligence and Anti-Money Laundering Act 2002 ('FIAMLA') and the National Payment Systems Act 2018 ('NPS Act'), and are deemed to have come into operation on 2 August 2022.

I. Bank of Mauritius 2004

a) Section 9 – Limitations on activities of Bank

i. Section 9(1)(a) of the BoM Act has been amended to allow the Bank to engage in trade which relates to activities and operations of The Bank of Mauritius Museum which is owned and operated by the Bank.

ii. Section 9(1)(g) of the BoM Act has been amended to provide that the limitation imposed on the Bank from opening accounts for and accepting deposits from persons, shall not apply where such accounts are opened and deposits accepted pursuant to section 36(4) of the BoM Act, for the purpose of issuing digital currency.

b) Section 52A – Establishment of Central KYC System and Central Accounts Registry

i. Subsection (1) of section 52A of the BoM Act has been repealed and replaced by a new subsection which enables the Bank to -

   a) establish a Central KYC System for the purpose of facilitating the electronic verification of the identity of customers, validation and extraction of KYC records of customers by KYC institutions, and for the purpose of collecting KYC records submitted to KYC institutions by their customers;

   b) establish a Central Accounts Registry for the purpose of collecting information on accounts maintained by customers, other than the balance and amount held in these accounts; and

   c) require any KYC institution to furnish to the Central KYC System or the Central Accounts Registry, as the case may be, on such terms and conditions as it may determine, such information as it may require for the purpose of maintaining the Central KYC System or the Central Accounts Registry, as the case may be.

ii. In line with the above amendment, -

   a) the heading of section 52A of the BoM Act has been amended from 'Establishment of Central KYC and Accounts Registry' to 'Establishment of Central KYC System and Central Accounts Registry';

   b) the definition of "Central KYC and Accounts Registry" or "Registry" has been deleted from section 52A(7) and the following new definition has been inserted therein –

   "Registry" means the Central KYC System or the Central Accounts Registry, as the case may be.

II. Banking Act 2004

a) Section 5: Application for banking licence

Subsection (8A) of section 5 of the BA has been repealed and replaced by a new subsection to provide the Bank with more flexibility in granting an in-principle approval to an applicant for a banking licence.

Pursuant to this new subsection (8A), where the information or documents, other than those specified in subsection (4)(a), (c), (d) or (g) of section 5 of the BA, in so far as the information or documents relate to proposed directors, chief executive officer and other senior officers, are submitted to the Bank and the Bank is satisfied that the applicant is eligible for a licence, the Bank may, subject to such terms and conditions as it may determine, grant an in-principle approval to the applicant.

Additionally, the new subsection (8A) clarifies that the in-principle approval granted by the Bank to an applicant shall –

(i) not be construed by the applicant as an authorisation to conduct banking business;

(ii) not create any legitimate expectation for a positive final determination of the application; and

(iii) automatically lapse if the applicant does not satisfy the terms and conditions attached to the in-principle approval.

b) Section 64: Confidentiality

i. A new paragraph (ab) has been added to section 64(1) of the BA which empowers the Bank, where the circumstances so warrant, to require a financial institution or a service provider to comply with such confidentiality requirements as it may specify in such guidelines, directives or instructions as it may issue.

ii. Section 64(8A) of the BA has been amended by lettering the existing provision as paragraph (a) and adding a new paragraph (b) thereto to require any person involved in carrying out due diligence on a financial institution under section 64(8A)(a) to-

   a) make a declaration of confidentiality before the chief executive officer or deputy chief executive officer of the financial institution in the form set out in the Second Schedule of the BA;

   b) take an oath of confidentiality in the manner set out in section 64(1)(a)(ii) of the BA; or

   c) comply with section 64(1)(aa) of the BA with such adaptations and modifications as may be necessary.

III. Financial Intelligence and Anti-Money Laundering Act 2002

Section 19D(1) of the FIAMLA has been amended to provide that the Ministry of Financial Services and Good Governance shall, in addition to the national money laundering and terrorism financing risks, also coordinate and undertake measures to identify, assess and understand the national proliferation risk assessment.

Section 19D(4) of the FIAMLA has further been amended, along the same line, to require every supervisory and investigatory authority to use the findings of the risk assessment to assist in the allocation and prioritisation of resources to combat proliferation financing and ensure that appropriate measures are put into place in relevant sectors to mitigate the risks of proliferation financing.

IV. National Payment Systems Act 2018

a) Section 10 – Variation of authorisation or licence

i. Section 10(1) of the NPS Act has been amended to empower the Bank to, at any time, amend, vary or cancel any condition attached to, or impose new conditions on, an authorisation granted or a licence issued under the NPS Act.

ii. Section 10(2) of the NPS Act has been repealed and replaced by a new subsection (2) which provides that where the Bank intends to act under subsection (1), it shall serve a notice on the licensee, giving reasons for the proposed amendment, variation or cancellation of any condition, or imposition of any new condition.

iii. A new subsection (2A) has been added to section 10 of the NPS Act which provides that a licensee may, within 15 days of receipt of a notice under subsection (2), make representations in writing to the Bank.

iv. Subsection (3) of section 10 of the NPS Act has been repealed and replaced by a new subsection (3) which provides that the Bank shall take into consideration the representations, if any, received pursuant to subsection (2A) in determining whether to confirm, modify or abandon the proposed amendment, variation or cancellation of any condition, or imposition of any new condition.

The Virtual Asset and Initial Token Offering Services Act 2021

1. The Virtual Asset and Initial Token Offering Services Act 2021 ('VAITOS Act') was enacted on 16 December 2021 and came into force on 7 February 2022.

2. The object of the VAITOS Act is to provide a comprehensive legislative framework to regulate the new and developing business activities of virtual assets and initial token offerings. The VAITOS Act makes provisions for managing, mitigating and preventing money laundering and financing of terrorism and proliferation risks associated with those emerging business practices.

3. The Financial Services Commission ('FSC'), established under the Financial Services Act, is responsible for regulating and supervising virtual asset service providers ('VASPs') and issuers of initial token offerings ('IITO').

4. The VAITOS Act does not apply to, *inter alia*, (i) digital representations of fiat currencies, securities and other financial assets; and (ii) digital currencies issued by the Bank or the central bank of a foreign jurisdiction.

5. Under the VAITOS Act only a company can carry out the business activities of VASP. The Second Schedule of the VAITOS Act lists out the classes of licences for which a prospective VASP may apply to the FSC, as follows:

Class of Licences		Business Activities Any virtual asset service provider that conducts one or more of the following activities:
Class "M"	Virtual Asset Broker-Dealer	- exchange between virtual assets and fiat currencies; or - exchange between one or more forms of virtual assets.
Class "O"	Virtual Asset Wallet Services	- transfer of virtual assets.
Class "R"	Virtual Asset Custodian	- safekeeping of virtual assets or instruments enabling control over virtual assets - administration of virtual assets or instruments enabling control over virtual assets
Class "I"	Virtual Asset Advisory Services	- participation in and provision of financial services related to an issuer's offer and/or sale of virtual assets
Class "S"	Virtual Asset Market Place	- a virtual asset exchange

6. Pursuant to the provisions of the VAITOS Act, it is an offence for any person to carry out the business activities of a VASP or IITO in or from Mauritius without an appropriate licence issued by the FSC.

7. In the discharge of its regulatory and supervisory powers and functions, the FSC is required to, in collaboration with the Bank, ensure the financial soundness and stability of the financial system in Mauritius in respect of matters falling under the purview of the VAITOS Act.

8. Section 8(3) of the VAITOS Act, provides that:

   (a) a bank may, with the written approval of the central bank, apply –

      i. for a class "R" licence (Virtual Assets Custodian licence) or class "I" licence (Virtual Assets Advisory Services licence);

ii. through its subsidiary, for a class "M" licence (Virtual Assets Broker Dealer licence), class "O" licence (Virtual Asset Wallet Services licence) or class "S" licence (Virtual Assets Market Place licence);

(b) the holder of a licence issued under the National Payment Systems Act may, with the written approval of the central bank, apply, through its subsidiary, for a licence to carry out the business activities of a VASP.

9. Additionally, under the Third Schedule, the services provided by a bank to a VASP under the Banking Act are considered as ancillary services for which the VAITOS Act does not apply.

10. VASPs are subject to the full range of AML/CFT obligations under the Financial Intelligence and Anti-Money Laundering Act, the Financial Intelligence and Anti-Money Laundering Regulations and the United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act.

Mauritius Money Laundering/Terrorist Financing Risk Assessment of Virtual Assets and Virtual Asset Service Providers

11. The Financial Action Task Force ('FATF'), as the global standard-setter for combating money laundering and the financing of terrorism and proliferation of weapons of mass destruction, acknowledges both the potential of Virtual Assets ('VAs') for financial innovation and their propensity for criminal use through money laundering (ML) and terrorism financing (TF).

12. FATF Recommendation 15 accordingly requires countries and financial institutions to, amongst others, identify and assess ML/TF risks that may arise from the use of new developing technologies, VAs activities and the activities or operations of VASPs.

13. Pursuant to these obligations, Mauritius conducted a national risk assessment with respect to VAs and VASPs. Mauritius adopted the World Bank's methodology and tool to identify and assess the combined ML/TF risks of VAs and VASPs in its eco-environment.

14. The *Mauritius Money Laundering/Terrorist Financing Risk Assessment of Virtual Assets and Virtual Asset Service Providers* (VAs/VASPs Risk Assessment) was concluded in November 2021 i.e. before the enactment of the VAITOS Act in December 2021.

15. The VAs/VASPs Risk Assessment has enabled the identification and evaluation of the associated ML and TF threats, as well as, vulnerabilities with VAs and VASPs through a sectoral approach. The risk assessment provides the basis for implementing a risk-based approach to ensure that the preventive and mitigating measures are commensurate with the ML/TF risks identified.

16. An action plan, with high and medium priority measures, and quick wins, was devised to address amongst others the regulatory, administrative and operational gaps identified during the risk assessment so that Mauritius remains a credible and trustworthy international financial centre.

Appendix VII

List of Banks, Non-Bank Deposit Taking Institutions, Money-Changers, Foreign Exchange Dealers and Payment Service Providers Licensed by the Bank of Mauritius

The following is an official list of banks holding a Banking Licence, institutions other than banks, which are licensed to transact deposit taking business, cash dealers licensed to transact the business of money-changer or foreign exchange dealer in Mauritius and Rodrigues and payment service providers as at 30 June 2022.

Banks

1. ABC Banking Corporation Ltd
2. Absa Bank (Mauritius) Limited
3. AfrAsia Bank Limited
4. Bank One Limited
5. Bank of Baroda
6. Bank of China (Mauritius) Limited
7. BCP Bank (Mauritius) Ltd
8. Habib Bank Limited
9. HSBC Bank (Mauritius) Limited
10. Investec Bank (Mauritius) Limited
11. MauBank Ltd
12. SBI (Mauritius) Ltd
13. SBM Bank (Mauritius) Ltd
14. Silver Bank Limited
15. Standard Bank (Mauritius) Limited
16. Standard Chartered Bank (Mauritius) Limited
17. The Hongkong and Shanghai Banking Corporation Limited
18. The Mauritius Commercial Bank Limited
19. Warwyck Private Bank Ltd [1]

Non-Bank Deposit Taking Institutions

1. La Prudence Leasing Finance Co. Ltd
2. Mauritius Housing Company Ltd
3. MCB Leasing Limited
4. SICOM Financial Services Ltd
5. SPICE Finance Ltd
6. The Mauritius Civil Service Mutual Aid Association Ltd

Money-Changers (Bureaux de Change)

1. Abbey Royal Finance Ltd
2. EFK Ltd
3. Iron Eagle Ltd
4. Moneytime Co. Ltd
5. Unit E Co Ltd
6. Vish Exchange Ltd

Foreign Exchange Dealers

1. British American Exchange Co. Ltd
2. Change Express Ltd
3. Cim Forex Ltd
4. Mauritius Post Foreign Exchange Co Ltd
5. Shibani Finance Co. Ltd
6. Thomas Cook (Mauritius) Operations Company Limited

Payment Service Providers

1. CIM Financial Services Ltd
2. Emtel MFS Co Ltd
3. Cellplus Mobile Communications Ltd

[1] *The bank carries on exclusively private banking business.*

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List of Acronyms

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BA	Banking Act
BML	Broad Money Liabilities
CAR	Capital Adequacy Ratio
CBDC	Central Bank Digital Currency
CPI	Consumer Price Index
CPS	Card Payment System
D-SIBs	Domestic Systemically-Important Banks
ERM	Enterprise Risk Management
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
ESG	Environmental, Social, and Governance
FATF	Financial Action Task Force
FMI	Financial Market Infrastructure
f.o.b.	Free on board
FSC	Financial Services Commission
FSI	Financial Soundness Indicators
GBC	Global Business Companies
GBLHs	Global Business Licence Holders
GDP	Gross Domestic Product
HQLA	High Quality Liquid Assets
ICC	Interagency Coordination Committee
IMF	International Monetary Fund
IPS	Instant Payment System
JCC	Joint Coordination Committee
KRR	Key Repo Rate
LCR	Liquidity Coverage Ratio
MACSS	Mauritius Automated Clearing and Settlement System
MauCAS	Mauritius Central Automated Switch
MCIB	Mauritius Credit Information Bureau
ML	Money Laundering
MMIs	Money Market Instruments
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
NBDTIs	Non-Bank Deposit-Taking Institutions
NGFS	Network for Greening the Financial System
QCBS	Quantum Central Banking System
RAS	Risk Appetite Statement
RTGS	Real Time Gross Settlement
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TF	Terrorist Financing
VAITOS	Virtual Asset and Initial Token Offering Services

Unless otherwise stated, the Report relies on information and financial data available up to the end of June 2022.

Please scan the QR Code to access
the Bank of Mauritius Annual Report 2021-22
on the Bank's website.

BANK OF MAURITIUS

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