



**PAYMENT
SYSTEMS AND
CURRENCY
MANAGEMENT**



View of Champ de Mars in Port Louis



The Champ de Mars area, a tribute to the Roman God of war Mars, was named after the Champ de Mars located in Paris. The grounds were similarly used by the French as a military training ground. In 1812, the British transformed the place into a racecourse. British Colonel Edward Alured Draper, the driving force behind the creation of the horse racing track, felt that the passion of horseracing shared by British and French people might foster a cooperative spirit.

The Champ de Mars stands as the oldest racecourse in the Southern Hemisphere and the second oldest racecourse in the world. The first race ever contested in Mauritius was held on 25 June 1812. The Champ de Mars is also a landmark for the country's independence. The handover of power from the British authorities to the Mauritian independent government took place there at noon on 12 March 1968.

PAYMENT SYSTEMS AND CURRENCY MANAGEMENT



Payment systems play an integral role in a country's financial market infrastructure. A safe and efficient payment system is critical in promoting financial stability and contributes significantly to overall economic development. In parallel, innovation, changing consumer preferences and technological developments have paved the way for the emergence of new operators across the payments sphere which, until recently, was primarily dominated by banks.

Over the years, the Bank has undertaken several initiatives with the aim of developing a robust ecosystem for digital payments and financial services. The Bank endeavours to bring more efficiency, safety and resilience in the payment systems so as to keep pace with international developments, while keeping in view the growing challenges posed by technological innovation.

Regulatory Framework

Pursuant to Section 5(1) (c) of the Bank of Mauritius Act (the BoM Act), the Bank is mandated to manage the payment, clearing and settlement systems in Mauritius. With the proclamation of the National Payment Systems Act (the Act) in January 2019, the Bank has been empowered to regulate, oversee and supervise the national payment system and other payment systems being operated in Mauritius, while enabling non-bank payment service

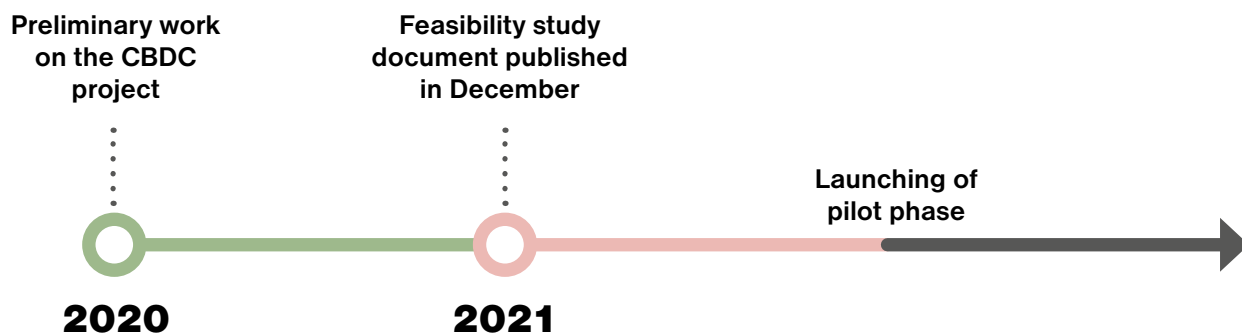
providers to operate in a regulated environment conducive to their line of business. The National Payment Systems (Authorisation and Licensing) Regulations 2021, issued on 31 May 2021, aims at providing a more comprehensive framework for the Bank's licensing mandate under the Act.

Central Bank Digital Currency

Since early 2020, the Bank has been exploring the possibility for the issuance of a retail Central Bank Digital Currency (CBDC), a digital form of sovereign currency. In this respect, the BoM Act has been amended to enable the Bank to issue a digital currency as an alternative to cash. The CBDC, being a legal tender, will contribute to foster more resilience in the payment eco-system and support the process of digitalisation, while providing households and businesses with a safe means of digital payments.

In view of the wide-ranging implications of a CBDC on the Bank's operations and objectives as well as the wider economy, the Bank has sought the technical assistance of the IMF to bring this project to fruition. Several milestones have already been achieved in the design and conceptualisation of the CBDC, with the Bank expecting to publish a feasibility study document in December 2021 and launch a pilot phase thereafter.

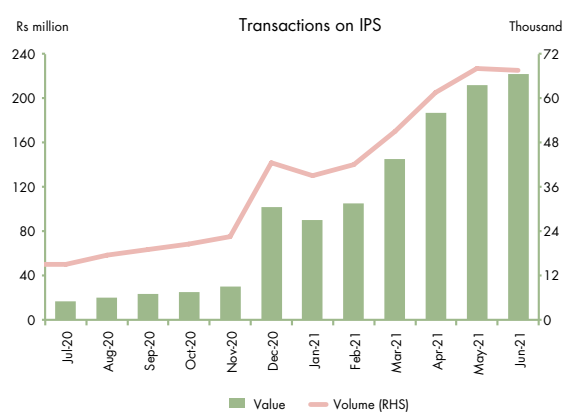
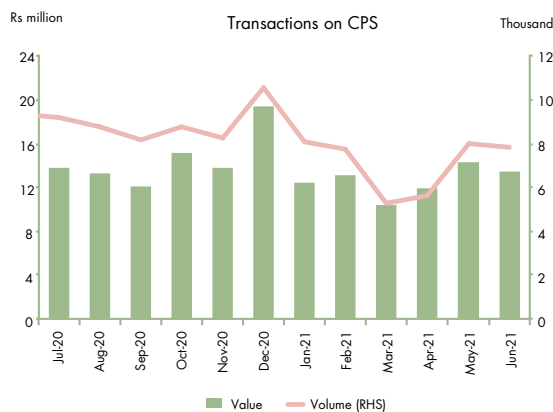
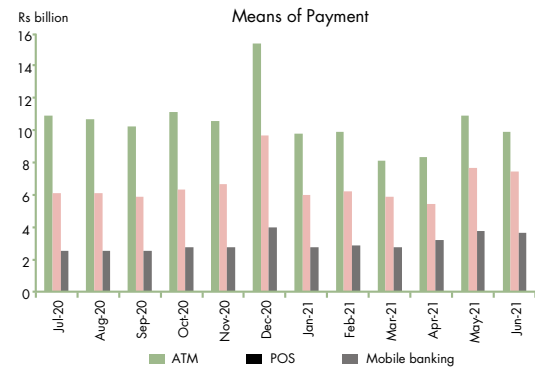
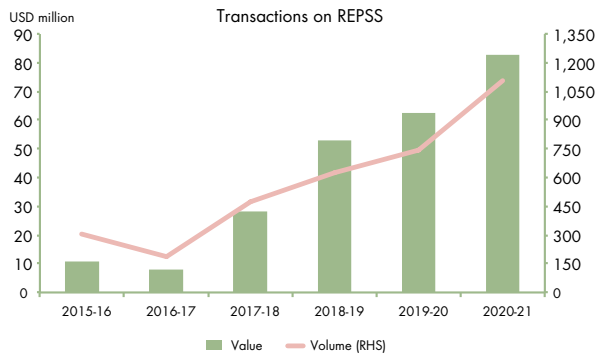
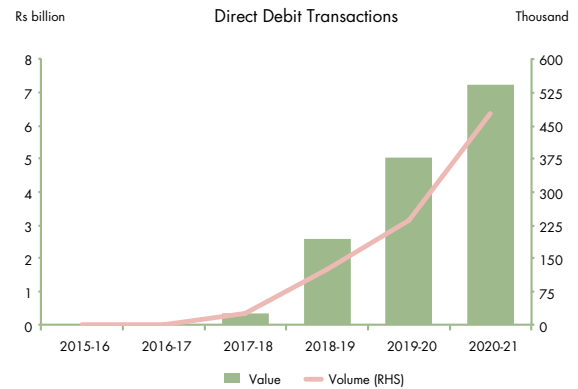
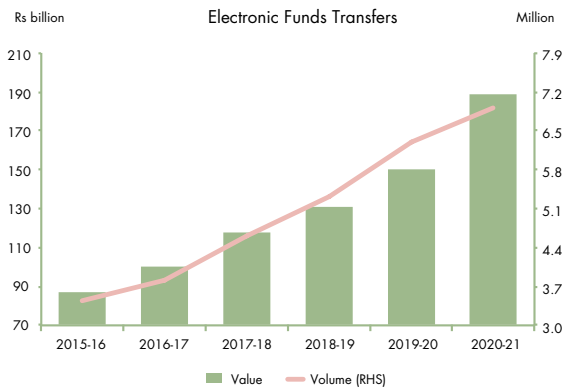
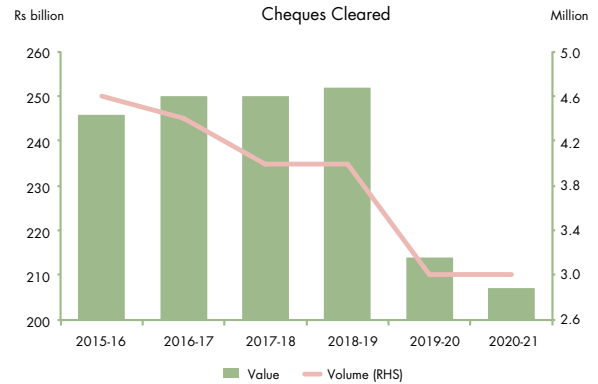
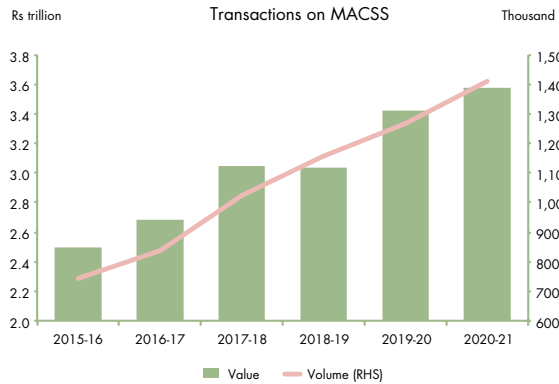
Timeline for the CBDC Project:



PAYMENT SYSTEMS AND CURRENCY MANAGEMENT



Selected Indicators for Payment Systems and Digital Innovation



PAYMENT SYSTEMS AND CURRENCY MANAGEMENT



Mauritius Automated Clearing and Settlement System

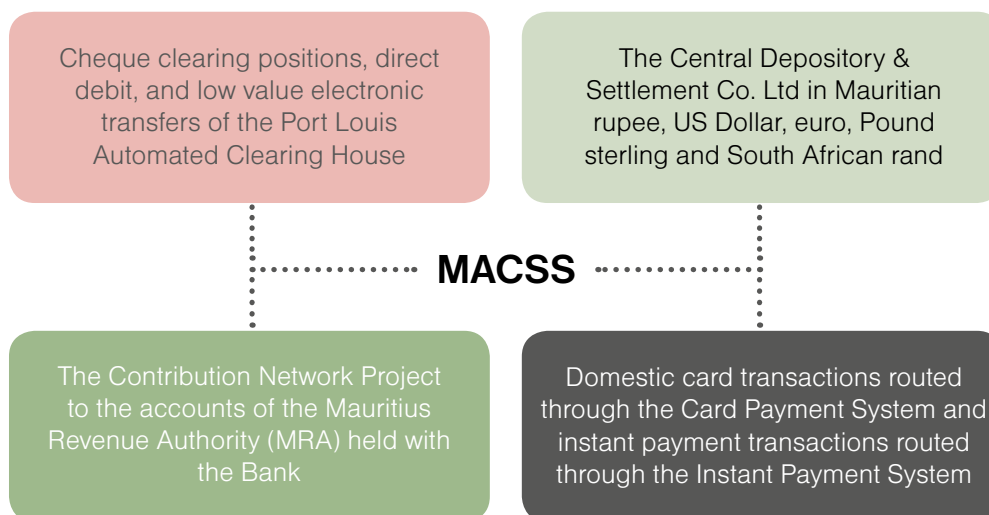
The Mauritius Automated Clearing and Settlement System (MACSS), the single large value payment and settlement system in Mauritius, is the backbone of the payment systems in Mauritius. The MACSS is a fully automated multi-currency system that allows transfer of funds on a Real Time Gross Settlement (RTGS) basis.

Notwithstanding the national lockdown imposed over the period 10 March to 30 April 2021, throughput on MACSS, measured in volume and value terms, increased by 11.3 per cent and by 4.4 per cent, respectively, in FY2020-21 compared to FY2019-20. In this respect, 1,407,855 transactions amounting to Rs3.5 trillion were processed in FY2020-21 compared to 1,265,372 transactions totalling

Rs3.4 trillion recorded in FY2019-20. The daily average volume of transactions settled on MACSS stood at 5,648 in FY2020-21 compared to 5,058 in FY2019-20. The average value of transactions also increased from Rs13.8 billion to Rs14.2 billion over the same period. The value of foreign currency transactions processed on the MACSS in FY2020-21 was equivalent to US\$19.6 billion, representing an increase of 105.0 per cent relative to FY2019-20.

These developments highlight the increasing use of the MACSS as a mode of interbank payment. The high resilience of the MACSS is clearly reflected in the large volume of payment transactions being processed with same day settlement and without any downtime during FY2020-21.

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



Bulk Clearing System

The Port-Louis Automated Clearing House (PLACH) clears and settles cheques, direct debit instructions and low value Electronic Fund Transfers (EFTs) during four daily cycles through a Bulk Clearing System (BCS). The cheque truncation feature of the BCS, which clears cheques based on electronic images, has significantly shortened the clearing cycle and contributed to improve the velocity of money in the banking system.

The usage of cheques remains on a downtrend, as the public is opting for electronic mode of payments. Increased usage of EFTs is mainly attributed to payments linked to the Wage Assistance Schemes and the Negative Income Tax paid by the MRA, while direct debit instructions are primarily utilised by the MRA for the collection of taxes, contribution to the National Pension Fund and other social contributions.

PAYMENT SYSTEMS AND CURRENCY MANAGEMENT



Main Developments on the BCS:

Cheques

- 3,075,474 cheques for a total value of Rs207 billion were cleared in FY2020-21 and represented respective declines of 2.9 per cent and 3.4 per cent, compared to FY2019-20
- The daily average volume and value of cheques cleared dropped to 12,302 cheques and Rs829 million, respectively, in FY2020-21

- 6,872,209 transactions for an amount of Rs188 billion were cleared during FY2020-21, representing respective increases of 9.6 per cent and 25.4 per cent, compared to FY2019-20

EFTs

Direct Debit

- During FY2020-21, 476,177 transactions were effected for a total value of Rs7.2 billion, representing a two-fold increase in volume and 1.4 times in value, compared to FY2019-20

Regional Cross Border Initiatives

1. Common Market for Eastern and Southern Africa (COMESA)

During FY2020-21, the volume and value of transactions settled on the COMESA Regional Payment and Settlement System (REPSS) increased by 48.9 per cent and 31.7 per cent, respectively, compared to FY2019-20. This reflects an increasing use of the REPSS platform for the settlement of intra-regional trade and payments.

The COMESA Business Council (CBC) is currently working on the implementation of an integrated, low-cost and interoperable cross-border common payment system, namely “Digital Retail Payments for Micro, Small and Medium Enterprises (MSMEs) in COMESA”, with a view to promoting economic growth. The Bank actively collaborates in CBC’s activities related to this project.

2. Southern African Development Community (SADC)

Fifteen SADC member countries presently participate in SADC-RTGS, and the number of participating banks (including central banks) stands at 83. Three banks from Mauritius currently participate in SADC-RTGS, namely ABSA Bank (Mauritius) Limited, Standard Bank (Mauritius) Limited and the Mauritius Commercial Bank Limited. The number of transactions settled on the SADC-RTGS stood at 2,170,372 for a total value of ZAR8.5 trillion (equivalent to USD606 billion) in FY2020-21, representing an increase of 19 per cent and 6 per cent in volume and value terms, respectively, compared to FY2019-20.

In line with SADC’s objective towards regional integration, the SADC Banking Association has developed a scheme, namely “Transactions Cleared on an Immediate Basis (TCIB)”. The TCIB is an interoperable payments solution that enables high-volume, day-to-day, low-value, instant cross-border and domestic transfers between parties within the SADC region.

PAYMENT SYSTEMS AND CURRENCY MANAGEMENT

3. Association of African Central Banks (AACB)

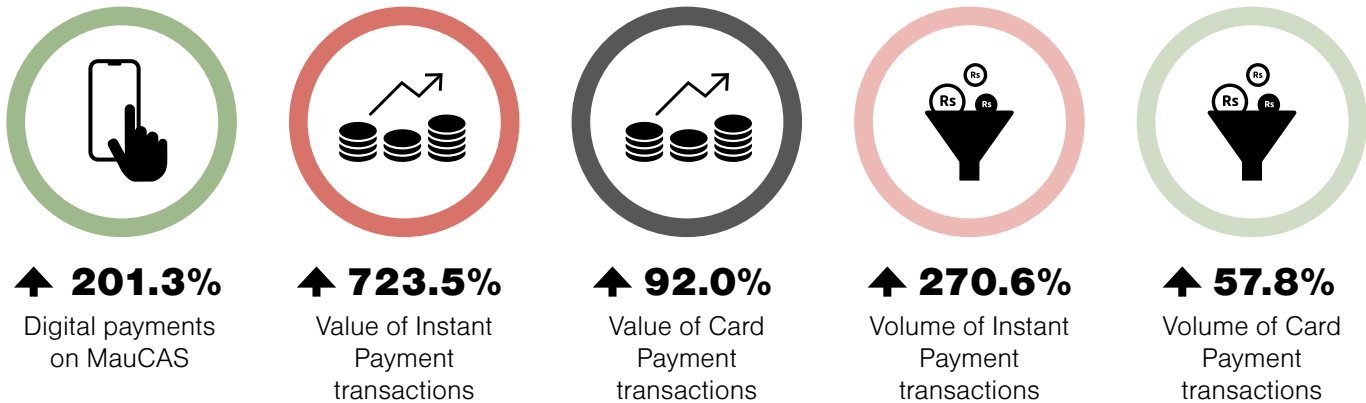
With a view to promoting cross-border payments in Africa, the AACB has, in February 2020, approved the execution of two initiatives, notably an Inter-Regional Payment System Integration Framework and an Integrated Inter-Regional Mobile Payment Strategy. The Bank is represented in the Expert Panel of the AACB'S African Inter-Regional Payments Integration Task Force, which is conferred the responsibility of overseeing the implementation of these initiatives. The Bank of Mauritius was appointed 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.

Mauritius Central Automated Switch

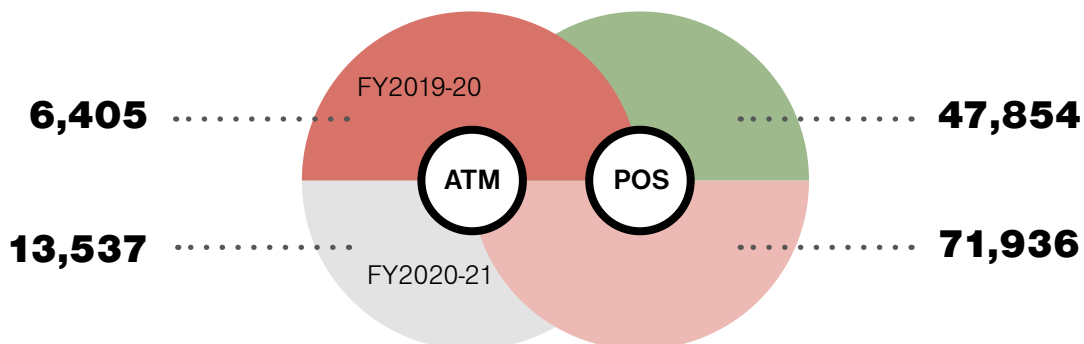
The Mauritius Central Automated Switch (MauCAS), which is a real-time digital platform, comprises a Card Payment System (CPS) and an Instant Payment System (IPS).

The CPS processes and settles domestic payments with locally issued cards. Notwithstanding a temporary drop during the COVID-19 lockdown, 95,877 transactions for a total value of Rs162.1 million were processed through the CPS in FY2020-21, compared to 60,000 transactions for an amount of Rs84.4 million in FY2019-20.

Key Metrics for FY2020-21



Volume of CPS transactions



PAYMENT SYSTEMS AND CURRENCY MANAGEMENT



The IPS is a fast retail payment system, enabling real-time settlement on a 24/7 basis. As at end-June 2021, eleven banks and one non-bank were participants of the IPS. In FY2020-21, 467,000 transactions amounting to Rs1,180 million were processed, compared to 126,000 transactions for a total value of Rs143.3 million in FY2019-20. The growth was driven by higher adoption of mobile payment services, and banks migrating their internet banking services to the IPS platform.

The IPS proved to be an effective digital means of payment during the lockdown period. Going forward, the IPS is expected to gain further momentum as financial institutions continue to roll out core functionality to their end users and the Government turns to the network for collection of payments.

Initiatives under MauCAS

The Bank has issued specifications for a national QR Code, branded “MauCAS QR Code”, so as to bring further impetus to this real-time instant payment ecosystem. This feature of MauCAS will be fully interoperable and will allow

the public to effect payments at any merchant location by scanning a QR code, while relieving users from typing in the account numbers of beneficiaries. The QR code will also act as an enabler for the digitalisation of Government services.

Sample layout of MauCAS QR Code



Furthermore, the Bank is proposing to launch a National Alias as an alternate identification for a customer account, such as a phone number or an email address. The National Alias shall be registered with the IPS, via which the customer may effect payments through the IPS.

Mauritius Credit Information Bureau

The Mauritius Credit Information Bureau (MCIB), which is fully automated, was set up in December 2005 with the primary goal of establishing a solid credit information system that contributes to the stability and soundness of the financial system in Mauritius. The MCIB acts as a data exchange platform for credit-granting institutions, providing services that assist them to undertake rapid and informed credit decisions, while encouraging a disciplined credit culture in the general public. The MCIB is a web-based system that participants may access 24 hours a day, 7 days a week over a secure network. During the year under review, the Bank enhanced the MCIB service to allow retrieval of data by participants in XML format to support participants’ automation of their credit processing.

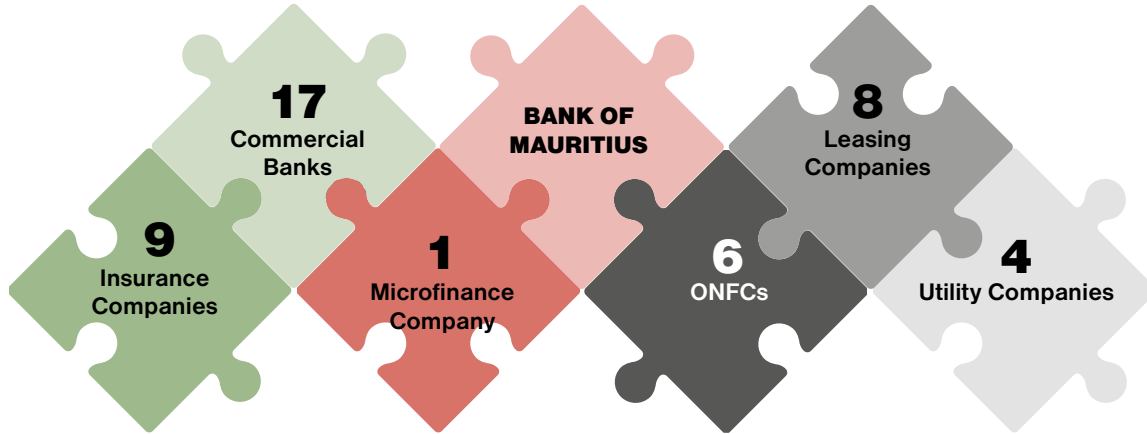
Over the years, the MCIB has contributed to reduce information asymmetry between lenders and borrowers, drawing largely on the scope of its regulatory framework and coverage. The operations of the MCIB are governed by the MCIB Terms and Conditions laid out under Section 52 of the BoM Act. The MCIB’s legal and regulatory framework establishes a strict set of permissible purposes in terms of data security responsibilities, data retention periods and enforcement actions in the event of non-compliance.

The role of the MCIB is to ensure that participants adhere to data accuracy standards such as error-free, comprehensive and up-to-date information. Accordingly, the MCIB monitors that rules, laws and procedures addressing data quality, security measures and consumer rights are applied uniformly to credit data reporting service providers to maintain consistent service standards throughout the credit reporting system.

The MCIB system was initially designed to capture credit data from banks and the number of participants stood at eleven. Over the years, modifications in the application have allowed other credit providers to join the MCIB platform. The coverage of the MCIB has thus gradually expanded to include leasing companies, hire purchase companies, insurance companies, non-bank financial institutions and utility bodies. The MCIB currently has 46 participants on-boarded and fully operational on the platform. As at end-June 2021, the number of firms and individuals being captured in the MCIB stood at 967,224, representing an increase of 2.7 per cent over the previous year. Correspondingly, the number of records available from the MCIB rose by 16.4 per cent to 5,885,080.

PAYMENT SYSTEMS AND CURRENCY MANAGEMENT

Current Participants on the MCIB

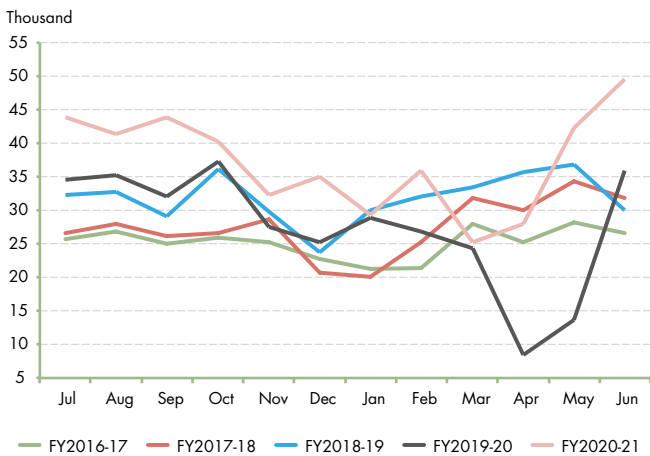


The MCIB's regulatory framework has been reviewed systematically in light of new developments. The BoM Act has been amended to empower the MCIB to provide credit scores on registered entities. In September 2020, the Terms and Conditions of the MCIB were amended to include conditions under which Peer-to-Peer lending platforms could join the MCIB. In view of further expanding the coverage of the MCIB to capture credit providers with alternative business models and specifications, the Bank has initiated a project to replace the current application based on novel technologies to incorporate more flexibility in capturing and sharing of data and the provision of a credit scoring element as a value-added service.

sharply by 35.8 per cent to 447,316 compared to 329,498 in FY2019-20 (Chart 5.1).

The number of credit facilities availed of by firms and individuals increased by 1.39 per cent from 485,470 in FY2019-20 to 492,206 in FY2020-21, as against a drop of 16.8 per cent in the previous financial year. The overall increase in the number of credit facilities was driven mostly by loans contracted by individuals and firms which rose by 16.1 per cent and 38.9 per cent respectively (Chart 5.2).

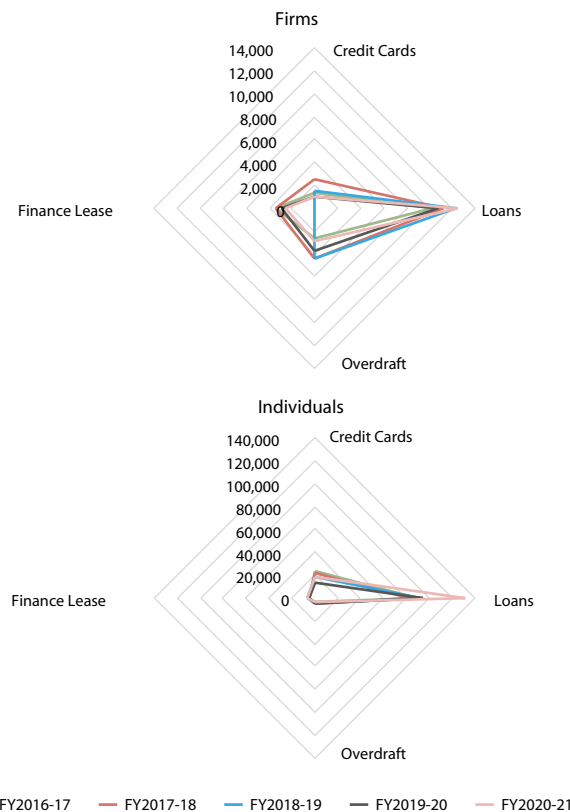
Chart 5.1: Number of Reports drawn on the MCIB



Consultation of the MCIB Database

Section 5.0 of the MCIB Terms and Conditions makes it mandatory for all participants of the MCIB, other than utility bodies, to consult the MCIB Database before undertaking to approve, increase or renew credit facilities. During FY2020-21, the number of reports drawn increased

Chart 5.2: Credit facilities



PAYMENT SYSTEMS AND CURRENCY MANAGEMENT

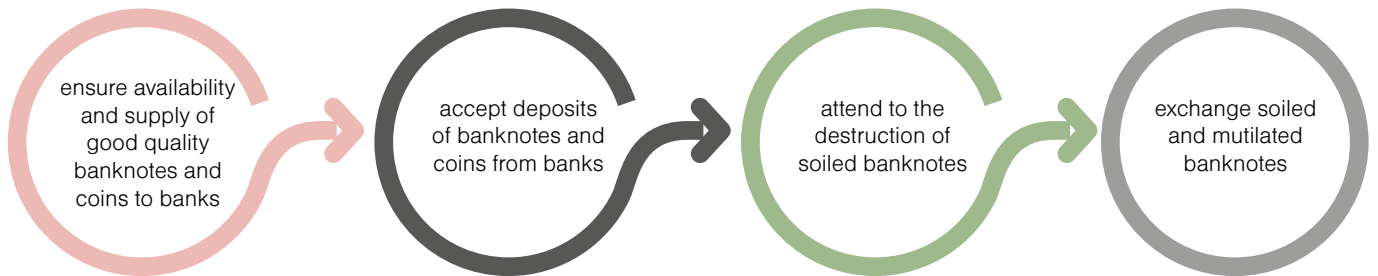


Currency Management

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

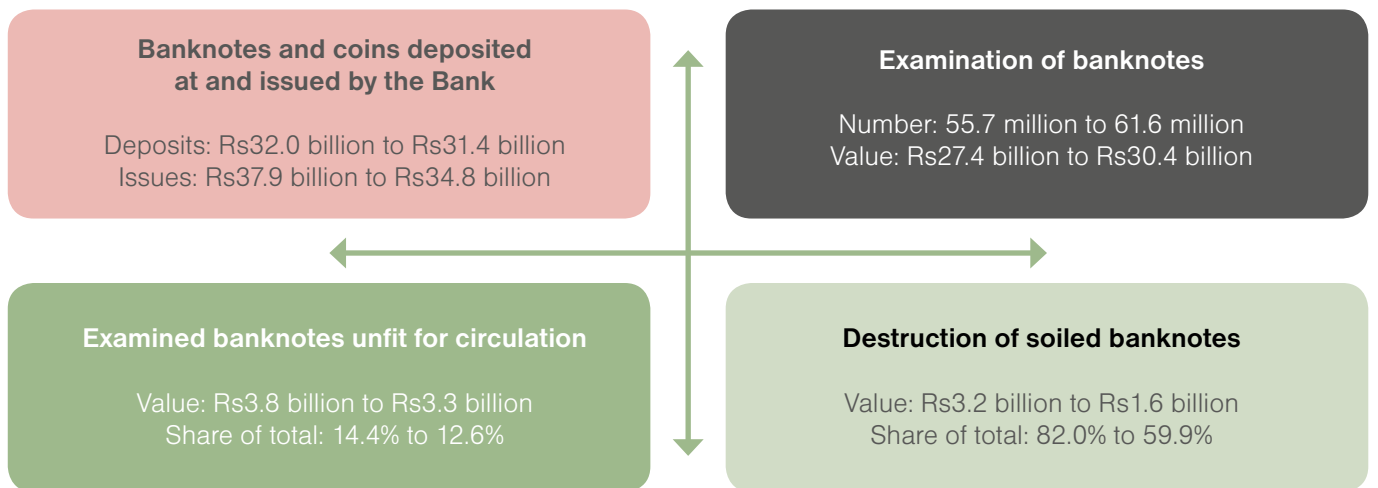
During the second lockdown, the Bank undertook special arrangements to attend to all requests for cash withdrawals by banks, namely for replenishment of ATMs and for payment of pensions as well as accepting cash deposits effected by banks.

Specifically, the Bank is required to:



Issue of Notes and Coins

The Evolution of Currency Management from FY2019-20 to FY2020-21



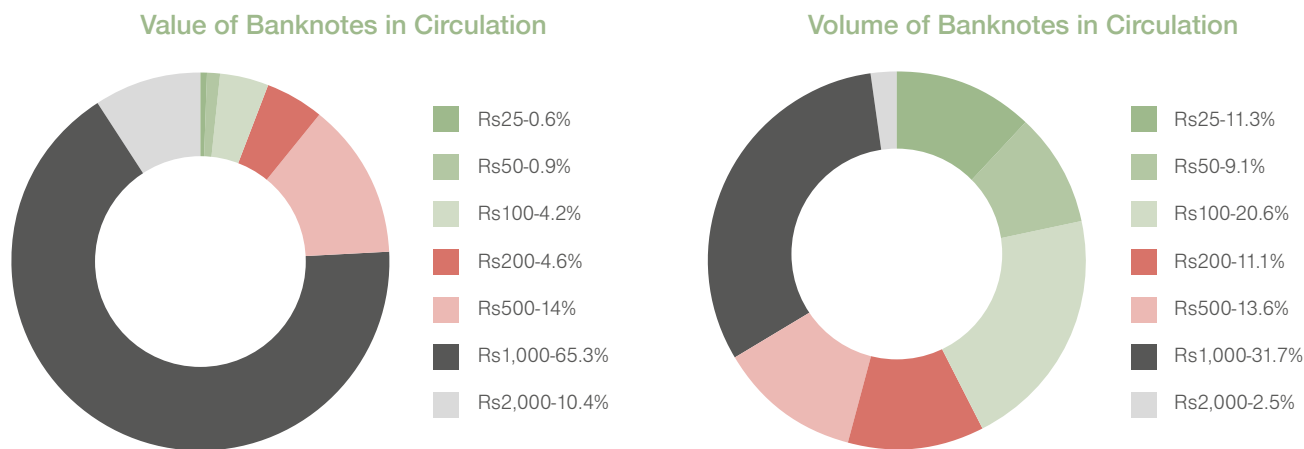
In FY2020-21, the value of banknotes in circulation increased by 8.1 per cent, compared to 16.5 per cent in FY2019-20, while the volume of banknotes rose by 4.5 per cent compared to an increase of 9.7 per cent in the preceding financial year. Banknotes of Rs1,000 denomination constituted 65 per cent of the total value of banknotes in circulation, followed by banknotes of Rs500 denomination, which accounted for 14 per cent of the total. In volume terms, banknotes of Rs1,000 denomination

represented 31.7 per cent of all banknotes in circulation, followed by banknotes of Rs100 denomination, with a share of 20.6 per cent. During FY2020-21, the total value and volume of coins in circulation increased by 3.9 per cent and 2.0 per cent, respectively, compared to FY2019-20 (Chart 5.3).

PAYMENT SYSTEMS AND CURRENCY MANAGEMENT



Chart 5.3: Banknotes in Circulation as at 30 June 2021



Sale of Gold to Licensed Jewellers

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

Sale of Dodo Gold Coins

Dodo Gold coins of 22 carats were issued in 1988 by the Bank in four different denominations, namely, one ounce with a face value of Rs1,000, half an ounce with a face value of Rs500, quarter of an ounce with a face value of Rs250 and one-tenth of an ounce with a face value of Rs100. The coins are legal tender in Mauritius for the value stated thereon. As at date, only the half ounce coins with a face value of Rs500 are on sale at the counter of the Bank of Mauritius and banks in Mauritius. The daily selling prices of the coins, based on their gold content and on international gold market prices, are posted in the Bank's Banking Hall and on the Bank's website.

Commemorative Coins and Platinum Coins



10th Anniversary of the Independence of Mauritius

A silver commemorative coin of Rs25 denomination was issued in November 1978 to mark the 10th anniversary of the independence of Mauritius. The selling price of the coin is Rs700.



1997 Golden Wedding Collector Coin

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



'Father of the Nation' Platinum Coin Series

The coins were issued in the 'Father of the Nation' Platinum Series to pay tribute to Sir Seewoosagur Ramgoolam in laying the foundation stone of the Mauritian nation. The first, second and third platinum commemorative coins of Rs1,500, Rs1,200 and Rs1,200 denomination in proof condition were issued in October 2009, November 2010 and December 2011, respectively.



Bank of Mauritius 50th Anniversary Commemorative coins

In November 2017, the Bank issued three commemorative coins, in proof condition, to mark its 50th Anniversary:

- i. Rs1,500 denomination Gold coin
- ii. Rs1,000 denomination Gold coin
- iii. Rs200 denomination Silver coin

PAYMENT SYSTEMS AND CURRENCY MANAGEMENT



Clean Banknote Programme

The Bank continued with its Clean Banknote Programme, which was aimed at enhancing the overall quality of banknotes in circulation in Mauritius.

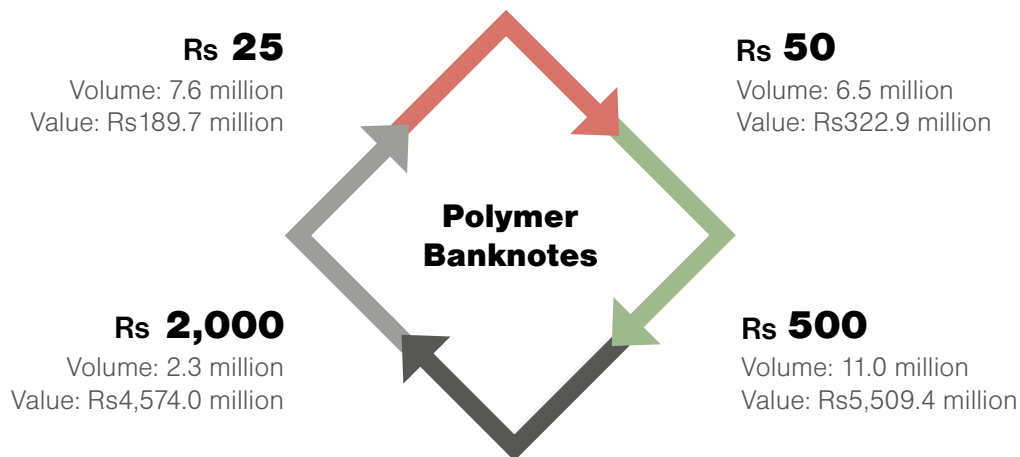
Polymer Banknotes

The Bank has introduced polymer banknotes in denominations of Rs25, Rs50 and Rs500 since August 2013. In December 2018, the Bank put into circulation polymer banknotes in denomination of Rs2,000, which is an upgrade of the Rs2,000 paper banknote. Polymer banknotes are cleaner and more durable, besides containing enhanced security features.

Coin Deposit Campaign

Since July 2012, the Bank launched the Coin Deposit Campaign, that was maintained during the period under review. The objective of the campaign is to encourage members of the public to deposit excess coins in their possession with banks or to exchange them at the banking counter of the Bank.

Polymer Banknotes in Circulation as at end-June 2021



Public Sensitisation Campaign on Security Features of Banknotes

As part of its financial literacy programme, the Bank issued as from 03 March 2018, a leaflet "Know Our Banknotes" which incorporated all security features of

the banknotes, both paper and polymer, currently in circulation. The informative leaflets have been distributed across the island, including all media partners. In addition, over 25,000 visitors to the Bank of Mauritius Museum have been briefed on banknote security features and a copy of the informative leaflet has been handed to them.