ANNUAL REPORT

Year ended 30 June 2013

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Letter of Transmittal

The Governor

Bank of Mauritius

Port Louis

30 October 2013

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

Vice-Prime Minister

Minister of Finance and Economic Development

Government House

Port Louis

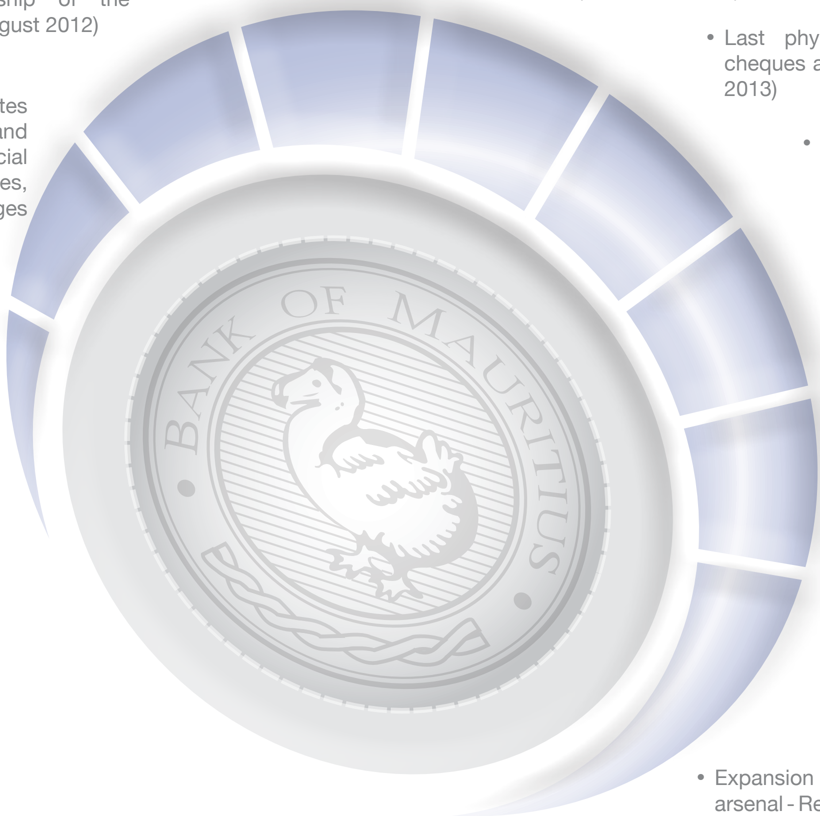
Dear Vice-Prime Minister, Minister of Finance and Economic Development

Annual Report and Audited Accounts 2012-13

In accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, I transmit herewith the forty-sixth Annual Report of the Bank, which also contains the audited Accounts of the Bank for the year ended 30 June 2013.

Yours sincerely

Rundheersing Bheenick, G.O.S.K.



- The Bank launches Operation Reserves Reconstitution (June 2012)
- The Bank investigates into the terms and conditions of financial contracts, including fees, commission and charges (July 2012)
- Governor assumes Vice Chairmanship of the AACB (August 2012)
- 21st bank licence granted (September 2012)
- The COMESA REPSS goes live (October 2012)
- 2nd reconstitution of the MPC & Code of Conduct for MPC members adopted (December 2012)
- Last physical exchange of cheques at the Bank (January 2013)
- The country is hit by a spate of financial scams: The Bank strengthens its consumer protection agenda (March 2013)
- Draft guidelines on Basel III issued (May 2013)
- Reserves cross the Rs100 billion mark (May 2013)
- Banking assets reach Rs1 trillion (May 2013)
- Governor appointed non-FSB member co-chair of the FSB RCG for Sub-Saharan Africa (June 2013)
- Expansion of the Bank's legal arsenal - Restructuring in financial institutions (June 2013)
- Governor takes over the Chairmanship of the AACB (August 2013)
- Launch of the first Polymer bank notes (August 2013)

Statement from the Governor

The financial year 2012-13 has been challenging for the Bank as I had anticipated in my last Statement, and we have continued to be tested by international and domestic pressures. The long-running financial crisis has now entered its sixth consecutive year. The global economy has remained under stress – the US witnessed timid growth, the euro area temporarily slipped into recession, the UK avoided 'triple-dip' recession, and growth in emerging economies moderated. Occasional bouts of volatility in financial markets complicated the lingering global uncertainty. With monetary policy loose and fiscal space limited, particularly in the advanced economies, capital flows worldwide have been relatively more volatile as investors responded to uncertainty in major advanced economies. This impacted adversely on some emerging economies with rising inflation, capital outflows, and sudden depreciation of their currencies. Policymakers around the world introduced several non-conventional measures to calm financial markets and provide confidence to investors.

The Mauritian economy grew at a relatively healthy rate of 3.4 per cent in 2012 despite the negative sentiment that prevailed during much of that year. Headline inflation came down from 4.9 per cent in July 2012 to 3.6 per cent in June 2013 while year-on-year inflation stabilised, decreasing marginally from 3.7 per cent to 3.6 per cent. The increasingly diversified nature of our economy in terms of markets and products, and prudent and appropriate fiscal and monetary policies implemented during the year, maintained macroeconomic and financial stability in the country. We benefited from a steady flow of foreign direct investment, not far from previous highs, during the period. Unemployment hovered around 8.1 per cent in 2012, a level that I do not consider alarming in the current context, especially if account is taken of chronic over-reporting, continued skills mismatch, and labour market inflexibility which induces employers to have recourse to foreign labour.

During the year, the Bank was called upon to respond rapidly to the changing dynamics at the international level as well as on the domestic front.

Operation Reserves Reconstitution

In June 2012, the Bank launched the Operation Reserves Reconstitution (ORR) – an unconventional measure for the Bank of Mauritius which had pursued a free-floating foreign exchange regime until as recently as November 2011. The currency appreciation was getting quite alarming at the time and required urgent policy responses on our part. The ORR allowed us to address not only the growing appreciation of the rupee but to build up our reserves which crossed the Rs100 billion threshold in May 2013. We are today well on our way to achieve the target of six months' import cover.

The ORR resulted, however, in excess rupee liquidity in the domestic money market and the Bank had to conduct open market operations to mop up the surplus. We had to complement the issue of Government securities with our own paper which reached a record level of almost Rs19 billion. This came with a cost and weighed heavily on the Bank's balance sheet. The continuation of open market operations at the same level as in recent months will rapidly become unsustainable for us. A few years ago, I had flagged this issue. Today, I am renewing my call to the authorities to share the burden as it is certainly not in the interest of the nation to have a central bank with weak finances.

Ponzi Schemes

At the beginning of 2013, we were hit by a spate of financial scams. Scammers, using the loopholes in the regulatory framework, lured the public into investing in schemes that promised extravagant returns – which in fact turned out to be Ponzi Schemes. This was a wake-up call for regulatory and other authorities to review their operations as they relate to detecting and combating financial crime. When the Ponzi Schemes were uncovered, the Bank stepped in to manage the crisis and reassure victims by setting up a help desk to attend to the grievances of the public. The number of known victims of the six companies involved in the financial scams, who lodged complaints at the Bank, reached 2,290 and the total defrauded amount stood at Rs835 million by 28 June 2013. The figure is rapidly nearing the Rs1 billion mark.

We undertook a series of actions to deal with the problem; most notably, we sought the assistance of the Reserve Bank of India (RBI), which has first-hand knowledge of the matter. The RBI team's recommendations range from the reinforcement of Know Your Customer procedures and due diligence in banks, the setting up of dedicated cells to gather market intelligence, to enhanced coordination among regulators. These recommendations are in line with the restructuring and redefining of our mandate. They reinforced our commitment towards financial literacy, consumer education, and fair treatment of consumers, on all of which we had initiated work in early 2012. The Task Force on Unfair Terms and Conditions in Banking and related Financial Contracts was set up in July 2012 to investigate into the terms and conditions of contracts, including fees, commission and charges. The public was invited to make representations. We hope to be able to share the work of the Task Force with the public in the course of the coming year and, hopefully, pave the way for a better deal for users of banking and financial services.

Modernisation of the banking sector

We pursued our efforts to modernise the banking sector and enhance the soundness of our banks. We granted our 21st bank licence to a new bank which started operations in February 2013. We were concerned with the need to protect the cross-border branches of foreign banks operating in our jurisdiction from potential problems of their parents in their home country. We encouraged foreign bank branches to convert into subsidiaries. The proposal of Barclays Bank PLC, Mauritius Branch, to convert itself into a wholly-owned subsidiary provided us with the opportunity to expand our legal arsenal with new provisions to aid such restructuring.

Our concern for ensuring financial stability further motivated us to consider the case of large and complex local banking institutions – an ever-present danger in a country where 57 per cent of bank assets are controlled by two banks. We are in the process of putting up a framework for Domestic Systemically Important Banks, wherein stricter requirements including the imposition of capital surcharge will be applicable. We issued a consultation paper outlining our proposal to the industry for comments.

We also brought important changes in the board room of banks, requiring diversity of board members, competence and periodic term renewal. I once reflected that a crisis is too good to be wasted – the global regulatory reforms were mirrored in our own efforts to strengthen the resilience of our banking sector. In May 2013, we issued a draft guideline on Basel III after we had circulated a consultation paper to the industry in October 2012. We continued our work on the setting up of Supervisory Colleges in Mauritius for our banks with cross-border operations. We expect to hold the first Supervisory Colleges later in the year.

Our banking sector assets grew at the rate of 10.2 per cent. The month of May 2013 also saw banking assets exceeding the Rs1.0 trillion mark for the first time. Profit after tax maintained its upward trend and the capital adequacy ratio of banks remained well above the regulatory requirement of 10 per cent. Nonetheless, the growing non-performing loans and the concentration of risks in our banking sector continued to raise financial stability concerns. We started work during the year on the introduction of a wide range of macroprudential measures to contain banking sector risks.

At the heart of a modern economy is a robust and efficient payments system. The Cheque Truncation System, introduced the year before, saw the end of physical exchange of cheques on the Bank's premises on 31 January 2013.

International regional role

We continued to participate actively in regional fora organised by SADC, COMESA and AACB and brought our contribution to discussions relating to regional issues. The COMESA REPSS went live in October 2012. We were privileged to host in November 2012 the second meeting in Africa of OMFIF, which regroups diverse players from the public and private sector, central banks of developed and developing economies, sovereign wealth funds, and academia. Nearly 100 delegates from Europe, Africa, Asia and Latin America participated in the meeting.

On 30 August 2012, at the conclusion of the 36th Assembly of Governors of the AACB in Algeria, I assumed the Vice-Chair of the AACB, with Governor Mohammed Laksaci of the Bank of Algeria in the Chair. In August 2013, the Bank hosted the 37th Assembly of Governors of the AACB – the first time in its 45-year history that the AACB has held its meeting away from Continental Africa – and I took over the Chair for a one-year term. Almost simultaneously, I was appointed by the FSB RCG for Sub-Saharan Africa as its non-FSB member co-chair for a two-year term starting 1 July 2013.

Over and above the Governors who participated in OMFIF and AACB meetings in Mauritius during the year, I welcomed Ms Christine Lagarde, Managing Director of the IMF, Dr Duvvuri Subbarao, Governor of the Reserve Bank of India, and Professor Martin Redrado, former Governor of the Central Bank of Argentina.

Monetary Policy Committee

Since its inception in April 2007, the Monetary Policy Committee (MPC) witnessed several changes. 30 meetings have been held of which 29 were interest-rate-setting meetings. The MPC was reconstituted, for the second time, in December 2012 and the total number of members was reduced from nine to eight, comprising namely, the Governor, the two Deputy Governors, two members appointed by the Prime Minister, and three members appointed by the Minister of Finance and Economic Development. It was also explicitly laid down in the Bank of Mauritius Act that the MPC has to take into consideration the views of the Bank, the Ministry, and any other appropriate institution. Furthermore, the MPC adopted a Code of Conduct for its members.

During 2012-13, the MPC met on four occasions. At the first three meetings, the Key Repo Rate (KRR) was left unchanged at 4.90 per cent. In June 2013, the MPC, at its second meeting in its third reincarnation, took the decision to cut the KRR by 25 basis points to 4.65 per cent by majority vote – outvoting my two Deputy Governors and myself who preferred to adopt a more prudent stance in the face of growing vulnerabilities in the financial system. Monetary-policy-making is a forward-looking exercise, requiring objectivity and independence of mind, and should, in my view, be ideally operationally-independent of Government. The mandates of fiscal and monetary authorities are not necessarily incompatible – the overriding objective remaining the well-being of the nation. Indeed, fiscal and monetary coordination is a two-way traffic requiring mutual adjustment. At the June 2013 MPC meeting, the representation of the Ministry weighed on the final assessment of MPC members and resulted in an interest rate decision that the Bank did not consider fitting in the then economic circumstances.

Transforming the Bank of Mauritius into a modern central bank

We carried on the process of modernising our statistical operations. We pursued our efforts to meet the highest standards applicable to balance of payments and monetary and financial statistics in terms of quality and frequency – SDDS+.

We launched our first polymer bank notes, a major innovation in bank note technology, in August 2013. We seriously considered this alternative as far back as 2008 but our earlier attempts to introduce polymer notes ran into legal hurdles and we first had to change the applicable law before we could proceed – thus missing our chance to be the first in Africa. As I write this Statement, polymer bank notes in three denominations of Rs25, Rs50 and Rs500 are circulating in parallel with paper bank notes.

In the wake of the global financial crisis, banking has become a 24-hr operation. Banks are evolving in an extremely dynamic and competitive environment. Financial institutions are more and more stretching regulations to outwit regulators; and we regulators, need to continuously strive to keep ahead of them. The demands on the Bank are becoming more and more exacting by the day. The restructuring of the Bank, which I initiated in 2007, is on-going. Our headcounts are among the highest, on a per capita basis, amidst our peers and a more flexible approach is needed to attract new talents. Fresh skills have been recruited to complement our pool of talents in new areas of business, for example, reserve management. A review of the salary and conditions of service at the Bank was conducted to align them with market trends, attract new talents as well as retain existing ones. The salary review includes a Performance Management System which will be introduced this year, paving the way for a mechanism that relates work performance and remuneration. These developments should translate into efficiency gains and allow the Bank to keep up to the mark when it comes to expected outcomes even if they exert pressure on our overhead expenses.

Words of Appreciation

In May 2013, our Prime Minister, Dr The Honourable Navinchandra Ramgoolam, GCSK, FRCP, appointed me for a third term of office. I am deeply touched by this mark of continued confidence in my abilities to lead the Central Bank. I will endeavor to uphold the trust placed in me and I am sincerely indebted to him for the unflinching support he extended to me since the beginning of my tenure of office.

I have worked closely with the Honourable Charles Gaëtan Xavier-Luc Duval, GCSK, Vice- Prime Minister and Minister of Finance and Economic Development, and his team during the year. We have often had diverging views on our assessment of the economic situation. Indeed it is common for Treasuries and Central Banks to have occasional differences when it comes to economic, financial and monetary policies – which our lively local media, and some interested lobbies, magnified. Here, we have different mandates but we both have the economic welfare of the Mauritian population at heart. I thank the Honourable Minister and his team for the cordial working relations between ourselves and between our respective staff, in particular at the level of different regular joint working committees.

I have a special word of appreciation for the strong bond of partnership that now exists between the Central Bank and the banking community. Our regular dialogue and frequent consultations have strengthened our collaboration. I therefore thank all stakeholders, in particular, Chief Executives of banks and the Chairman and the Chief Executive of the Mauritius Bankers Association, for joining our efforts for the advancement of the banking sector.

Finally, I need to express my sincerest appreciation to my two Deputy Governors, the Head of my Governor's Office, my Heads of Division, and the Staff of the Bank for their support and commitment throughout the past year.

Looking Ahead

There are increasing signs that we are nearing the end of the crisis with visible signs of what looks like a sustainable recovery. I never tire of saying that the best contribution that the Central Bank can make to the nation is to maintain price and financial stability – this is our *raison d'être*. Our heightened profile at the international level puts us in a position where we can make a significant contribution to issues of relevance to central banks well beyond our own frontier.

Over the years, we have transformed our economy to make it more diversified and resilient. Had we not engaged in, at times, painful reforms, we would have been hit harder by the crisis. We need to pursue these reforms and develop new drivers of growth that can take our economy out of the middle-income trap to a higher-income-level economy. Development, like life itself, is a journey and not a destination. The reforms must continue if we are to maintain our preeminent position in Sub-Saharan Africa.

Rundheersing Bheenick
5 October 2013

1. The Bank of Mauritius signs a Memorandum of Understanding with the Mauritius Post and Cooperative Bank, Bank of Mauritius Tower, 10 August 2012.

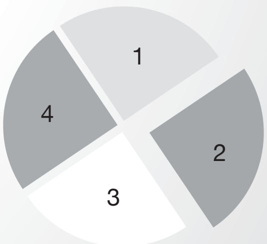
   From left to right: Mr Rajiv Beeharry, Chief Executive of the Mauritius Post and Cooperative Bank and Mr Yandraduth Googoolye, First Deputy Governor, Bank of Mauritius.

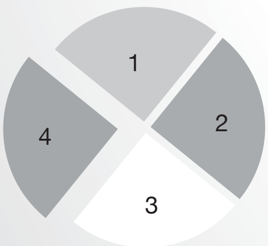
2. Mr Rundheersing Bheenick, Governor, Bank of Mauritius, welcomes His Excellency Rajkeswur Purryag, G.O.S.K., G.C.S.K., the President of the Republic of Mauritius at a Gala Dinner on the occasion of the Second Meeting of Official Monetary and Financial Institutions Forum in Africa, 5 November 2012.

3. The Bank of Mauritius grants a banking licence to BanyanTree Bank Limited, 6 September 2012.

   From left to right: Mr Lekhram Viraj Nundlall, G.O.S.K., Director, BanyanTree Bank Limited, Mr Sanjiv Singhal, Vice Chairman and Managing Director, BanyanTree Bank Limited, Mr Rundheersing Bheenick and Mr Yandraduth Googoolye, Governor and First Deputy Governor, Bank of Mauritius, respectively.

4. Mr Rundheersing Bheenick, Governor, Bank of Mauritius, addresses the audience on *"A Central Bank in search of Anti-fragility"* at a Gala Dinner on the occasion of the Second Meeting of Official Monetary and Financial Institutions Forum in Africa, 5 November 2012.





1. Mr Rundheersing Bheenick, Governor, Bank of Mauritius, remits a cheque of Rs50,000 to Mrs Rita Venkatasamy, Director of CEDEM – *Centre d'Education et de Développement pour les Enfants Mauriciens* at the Interfaith Prayer Ceremony to commemorate 45 years of Central Banking, Bank of Mauritius Tower, 25 August 2012.

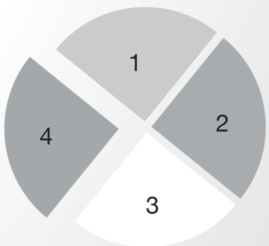
2. Mr Rundheersing Bheenick, Governor, Bank of Mauritius, welcomes Ms Christine Lagarde, Managing Director of the International Monetary Fund, 27 December 2012.

3. The Bank of Mauritius grants a new banking licence to Barclays Bank Mauritius Limited, Bank of Mauritius Tower, 23 May 2013.

   From left to right: Mr Mohammed Iqbal Belath, Second Deputy Governor, Bank of Mauritius, Mr Ravinrao Dajee, Managing Director, Barclays Bank Mauritius Limited and Mr Rundheersing Bheenick, Governor, Bank of Mauritius.

4. His Excellency, Dr Duvvuri Subbarao, Governor, Reserve Bank of India, delivers a talk on *"Macroeconomic Challenges – A Central Bank's Perspective",* to a select audience during his short visit in Mauritius, Bank of Mauritius Tower, 25 March 2013.

1. *Embracing the Future in Togetherness* – Interfaith Prayer Ceremony to commemorate 45 years of Central Banking, Bank of Mauritius Tower, 24 August 2012.
2. Staff member at the Blood Donation organised by the Bank of Mauritius, 5 October 2012.
3. Group Photo of delegates at the Workshop on *"Managing an External Asset Manager Programme of the Reserves Advisory and Management Programme – Africa Region"*, Sofitel Mauritius l'Impérial Resort & Spa, Flic en Flac, 20 to 24 August 2012.
4. Professor Martin Redrado, former Governor of the Central Bank of Argentina, our Guest of Honour, speaks at the Annual Dinner held in honour of Economic Operators, Swami Vivekananda International Convention Centre, Pailles, 6 December 2012.



1 Core Functions of the Bank

The Bank of Mauritius, established under the BoM Ordinance 1966, started its operations on 14 August 1967. The Bank has changed its focus, over the years, in response to economic and financial development in Mauritius and to the evolution of best practice in central banking world-wide. The Bank's primary purpose, as set out in the Bank of Mauritius Act 2004, is to maintain price stability and promote orderly and balanced economic development. Its other objectives are: (a) to regulate credit and currency in the best interests of the economic development of Mauritius; (b) to ensure the stability and soundness of the financial system of Mauritius; and (c) to act as the central bank for Mauritius.

To achieve these objectives, the Bank performs key functions that include:

(a) conducting monetary policy and managing the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius;

(b) regulating and supervising financial institutions carrying on activities in, or from within, Mauritius;

(c) managing, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius;

(d) collecting, compiling and disseminating, on a timely basis, monetary and related financial statistics; and

(e) managing the foreign exchange reserves of Mauritius.

In line with the above functions, the Bank devises and implements relevant policies for promoting economic development taking into account the international and domestic scene. It is required to ascertain and promote the soundness of financial institutions falling under its purview and their compliance with governing laws, rules and regulations. In addition, it needs to ensure that financial institutions adopt policies and procedures to control and manage risks effectively. It is further necessary for the Bank to safeguard the rights and interests of depositors and creditors of financial institutions and monitor system-wide factors that might have or potentially have a negative impact on the financial conditions of financial institutions.

2 Corporate Governance

BOARD OF DIRECTORS

The Board's statutory responsibility is to formulate the general policy of the affairs and business of the Bank other than the formulation and determination of monetary policy. On 30 June 2013, the Board consisted of the Governor as Chairperson, the two Deputy Governors and three other Directors. One Board Director, Mr K. Bhayat, S.C., passed away on 16 November 2012.

Composition of Board of Directors as at 30 June 2013

Chairperson	Mr Rundheersing Bheenick, G.O.S.K., Governor
Director	Mr Yandraduth Googoolye, First Deputy Governor
Director	Mr Mohammed Iqbal Belath, Second Deputy Governor
Director	Mr Shyam Razkumar Seebun
Director	Mr Jacques Tin Miow Li Wan Po
Director	Mr Gooroonaden Vydelingum

The Board of Directors held eleven meetings in the period 1 July 2012 to 30 June 2013 as summarised in Table 2.1.

Table 2.1 **Board of Directors Meetings**

Board Directors	Date of first appointment	25.7.12	17.8.12	27.9.12	26.10.12	8.11.12	3.12.12	21.1.13	4.4.13	29.4.13	27.5.13	13.6.13
Governor - Mr R. Bheenick - *Chairperson*	14.2.07	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
First Deputy Governor - Mr Y. Googoolye	13.7.06	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Second Deputy Governor - Mr M.I. Belath	1.7.10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Me K. Bhayat*	5.9.07	✓	✓	✓	A	✓						
Mr J.T.M. Li Wan Po	24.11.05	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr S.R. Seebun	21.11.05	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr G. Vydelingum	5.9.07	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Meeting metrics: Duration (Hrs)		2.00	1.83	1.83	1.16	1.33	2.16	2.16	3.83	2.67	1.00	2.00
Minutes of proceedings (Pages)		8	10	11	8	8	15	14	25	16	8	9
	A: Absent		✓: Attended		* Passed away on 16 November 2012							

Audit Committee

On 30 June 2013, the three independent and non-executive members of the Audit Committee were Mr J.T.M. Li Wan Po, Mr S.R. Seebun and Mr G. Vydelingum.

The main functions of the Audit Committee are: to review the effectiveness of the internal control systems of the Bank; to review the Internal Audit function; to ensure coordination between the Internal and External Audit functions; to evaluate the independence and effectiveness of the External Auditors; to review the reliability and accuracy of the financial statements, budgets and other reports, and to provide assurance that the Bank is operating in accordance with legal provisions, codes of conduct, bylaws and with the rules established by the Board.

The Committee held seven meetings during the year.

The Committee reviewed some of the reports issued by the Internal Audit Section of the Bank. It also met with the External Auditors during the year to evaluate its independence and effectiveness and to review the Engagement Letter and Audit Plan for the year ended 30 June 2013.

The Committee reviewed the Budget for the financial year 2013/14 and recommended it to the Board.

MONETARY POLICY COMMITTEE

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

The MPC meets on a quarterly basis, but stands ready to meet in between its regular meetings, if the need arises. The MPC held four regular meetings in the year ended June 2013.

Composition of the MPC

In December 2012, the Government amended the Bank of Mauritius Act 2004, reducing the number of members on the MPC from nine to eight and changing the procedure for appointments. As a result, the MPC now has the following members: the Governor (Chairperson), the two Deputy Governors, two members appointed by the Prime Minister and three members appointed by the Minister of Finance and Economic Development.

Before this amendment, the members of the MPC were the Governor as Chairperson, three senior officers of the Bank appointed by the Governor and five independent members appointed by the Minister of Finance and Economic Development, after consultation with the Governor. So, in March 2013 the members of the new MPC were as follows:

- Mr Rundheersing Bheenick, G.O.S.K., Governor and Chairperson of the MPC
- Mr Yandraduth Googoolye, First Deputy Governor
- Mr Mohammed Iqbal Belath, Second Deputy Governor
- Professor Jeffrey Frankel, James W. Harpel Professor of Capital Formation and Growth, Kennedy School of Government, Harvard University, U.S.A (foreign member), appointed by the Prime Minister
- Mr Hemraz Oopuddhye Jankee, Economic Consultant and former Chief Economist of the Bank of Mauritius, appointed by the Prime Minister
- Mr Nishan Degnarain, Consultant, appointed by the Minister of Finance and Economic Development

- Mr Pierre Dinan, C.S.K, G.O.S.K., Consultant, appointed by the Minister of Finance and Economic Development
- Professor Silvana Tenreyro, London School of Economics, UK (foreign member), appointed by the Minister of Finance and Economic Development

The Act provides that five members, including at least four from members appointed by the Prime Minister and Minister of Finance and Economic Development, shall constitute a quorum.

Dr Streevarsen Narrainen, Senior Economic Adviser from the Ministry of Finance and Economic Development and Mr Neetyanand Kowlessur, Chief in the Economic Analysis Division of the Bank, have been appointed on the MPC as observers. While they may share their views with the MPC, they do not have a vote.

Coordination between Monetary and Fiscal Policy

In December 2012, to improve coordination between monetary and fiscal policy, the Government amended the Bank of Mauritius Act 2004. This amendment requires the MPC to take into account the views of the Bank, those of the Ministry of Finance and Economic Development and the views of such other institution or organisation as the MPC thinks fit, to do its work. In line with this amendment, the Financial Secretary exposed the views of the Ministry of Finance and Economic Development at the March and June 2013 meetings while representatives from the Association des Consommateurs de l'Ile Maurice shared their perspectives at the June 2013 meeting.

Conduct of the MPC

In accordance with the Bank of Mauritius Act 2004, the MPC has to publish a Code of Conduct to govern its meetings and to report once a year to the Board of Directors of the Bank on how well it has complied with that Code. The Code provides a guide to the standards of conduct at all times binding the members of the MPC. The MPC members approved the Code of Conduct at their September 2012 MPC meeting. The Bank has placed the Code of Conduct on its website.

In May 2013, the Board of Directors of the Bank received a report from the MPC on how far the members of the MPC had complied with the Code of Conduct.

Table 2.2 provides details on the MPC meetings held during 2012-13, attendance, remuneration of members and other associated costs incurred, as well as changes in the Key Repo Rate.

Table 2.2 Monetary Policy Committee Meetings

		Meetings attended	24.9.12 Quarterly meeting	26.11.12 Quarterly meeting	11.3.13 Quarterly meeting	17.6.13 Quarterly meeting	Total fees Rs	Other associated costs[5] Rs
Mr Rundheersing Bheenick	Governor, Chairperson	4	✓	✓	✓	✓	0	0
Mr Yandraduth Googoolye	First Deputy Governor	4	✓	✓	✓	✓	0	0
Mr Mohammed Iqbal Belath	Second Deputy Governor	4	✓	✓	✓	✓	0	0
Mr Jitendra Nathsingh Bissessur[1]	Head-Financial Markets Analysis Division	2	✓	✓	-	-	0	0
Professor Jeffrey Frankel[2]	External Member	2	-	-	T	T	401,976	0
Mr Hemraz Oopuddhye Jankee[2]	External Member	2	-	-	✓	✓	120,000*	0
Mr Nishan Degnarain[3]	External Member	4	✓	✓	✓	✓	240,000*	291,061
Mr Pierre Dinan[3]	External Member	4	✓	✓	✓	✓	240,000*	0
Professor Silvana Tenreyro[3]	External Member	4	✓	T	✓	T	599,707	368,158
Mr Rajkamal Taposeea[4]	External Member	2	✓	✓	-	-	120,000*	0
Mr Alain Madelin[4]	External Member	2	✓	✓	-	-	400,454	550,915
Dr Streevarsen P. Narrainen	Observer	4	✓	✓	✓	✓	0	0
Mr Neetyanand Kowlessur	Observer	3	✓	✓	✓	A	0	0
Decision on the Key Repo Rate			Unchanged	Unchanged	Unchanged	-25 bps		
Key Repo Rate *(per cent per annum)*			4.90	4.90	4.90	4.65		

[1] Staff member appointed by Governor. Term ended following the amendment to the Bank of Mauritius Act 2004 in December 2012.
[2] Appointed by the Prime Minister.
[3] Appointed by the Vice-Prime Minister and Minister of Finance and Economic Development.
[4] Appointed by the Vice-Prime Minister and Minister of Finance and Economic Development. Term ended following the amendment to the Bank of Mauritius Act 2004 in December 2012.
[5] Other associated costs comprise travel and accommodation expenses.

✓ : Attended. A : Not attended. T: Attended via video-conference
bps stands for basis points.
** : Mauritian external MPC members receive a monthly fee.*

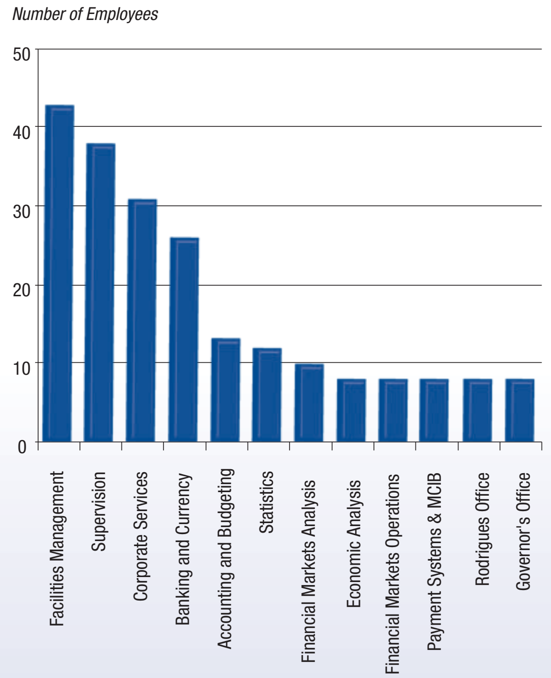
3 Organisational Overview

On 30 June 2013, the Bank employed a total of 237 staff members, of whom 213 were on the permanent and pensionable establishment and 24 on contractual basis.

During 2012-13, the Bank recruited fourteen staff members who were posted to various divisions of the Bank. Five staff members retired and two employees resigned from the Bank. The year 2012-13 was also sadly marked by the demise of two staff members.

Chart 3.1 shows the breakdown of staff in the principal Divisions.

Chart 3.1 Breakdown of Staff per Principal Division



Source: Corporate Services Division.

HUMAN RESOURCES

Move Towards a Performance-Based Culture

In December 2012, the Hay Group South Africa Pty Ltd was mandated to review the existing terms and conditions for all employees of the Bank and to set up an employee Performance Management System (PMS). Consequently, in May 2013, the Bank implemented a new and competitive salary structure, benchmarked and aligned with current market trends.

The soft launch of the PMS, as from July 2013, will aim to move away from the current practice of appraisal in place at the Bank. The objective of introducing a performance-related assessment and reward system is to instil a culture driven by high performance. A series of training and communication sessions are scheduled in the second half of 2013 to ensure the successful implementation of the PMS.

Training and Development

During the year, the Bank continued to invest in staff training, both locally and overseas, through job rotations and participation in courses and seminars organised by local and foreign institutions.

Two staff members took up the offer for secondment at the ABSA Bank, a subsidiary of Barclays Africa Group, for a period of three months. In February 2013, four officers of the Bank went on a study tour at the Reserve Bank of India.

In its endeavour to foster a learning culture, the Bank regularly encourages staff members to apply for overseas training programmes, meetings and seminars and provide technical assistance to other organisations.

Special Appointee Programme

In December 2012, applications were sought from staff members for the Special Appointee Programme of the International Monetary Fund (IMF).

After a competitive selection process, Mr Jitendra Nathsingh Bissessur, Head-Financial Markets Analysis Division, was selected by the IMF for a one year attachment. During his tenure, Mr Bissessur will be assigned to a country team and perform the responsibilities of an economist, including participation in missions of the IMF.

IMF Short-Term Expert

To help IMF staff to deliver on training and technical assistance, the IMF often draws on the expertise of experienced staff in central banks and national statistical offices to undertake short-term assignments in its member countries. In January 2013, the IMF co-opted Mrs Padma S. Hurree-Gobin, Chief in the Statistics Division, as short-term expert in the area of external sector statistics.

SAFETY AND HEALTH

The Occupational Safety and Health Act 2005 is the cornerstone of legislative and administrative measures to improve occupational safety and health at the Bank. The Act sets out the key principles, duties and rights in relation to occupational safety and health.

The Bank has set up a Safety and Health Committee which meets every two months to, *inter-alia*:

(i) promote cooperation between the Bank and employees in achieving and maintaining safe and healthy working conditions at the Bank;

(ii) make proposals on matters regarding the safety, health and welfare of employees;

(iii) make recommendations on training requirements and education programmes for employees; and

(iv) discuss potential occupational accidents, dangerous occurrences and occupational diseases and make recommendations.

A written record of the proceedings of all meetings held by the Safety and Health Committee is forwarded to the Director, Occupational Safety and Health of the Ministry of Labour, in accordance with the law.

Safety and Prevention

The Fire Services Department approved an evacuation procedure in case of fire or other calamities. It recently provided training on fire fighting and how to use a fire extinguisher to a group of employees at the Bank. The Bank also conducts regular fire drills in accordance with the law.

The Bank provided training in First Aid to some staff members to give assistance as and when required. A First Aid kit is available on all the floors of the Bank of Mauritius Tower.

The Bank recently purchased three defibrillators and plans to provide training on their proper use to some staff members.

The Safety and Health Officer of the Bank carries out regular safety and health audits to identify risks. All places of work are also inspected on a monthly basis and a risk assessment has been carried out to identify the high risk areas. Practicable measures and appropriate techniques have been put in place to minimise any risk. The Risk Assessment is reviewed every two years or earlier if any significant change has been made.

Staff Welfare

The Bank has set up an Employee Welfare Committee, comprising staff members working in various divisions of the Bank to organise events that enhance interpersonal skills and team spirit. In this regard, an outing for staff members, a Health Week and a blood donation day were organised in 2012.

FACILITIES MANAGEMENT

The Bank ensures that its premises, including the engineering plant and equipment, are maintained in good condition and upgraded as and when required so as to provide staff with a clean and appropriate working environment. The Bank has also taken necessary steps to enforce security at its premises and of the staff.

New Office Building and Staff Quarters at Rodrigues Office

The Bank has launched tenders for acquiring the services of a contractor to construct a new office building at Camp du Roi and staff quarters at Jen Tac, Rodrigues. The project is expected to start in 2014.

Renovation of Old Building

Renovation works will soon be carried out in the Bank's old building situated at Sir William Newton Street, Port-Louis.

Business Continuity Plan (BCP)

In order to continue business operations in case of disaster, the Bank maintains a fully operative site at an alternative location in Ebene with a capacity of 20 seats in case of contingency. A Business Continuity and Disaster Recovery Plan, which is tested at regular intervals, is in place to mitigate the adverse consequences of potential threats. The Bank has in place a BCP committee chaired by the Head-Corporate Services. Moreover, the Bank has also set up a disaster recovery team comprising specialists with training and knowledge to handle various aspects of common disasters (safety specialist, IT specialist, communications specialist, security specialist, personnel specialist, etc.).

IT SUPPORT AND FACILITIES

Asset Accounting Software

The Bank recently upgraded its Asset Accounting software. New functions like Asset Tracking, Asset Management, Inventory Control were added to the existing General Ledger, Cashbook and Fixed Asset modules. The software package is now in use across three divisions of the Bank.

Video-conferencing System

The Bank acquired a video-conferencing system in 2012. Through a high speed internet link, external parties are able to communicate in real-time through video. The equipment has been used on several occasions, including at the Monetary Policy Committee meetings.

Website of the Bank

The Bank maintains an active website https://www.bom.mu to promote greater transparency about its policies and operations and to enhance its communication strategy. The existing website is in the process of being revamped. The new website will aim to offer a more convenient, efficient and transparent platform to the public.

Network Infrastructure and PABX

The Bank has launched a major project to enhance the efficiency of the existing Network Infrastructure and PABX system which the Bank has used since the start of operations at the Bank of Mauritius Tower in 2006.

COMMUNICATION

Publications

The Bank regularly releases information and data on the Mauritian economy and the banking and financial sectors through various reports. The Annual Report of the Bank contains the audited accounts of the Bank and a report on the Bank's operations during the financial year, which are required to be submitted to the Minister of Finance and Economic Development under section 32(3) of the Bank of Mauritius Act 2004. In addition, the Bank publishes bi-annual Inflation and Financial Stability Reports, in line with section 33 of the Bank of Mauritius Act 2004. The Monthly Statistical Bulletin released on the Bank's website around the 20th of each month disseminates economic, banking, balance of payments and financial statistics.

Monetary Policy

The Bank conveys monetary policy decisions through communiqués issued at 18.00 hours on the day of the MPC meeting. It releases minutes of the meetings two weeks after each meeting and provides details on the MPC assessment of the global and regional economic and financial developments and their impact on the domestic economy. The minutes also summarise the Bank's current outlook on growth and inflation. The Governor, as Chairperson of the MPC, holds a press conference on the day following the MPC meeting to explain the decision of the MPC.

End-of-Year Letter to Stakeholders

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

Financial Literacy and Other Outreach Programme

Countries worldwide have recognised that changes in the financial system, including the increasing complexity and diversity of financial products, are creating an urgent need for financial literacy.

In this perspective, the Bank introduced a Financial Literacy Programme (FLP) in November 2007 in the context of its 40th anniversary aimed at raising awareness among the public and educating consumers on issues relating to banking and finance. The FLP has been a regular feature of the communication strategy of the Bank since then. The programme comprises activities such as a Monetary Policy Challenge, which is a mock exercise of monetary policy decision-making, an essay-writing competition, delivery of talks in schools, and on radio and television, and distribution of pamphlets. As part of its FLP, the Bank aims to inform the public of the various types of financial scams and posts 'scam alerts' on its website. The Bank has also set up a helpdesk to enable the public to report any information which they may have on suspected financial scams.

CORPORATE SOCIAL RESPONSIBILITY

Bamboo Garden

The Bamboo Garden project progressed in 2012-13. The garden, which will be located at Dubreuil, Midlands, covers a plot of land of around 10 acres. The Bank enlisted the services of the Agricultural Research and Extension Unit of the Ministry of Agro-Industry, Food Production and Security for its implementation and set up an Advisory Panel to make recommendations for the development of the project.

During 2012-13, a Landscape Architect was appointed for the design of the garden and the conceptual plan for the garden was approved. The garden is designed to include a bamboo museum, an administrative unit, a restaurant, an amphitheatre, a kid's corner and parking facilities. The garden is expected to be completed by December 2014.

The project will start with 120 varieties of bamboo from both local and imported sources. The local varieties collected are being propagated in a green house at Wooton. Additional varieties will be introduced to the garden subsequently. The garden will integrate the bamboo species with the existing flora on site. The Bamboo Garden project is in line with the 'Maurice Ile Durable' concept.

Sponsorship of Sports Activities

Since 2007, the Bank has been sponsoring the annual Inter-Club National Youth Championship in Mauritius and Rodrigues. In 2012, the Championship in Mauritius was held at Maryse Justin Stadium, Reduit, on 30 November and 1 December 2012, while the Championship in Rodrigues was held at Camp du Roi Stadium, on 10 November 2012. Four records were broken during the championships. The 15 best athletes from Rodrigues were invited to participate at national athletics competition in Mauritius. Several banks co-sponsored the events in Mauritius and Rodrigues. The Bank initiated a scheme to sponsor eight young athletes in the field of sports and education.

Internship Programme

The Internship Programme, launched in 2011, is open to students from both local and international universities. Interns are recruited three times per year and the internship duration is from four to twelve weeks. During 2012-13, the Bank took on board 19 students for its internship programme.

RODRIGUES OFFICE

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

INTERNAL AUDIT

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

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

4 Review of The Economy: 2012-13

Global economic conditions remained fragile and uneven in 2012-13 due to a slow recovery in the US, a stubborn recession in the euro area and a slowdown in emerging economies. In its July 2013 World Economic Outlook Update, the IMF trimmed its global growth forecast to 3.1 per cent for 2013 and warned that world growth may slow further if the pull-back from massive monetary stimulus in the US triggers reversals in capital flows and reduces growth in developing countries. Several countries seem to be set for slower growth in 2013, with the exception of Japan which is currently engaged in massive quantitative easing. Global inflation remained benign as cost pressures related to commodity prices continued to ease, while demand factors in high income countries remained weak.

The domestic economy continued to hold up relatively well to the soft external economic conditions although the growth momentum slowed in 2012-13. Economic performance was below trend, with slow growth recorded in major export sectors while a contraction was noted in the construction sector. The Mauritian economy grew by 3.3 per cent in 2012, from 3.6 per cent in 2011. The unemployment rate rose from 7.9 per cent in 2011 to 8.1 per cent in 2012.

Headline inflation eased from 5.1 per cent as at end-June 2012 to 3.6 per cent as at end-June 2013 while year-on-year inflation declined from 3.9 per cent to 3.6 per cent over the same period. A relatively stable exchange rate, moderate global food and energy prices and favourable base effects underpinned the decline in the inflation rate. However, upside risks to the inflation outlook arising mainly from the public sector wage award effective January 2013 and possible spillovers to private sector wages remain significant.

During the year under review, monetary policy remained accommodative against the backdrop of weak global economic conditions in major trading-partner countries. The MPC held four regular meetings during 2012-13. The Key Repo Rate was left unchanged at the first three meetings of the year but was cut by 25 basis points to 4.65 per cent at the June 2013 MPC meeting.

Broad Money Liabilities grew at an annual rate of 7.2 per cent as at end-June 2013, compared to 7.1 per cent in the previous year. Credit extended by banks to the private sector expanded by 8.0 per cent as at end-June 2013 compared to 10.7 per cent as at end-June 2012.

The current account deficit came down to 10.4 per cent of GDP at market prices in 2012-13, from a historical high of 11.9 per cent in 2011-12, mainly on account of slowing trade deficit and higher net factor income. Gross official international reserves, based on the value of imports of goods, *f.o.b.,* and non-factor services for the year 2012, represented 5.6 months of imports as at end-June 2013 compared to 4.6 months as at end-June 2012.

During 2012-13, the Bank continued to monitor developments in the money and foreign exchange markets to ensure their efficient functioning. The Bank intervened on the money market to mop up excess liquidity through the issue of Bank of Mauritius instruments while foreign exchange intervention was aimed at reducing undue volatility of the rupee. During the year, the Bank continued with the Operation Reserves Reconstitution programme that was introduced in June 2012 to increase the level of foreign currency reserves.

The exchange rate of the rupee reflected international exchange rate movements as well as demand and supply conditions on the domestic foreign exchange market. On a point-to-point basis, between end-June 2012 and end-June 2013, the weighted average daily dealt ask rates of the rupee depreciated against the US dollar and euro, but appreciated vis-à-vis the Pound sterling.

The banking sector continued to expand, with an additional bank starting operations during 2012-13. Banks' total assets grew faster than in the preceding year. Overall, the banking sector remained resilient and continued to be well-capitalised and profitable. In line with its objective to protect the affiliates of foreign banks from any financial stress affecting their parent banks abroad, a foreign-owned bank is now allowed to restructure its business into a subsidiary. The Bank continued to strengthen the regulatory framework, in particular, by improving the governance structure of financial institutions which it regulates. It also issued new guidelines and improved existing ones to take on board developments in best practice.

The international and domestic economic and financial developments during 2012-13 are reviewed in greater detail below, covering the analysis of trends using official data up to the end of August 2013.

INTERNATIONAL DEVELOPMENTS

Global financial markets sentiment recovered during most of 2012-13 following measures put in place by major advanced central banks to improve the workings of their domestic financial systems. However, this improvement in financial markets did not effectively translate into higher growth rates. Among advanced economies, a moderate recovery was noted in the US while the Eurozone remained mired in recession through most of 2012-13. The UK economy avoided a triple-dip recession and showed signs of improvement towards the end of the first semester of 2013. Growth in a number of emerging economies decelerated over the year although it remained higher than in advanced economies. The IMF, in its July 2013 World Economic Outlook Update, revised down its forecast of global growth to 3.1 per cent for 2013 and projected growth to increase to 3.8 per cent in 2014.

Global inflation remained benign in 2012-13, mainly reflecting subdued demand, continued high unemployment and moderate developments in energy and food prices. The food price index compiled by Food and Agriculture Organisation fell during the second half of 2012 but, following a noticeable increase in dairy prices, increased in February through April 2013 before coming down to 211.3 in June 2013. Over the period under review, the average price per barrel of NYMEX WTI fell by 2.83 per cent to US$92.24 while that of ICE Brent futures was lower by 2.87 per cent to US$108.87. During 2012-13, central banks in many advanced and emerging market economies further eased their monetary policy stance as economic conditions remained weak.

The evolution of major currencies during 2012-13 broadly reflected the improvement in market sentiment. The US dollar depreciated and remained on the defensive as the US Federal Reserve launched a third round of quantitative easing and Moody's warned of a possible downgrade of the US credit rating. Though the US currency drew some support towards end-2012 from increased risk aversion on concerns about the US fiscal cliff, it reverted to a depreciating trend in early 2013. The US dollar eventually reached a low of 1.3624 against the euro in February 2013 before it recouped some losses as encouraging data releases from the US started to feed in and expectations of a possible shift in the path of the loose monetary policy in the US increased. The euro gained support from firm policy measures put in place to address the region's sovereign debt problems. The Pound sterling, which tracked euro movements closely and was trading at around US$1.5601 in July 2012, depreciated to reach an intra-year low of US$1.4927 by March 2013, mainly due to the worsening UK economic outlook. It thereafter recouped some of its losses on some positive data releases in the UK. In Japan, the aggressive easing of monetary policy led to a remarkable depreciation of the yen.

Global equity markets rallied in the second half of 2012 as extensive policy support in the euro area reduced downside risks to growth and sparked market optimism. Although gains in equity were trimmed towards end-2012 on doubts over whether the US would be able to avert the fiscal cliff, major stock markets off-take resumed in the first semester of 2013 as investors shrugged off the weak economic outlook amid expectations of further policy loosening. While gains in US equities were congruent with a gradually improving US economy, stock increases in Europe were capped by concerns over the health of the economy. In Japan, the regime change and aggressive monetary easing led to sharp increases in Japanese stocks while the slowdown in Chinese growth increased the volatility of Asian stocks.

DOMESTIC DEVELOPMENTS

Real Sector

Growth in the Mauritian economy slowed to 3.3 per cent in 2012, from 3.6 per cent in 2011. Annualised quarter-on-quarter data showed that the economy registered a growth rate of 3.5 per cent in both 2012Q3 and 2012Q4, before picking up slightly to 3.7 per cent in 2013Q1. On a seasonally-adjusted basis, the economy decelerated from 1.2 per cent in 2012Q3 to 0.2 per cent in 2012Q4 but thereafter picked up to grow at 1.1 per cent in 2013Q1.

In nominal terms, GDP at market prices increased by 6.5 per cent to Rs343,885 million in 2012 compared to a growth of 7.9 per cent in 2011. Per capita GNI at market prices increased by 6.4 per cent, from Rs252,919 in 2011 to Rs269,117 in 2012.

In 2012, final consumption expenditure grew by 2.8 per cent compared to 2.5 per cent in 2011 as a result of an increase in both household and government consumption expenditure. Household consumption expenditure, which represented 84.7 per cent of total consumption expenditure, grew by 2.7 per cent in 2012, compared to 2.5 per cent in 2011. Growth in general government consumption expenditure rose to 3.0 per cent, from 2.5 per cent over the same period. Growth of final consumption expenditure is forecast at 2.8 per cent in 2013.

Gross National Savings (GNS), which is that part of Gross National Disposable Income that is not spent on consumption, increased by 7.3 per cent, from Rs48,264 million in 2011 to Rs51,796 million in 2012, compared to a growth of 3.8 per cent in 2011. The ratio of GNS to GDP at market prices increased from 14.9 per cent in 2011 to 15.1 per cent in 2012.

Gross Domestic Fixed Capital Formation (GDFCF) contracted by 0.8 per cent in 2012, after growing by 1.4 per cent in 2011. GDFCF is projected to record negative growth of 0.1 per cent in 2013 as a decline of 6.4 per cent in public sector investment is projected to offset growth of 1.9 per cent in private sector investment.

Exports of goods and services grew by 4.6 per cent in 2012, following growth of 5.2 per cent in 2011, mainly as a result of weaker external demand. Growth in the imports of goods and services fell to 0.7 per cent in 2012, from 6.2 per cent in 2011. Table 4.1 shows the growth rates of expenditure on GDP.

At the sectoral level, the *Agriculture, forestry and fishing*, *Mining and quarrying* and *Construction* sectors recorded negative growth rates in 2012.

Table 4.1 **Expenditure on GDP - Growth Rates (year-on-year)**

Per cent

	2010	2011 [1]	2012 [1]	2013 [2]
1. Final consumption expenditure	**+2.7**	**+2.5**	**+2.8**	**+2.8**
Households	+2.6	+2.5	+2.7	+2.9
General government	+3.4	+2.5	+3.0	+2.4
2. Gross domestic fixed capital formation	**-0.7**	**+1.4**	**-0.8**	**-0.1**
Private sector	0.0	+3.4	-1.9	+1.9
Public sector	-2.8	-4.7	+2.9	-6.4
3. Gross domestic fixed capital formation *(exclusive of aircraft and marine vessel)*	**+3.7**	**+1.4**	**-0.8**	**-3.1**
Private sector	0.0	+3.4	-1.9	-1.3
Public sector	+18.9	-4.7	+2.9	-8.8
4. Exports of goods & services	**+14.3**	**+5.2**	**+4.6**	**+1.5**
5. Less Imports of goods & services	**+9.5**	**+6.2**	**+0.7**	**+1.5**

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

The agricultural sector contracted by 0.2 per cent in 2012 as against an expansion of 4.1 per cent in 2011 while the *Construction* sector contracted further by 3.0 per cent as a result of the completion of major projects. The *Manufacturing* sector grew by 2.2 per cent compared to 0.7 per cent in the previous year. Within that sector, '*Textile*' registered a contraction of 1.1 per cent as against growth of 3.0 per cent in 2011. The *Financial and insurance activities* sector posted marginally higher growth of 5.7 per cent in 2012 compared to 5.6 per cent in the previous year while the *Accommodation and food service activities* sector stagnated following growth of 3.5 per cent in 2011. The *Wholesale and distributive trade* sector grew at 3.9 per cent in 2012 compared to 3.7 per cent in 2011. The *Transportation and storage, Real estate activities* and *Information and communication* sectors recorded positive albeit lower growth rates in 2012 compared to 2011. The *Transportation and storage* sector grew by 2.1 per cent in 2012 compared to 2.5 per cent in 2011 while growth in *Real estate activities* was marginally down to 2.8 per cent. The *Information and communication* sector grew by 8.6 per cent in 2012, lower compared to 9.0 per cent in 2011.

Table 4.2 shows the year-on-year growth rates in major sectors of the economy.

The domestic economy continues to be affected by the subdued global economic environment. According to the forecasts made by Statistics Mauritius in June 2013, the economy is expected to grow by 3.3 per cent in 2013, same as in 2012. The main downside risk to the domestic growth outlook stems from the muted economic conditions prevailing in major trading-partner countries.

Labour Market

Labour market conditions deteriorated during 2012-13, with the observed and the seasonally-adjusted unemployment rates rising from 8.2 per cent and 7.7 per cent in 2012Q2 to 8.7 per cent and 8.1 per cent, respectively, in 2013Q1. The labour force in Mauritius increased from 597,200 in 2012Q2 to 601,700 in 2013Q1

Table 4.2 **Gross Domestic Product - Sectoral Real Growth Rates (year-on-year)**

Per cent

	2010	2011[1]	2012[1]	2013[2]
Agriculture, forestry and fishing	-0.8	+4.1	-0.2	+6.0
Manufacturing	+1.9	+0.7	+2.2	+2.1
of which: Textile	*0.0*	*+3.0*	*-1.1*	*+2.0*
Construction	+4.3	-2.0	-3.0	-7.7
Wholesale and retail trade; repair of motor vehicles and motorcycles	+4.0	+3.7	+3.9	+3.8
Transportation and storage	+3.4	+2.5	+2.1	+2.6
Accommodation and food service activities	+6.0	+3.5	+0.0	+2.5
Information and communication	+10.9	+9.0	+8.6	+8.2
Financial and insurance activities	+4.5	+5.6	+5.7	+5.5
Real estate activities	+2.7	+2.9	+2.8	+2.8
Gross Domestic Product at basic prices	**+4.2**	**+3.6**	**+3.3**	**+3.3**

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

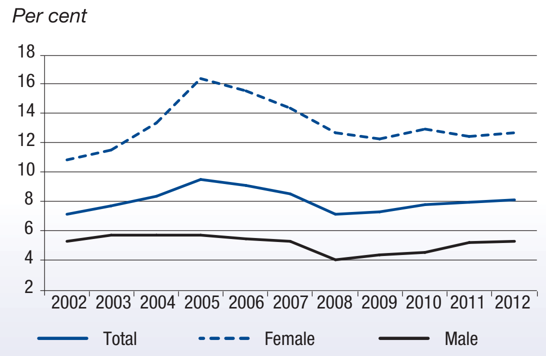
while employment rose slightly from 548,300 to 549,200 over the same period.

Male and female unemployment rates increased marginally from 5.2 per cent and 12.5 per cent in 2011 to 5.3 per cent and 12.7 per cent, respectively, in 2012. The unemployment rate for persons aged between 16-24 years and 25-29 years stood at 23.7 per cent and 10.5 per cent, respectively, in 2013Q1. Chart 4.1 shows the unemployment rate from 2002 to 2012.

The labour market continued to be characterised by a structural skills mismatch and weak performance of key employment sectors. Launched in February 2013, the Youth Employment Programme aims at addressing the skills mismatch problem by providing training for a period of one year to unemployed youth aged between 16 and 30 years.

A major development during the year was the implementation of the Pay Research Bureau (PRB) award in the public sector effective January 2013. Looking ahead, the subdued and fragile economic conditions are expected

Chart 4.1 **Unemployment Rate**



Source: Statistics Mauritius.

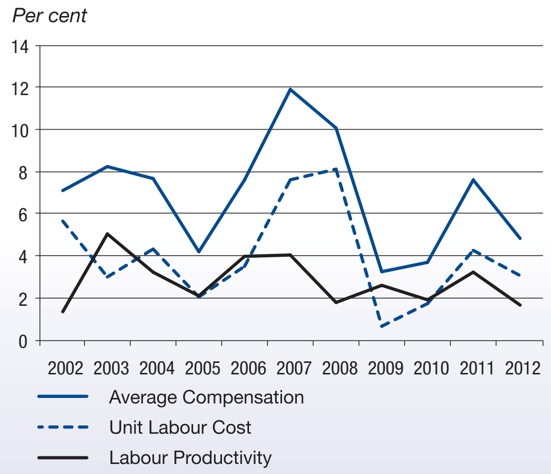
to impact on the job-creation capacity of enterprises, with firms expected to be cautious in expanding capacity and recruiting new workers in the short- to medium-term.

Labour Cost and Productivity

In 2012, the unit labour cost for the economy increased by 3.1 per cent compared to 4.3 per cent in 2011. The Wage Rate Index rose steadily during the year to 2013Q1 and is expected to increase further in the coming quarters following the public sector wage award and possible wage spill-overs to the private sector.

Labour productivity, defined as the ratio of real output to labour input, grew by 1.6 per cent in 2012, significantly lower compared to 3.2 per cent in 2011. Capital productivity, defined as the ratio of real output to the stock of fixed capital used in the production process, contracted at a lower rate of 0.9 per cent in 2012, from negative growth of 1.3 per cent in 2011. Multifactor productivity was unchanged in 2012 compared to marginal growth of 0.3 per cent in 2011. Chart 4.2 shows the growth rates of average compensation, unit labour cost and labour productivity for the total economy for the years 2002 through 2012.

Chart 4.2 Growth Rates of Average Compensation, Unit Labour Cost and Labour Productivity



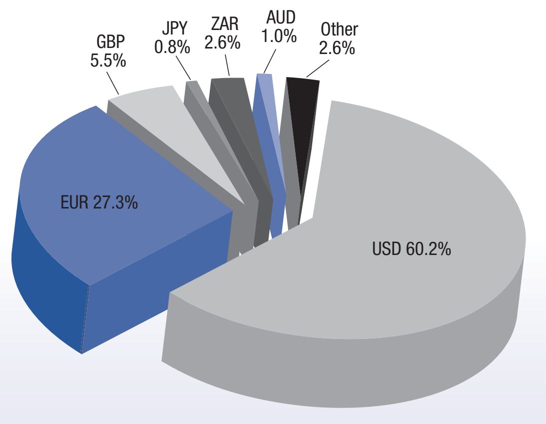
Source: Statistics Mauritius.

Financial Markets Developments

Domestic Foreign Exchange Market

During the period July 2012 to June 2013, total turnover (including spot and forward transactions but excluding transactions with the Bank of Mauritius) on the domestic foreign exchange market increased by 2.4 per cent to an equivalent of US$7,685 million. Transactions were mostly denominated in US dollars (60.2 per cent) and euros (27.3 per cent). Chart 4.3 shows the currency composition of foreign exchange transactions in 2012-13.

Chart 4.3 Foreign Exchange Transactions by Banks: Turnover by Currency



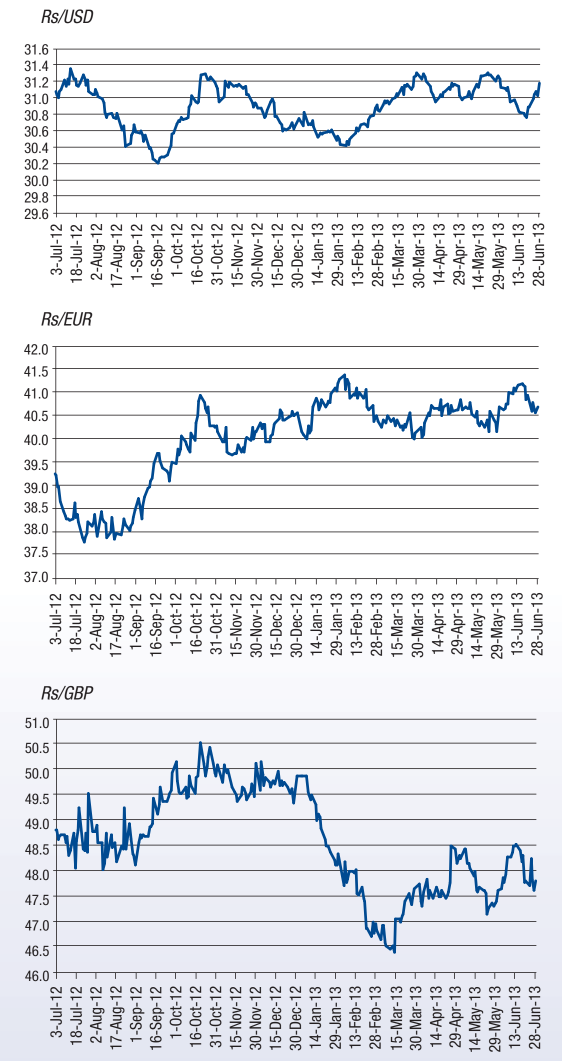
Source: Financial Markets Operations Division.

The exchange rate of the rupee reflected international exchange rate movements as well as demand and supply conditions on the domestic foreign exchange market. Between end-June 2012 and end-June 2013, on a point-to-point basis, the weighted average dealt ask rates of the rupee depreciated against the US dollar and the euro by 0.13 per cent and 4.35 per cent, respectively, but appreciated vis-à-vis the Pound sterling by 1.88 per cent.

On a nominal effective basis, the rupee depreciated between June 2012 and June 2013. MERI1, which uses the currency distribution of trade as weights, depreciated by 1.72 per cent while MERI2, which uses the currency distribution of trade combined with the currency distribution of tourism receipts as weights, posted a depreciation of 1.77 per cent.

Chart 4.4 shows the evolution of the weighted average dealt ask rates of the rupee against major currencies in 2012-13.

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



Source: Financial Markets Operations Division.

During 2012-13, the stock market posted overall gains. The SEMDEX and SEM-7 reached highs of 1,958.0 and 389.7, respectively, on 13 May 2013, before retreating to some extent towards end-June 2013.

The number of domestic listed companies on the Official Market totalled 42 as at end-June 2013 compared with 38 as at end-June 2012. Of these, 41 were local equities. On the Development and Enterprise Market (DEM), the number of listed companies decreased to 47, from 49 a year earlier.

Market capitalisation on the Official Market stood at Rs194.5 billion as at end-June 2013 compared with Rs167.9 billion as at end-June 2012. The aggregate value of transactions in 2012-13 amounted to Rs11.0 billion for a volume of 867.0 million shares traded, down from an aggregate value of Rs11.5 billion for a volume of 176.9 million shares traded in 2011-12.

During 2012-13, foreigners invested a net amount of Rs1,087.7 million on the local stock market, principally on the Official Market. On the DEM, foreigners purchased and sold shares to the tune of Rs219.3 million and Rs145.7 million, respectively, that is, a net investment of Rs73.6 million compared with a net investment of Rs25.8 million in 2011-12.

Price Developments

Effective from April 2013, the Consumer Price Index (CPI) is calculated on the basis of an updated basket of goods and services derived from the 2012 Household Budget Survey conducted by Statistics Mauritius. The base period for this new CPI series is the twelve-month period January 2012 to December 2012.

Headline inflation, as measured by the percentage change in the yearly average CPI in Mauritius, decreased to more moderate levels as base effects became absorbed and externally-generated inflationary pressures eased. Headline inflation maintained its downward trajectory from June 2012 through to February 2013, and remained unchanged at 3.6 per cent till June 2013. Year-on-year inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, rose to 4.2 per cent in October 2012, before declining to 2.9 per cent in January 2013. However, year-on-year inflation increased to 3.6 per cent in February 2013, reflecting hikes in the price of vegetables and alcoholic beverages and subsequently hovered within a range of 3.6 per cent to 3.8 per cent.

For sake of comparison, CPI data from the previous base period have been recast to the new base by using a conversion factor of 1.33. Overall, the CPI increased by 3.6 points, or 3.6 per cent, from 99.8 in June 2012 to 103.4 in June 2013. The main contributors to the CPI increase were 'Alcoholic beverages and tobacco' (1.1 index points), followed by 'Food and non-alcoholic beverages' (1.0 index point), 'Transport' (0.5 index point), 'Restaurants and hotels' (0.3 index point), 'Furnishings, household equipment and routine household maintenance' (0.2 index point), 'Health' (0.2 index point), 'Clothing and footwear' (0.1 index point), 'Education' (0.1 index point) and 'Miscellaneous goods and services' (0.1 index point).

Core Inflation

CORE1 inflation fell from 4.4 per cent in June 2012 to 3.3 per cent in December 2012 and further down to 2.8 per cent in June 2013. CORE2 inflation went down from 3.6 per cent in June 2012 to 3.0 per cent in December 2012 and subsided further to 2.8 per cent in June 2013.

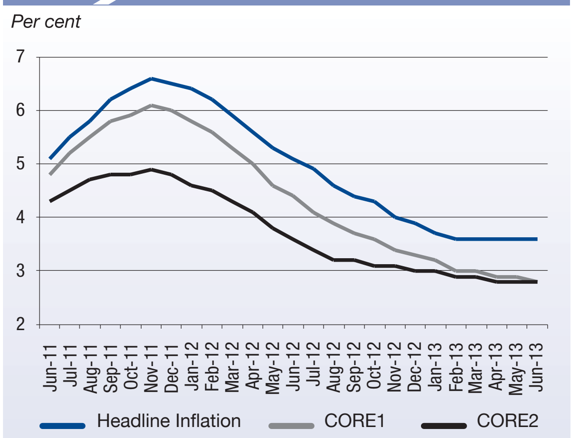
On a year-on-year basis, CORE1 inflation rose from 3.1 per cent in June 2012 to 3.6 per cent in October 2012 and thereafter subsided to 2.5 per cent in June 2013. CORE2 inflation moderated from 2.7 per cent to 2.4 per cent between June 2012 and June 2013.

Chart 4.5 shows the movements of headline and core inflation over the period June 2011 through June 2013. Chart 4.6 depicts the year-on-year movements of CPI and core inflation over the same period.

Inflation Outlook

The near-term path of domestic inflation remained contingent upon commodity price dynamics, exchange rate fluctuations and possible adverse spill-overs of the public sector wage award to the private sector, especially in a context of relatively lower productivity growth and potential change in administered prices.

Chart 4.5 Headline and Core Inflation

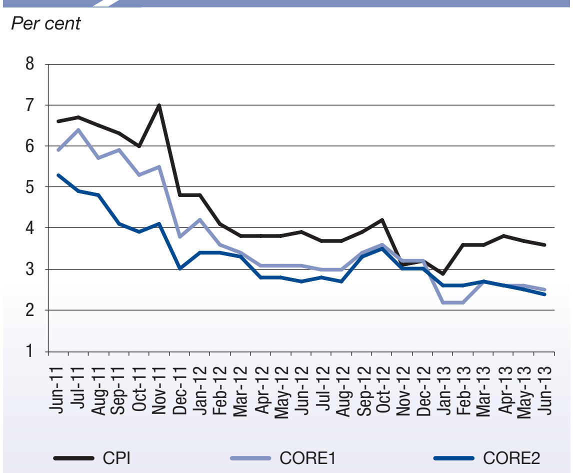


CORE1 excludes "Food, Beverages and Tobacco" components and mortgage interest on housing loan from the CPI basket.

CORE2 excludes Food, Beverages, Tobacco, mortgage interest, energy prices and administered prices from the CPI basket.

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

Chart 4.6 Year-on-year CPI and Core Inflation



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

Monetary Aggregates

Depository Corporations Survey

The Depository Corporations Survey consolidates the balance sheets of the Bank of Mauritius and Other Depository Corporations, which comprised 21 banks and 8 non-bank deposit-taking institutions as at end-June 2013. Net foreign assets of depository corporations expanded by 9.9 per cent, from Rs358,616 million as at end-June 2012 to Rs394,122 million as at end-June 2013, as against a contraction of 10.0 per cent recorded in the preceding financial year.

Domestic claims of depository corporations increased by 7.8 per cent, from Rs367,427 million as at end-June 2012 to Rs395,942 million as at end-June 2013, lower than the 14.2 per cent growth recorded in the previous financial year. Net claims on Central Government contracted by 10.7 per cent, from Rs27,435 million as at end-June 2012 to Rs24,490 million as at end-June 2013, compared to a contraction of 7.2 per cent in 2011-12. The growth of claims on other sectors expanded at a lower rate of 9.3 per cent as at end-June 2013 compared to 16.4 per cent in the preceding financial year.

Broad Money Liabilities went up by 7.2 per cent, from Rs327,851 million as at end-June 2012 to Rs351,376 million as at end-June 2013, compared to an increase of 7.1 per cent in the preceding financial year. Among the components of Broad Money Liabilities, currency with public went up by 7.9 per cent, lower than the increase of 8.5 per cent registered in 2011-12; transferable deposits recorded an increase of 2.6 per cent compared to an increase of 6.7 per cent in 2011-12; savings deposits rose by 12.0 per cent, higher than the growth of 9.2 per cent registered in the preceding year; time deposits went up by 3.3 per cent compared to a rise of 5.2 per cent in 2011-12; and securities other than shares included in broad money rose by Rs2,090 million, to Rs3,966 million as at end-June 2013. Table 4.3 shows the Depository Corporations Survey as at end-June 2011, 2012 and 2013.

Central Bank Survey

The Central Bank Survey shows the components of the monetary base, which comprises the central bank liabilities that support the expansion of broad money and credit. The monetary base expanded by 15.6 per cent, from Rs45,911 million as at end-June 2012 to Rs53,094 million as at end-June 2013, compared to an increase of 8.7 per cent in 2011-12. Of the major components of the monetary base, currency in circulation rose by 12.2 per cent, higher than the rise of 6.3 per cent recorded in 2011-12, while banks' deposits with the Bank of Mauritius increased by 18.4 per cent compared to an increase of 11.2 per cent in 2011-12.

On the sources side of the monetary base, net foreign assets of the Bank expanded by 21.6 per cent, from Rs85,159 million as at end-June 2012 to Rs103,580 million as at end-June 2013, compared to an increase of 6.5 per cent in the previous year. Domestic claims by the Bank fell by 54.6 per cent compared to a drop of 8.3 per cent in 2011-12. Net claims on Government declined, reflecting mainly the rise in Government deposits at the Bank.

Table 4.4 shows the Central Bank Survey as at end-June 2011, 2012 and 2013.

Sector-wise Distribution of Banks' Credit

Credit extended by banks to the private sector grew by 8.0 per cent, from Rs239,760 million as at end-June 2012 to Rs258,853 million as at end-June 2013, compared to an increase of 10.7 per cent registered over the corresponding period of the preceding year. The additional credit was mainly directed towards the *Construction* and *Personal* sectors, which accounted for 53.0 per cent and 26.7 per cent, respectively, of the rise in credit in 2012-13. The *Agriculture & fishing*, *Transport* and *Tourism* sectors were the other major recipients of additional credit, with around 30.4 per cent of the increase channelled to them.

Maintenance of Cash Ratio

The average cash balances held by banks at the Bank of Mauritius ranged between Rs23.2-27.4 billion in 2012-13, higher than the range

Table 4.3 **Depository Corporations Survey[1]**

	Jun-11 (1) (Rs million)	Jun-12 (2) (Rs million)	Jun-13 (3) (Rs million)	Change Between (1) and (2) (Rs million)	(Per cent)	Change Between (2) and (3) (Rs million)	(Per cent)
1. Net Foreign Assets	**398,640**	**358,616**	**394,122**	**-40,024**	**-10.0**	**35,506**	**9.9**
Claims on Non-residents	819,704	924,975	938,844	105,271	12.8	13,869	1.5
Liabilities to Non-residents	-421,064	-566,360	-544,722	-145,295	34.5	21,637	-3.8
2. Domestic Claims	**321,675**	**367,427**	**395,942**	**45,752**	**14.2**	**28,516**	**7.8**
A. Net Claims on Central Government	***29,551***	***27,435***	***24,490***	***-2,116***	***-7.2***	***-2,944***	***-10.7***
Claims on Central Government	59,154	62,494	63,203	3,340	5.6	709	1.1
Liabilities to Central Government	-29,603	-35,060	-38,713	-5,456	18.4	-3,653	10.4
B. Claims on other Sectors	***292,124***	***339,992***	***371,452***	***47,868***	***16.4***	***31,460***	***9.3***
3. ASSETS = LIABILITIES	**720,315**	**726,043**	**790,064**	**5,728**	**0.8**	**64,022**	**8.8**
4. Broad Money Liabilities	**306,228**	**327,851**	**351,376**	**21,623**	**7.1**	**23,525**	**7.2**
5. Other	**414,087**	**398,192**	**438,688**	**-15,896**	**-3.8**	**40,497**	**10.2**

Figures may not add up to totals due to rounding.
[1] Following IMF recommendations in January 2013, with effect from January 2010, liabilities to Central Government now include deposits of budgetary central government, extra-budgetary units and social security funds, as well as their holdings of Bank of Mauritius securities, which were formerly classified as "Deposits and Securities other than Shares, excluded from Monetary Base".
Source: Statistics Division.

of Rs20.8-25.8 billion in 2011-12. The average excess reserves held by banks were in a higher range of Rs1.9-5.3 billion in 2012-13 compared to Rs0.8-4.8 billion in 2011-12. The average cash ratio fluctuated between 7.61-8.67 per cent in 2012-13 compared to 7.29-8.59 per cent in the corresponding period of the preceding year.

Interest Rates

During 2012-13, all banks in general adjusted their deposit and lending rates in line with the change in the Key Repo Rate which was reduced by 25 basis points on 17 June 2013.

In 2012-13, the savings deposits rate and Prime Lending Rate were within a range of 2.75-3.65 per cent and 7.00-8.50 per cent, respectively, compared to a range of 3.00-4.25 per cent and 7.00-9.00 per cent in the preceding financial year.

The weighted average lending rate of banks dropped from 8.53 per cent as at end-June 2012 to 8.26 per cent as at end-June 2013. Table 4.5 shows the movements of interest rates during 2012-13.

External Trade and Balance of Payments

External imbalances eased in 2012-13 as the current account deficit to GDP ratio came down to 10.4 per cent from a historical high of 11.9 per cent in 2011-12, mainly on account of slowing trade deficit and higher net factor income. The merchandise trade deficit narrowed on the back of a pickup in export growth compared to a tepid rise in imports. The overall balance of payments witnessed a strong surplus due to positive capital and financial inflows. Thus, the reduced pressure on the trade deficit coupled

Table 4.4 **Central Bank Survey**

	Jun-11 (1) (Rs million)	Jun-12 (2) (Rs million)	Jun-13 (3) (Rs million)	Change Between (1) and (2) (Rs million)	(Per cent)	Change Between (2) and (3) (Rs million)	(Per cent)
1. Net Foreign Assets	**79,953.0**	**85,159.2**	**103,579.9**	**5,206.2**	**6.5**	**18,420.6**	**21.6**
Claims on Non-residents	80,428.5	85,301.2	103,679.9	4,872.7	6.1	18,378.7	21.5
less: Liabilities to Non-residents	475.5	141.9	100.0	-333.6	-70.1	-41.9	-29.5
2. Domestic Claims	**-9,777.5**	**-10,587.5**	**-16,367.8**	**-810.0**	**-8.3**	**-5,780.4**	**-54.6**
A. Net Claims on Central Government	-10,168.7	-11,179.9	-18,112.1	-1,011.2	-9.9	-6,932.1	-62.0
B. Claims on Other Sectors	145.0	142.3	198.1	-2.6	-1.8	55.8	39.2
C. Claims on Other Depository Corporations	246.3	450.1	1,546.1	203.8	82.7	1,096.0	243.5
3. ASSETS = LIABILITIES	**70,175.6**	**74,571.8**	**87,212.0**	**4,396.2**	**6.3**	**12,640.3**	**17.0**
4. Monetary Base	**42,236.7**	**45,911.0**	**53,094.0**	**3,674.3**	**8.7**	**7,183.0**	**15.6**
A. Currency in Circulation	20,453.8	21,745.5	24,405.0	1,291.7	6.3	2,659.5	12.2
B. Liabilities to Other Depository Corporations	21,555.9	23,977.4	28,377.5	2,421.5	11.2	4,400.1	18.4
C. Liabilities to Other Sectors	227.1	188.1	311.5	-39.0	-17.2	123.4	65.6
5. Other Liabilities to Other Depository Corporations	**7,369.4**	**4,898.3**	**10,207.0**	**-2,471.1**	**0.0**	**5,308.6**	**100.0**
6. Other	**20,569.5**	**23,762.5**	**23,911.1**	**3,193.0**	**15.5**	**148.6**	**0.6**

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

Table 4.5 **Other Interest Rates**

(Per cent per annum)

		Prime Lending Rate	Interest Rate on Rupee Savings Deposits with Banks	Interest Rate on Rupee Term Deposits with Banks	Interest Rate on Rupee Loans and Advances by Banks	Weighted Average Rupee Deposits Rate of Banks	Weighted Average Rupee Lending Rate of Banks
2012							
	Jul	7.00-8.50	3.00-3.65	2.00-16.55	3.65-19.25	3.64	8.52
	Aug	7.00-8.50	3.00-3.65	2.00-16.55	3.65-19.25	3.67	8.54
	Sep	7.00-8.50	3.00-3.65	2.00-16.55	3.65-19.25	3.63	8.49
	Oct	7.00-8.50	3.00-3.65	2.00-16.55	3.65-19.25	3.65	8.52
	Nov	7.00-8.50	3.00-3.65	2.00-16.04	3.65-19.25	3.64	8.48
	Dec	7.00-8.50	3.00-3.65	2.00-16.04	3.65-19.25	3.48	8.42
2013							
	Jan	7.00-8.50	3.00-3.65	2.00-16.04	3.65-19.25	3.32	8.42
	Feb	7.00-8.50	3.00-3.65	1.00-16.00	2.00-19.75	3.42	8.39
	Mar	7.00-8.50	3.00-3.65	1.25-16.00	2.00-19.84	3.41	8.36
	Apr	7.00-8.50	3.00-3.65	1.40-16.00	2.00-19.57	3.45	8.33
	May	7.00-8.50	3.00-3.65	1.00-16.00	2.00-19.59	3.47	8.42
	Jun	7.00-8.50	2.75-3.65	1.00-16.00	2.00-19.90	3.28	8.26

Source: Statistics Division.

with significant capital flows has facilitated the smooth financing of the current account deficit in 2012-13.

The current account deficit, inclusive of cross-border transactions of GBC1s, declined from Rs39,676 million in 2011-12 to Rs37,009 million in 2012-13. The lower current account deficit reflected to a large extent the reduction in the trade deficit, which reached Rs67,963 million in the year to June 2013 compared to Rs71,520 million a year earlier. Despite sluggish demand in main markets, merchandise exports *f.o.b.* expanded by almost 7.0 per cent in 2012-13 fuelled mainly by higher food exports, which accounted for 85.0 per cent of the overall increase. Reflecting the weak pace of domestic economic activity, merchandise imports *f.o.b.* grew marginally by 2.3 per cent in 2012-13 compared with a 10.1 per cent growth rate a year earlier.

External trade data on total imports *c.i.f.* indicated higher imports for food, refined petroleum products, manufactured goods and chemical and related products amongst others whereas significant declines were noted for imports of machinery and equipment and for crude materials. Within food imports, fish and fish preparations accounted for 75.5 per cent of the overall increase and excluding the latter, the food bill increased by 3.1 per cent. Machinery and equipment imports witnessed a broad-based contraction across all divisions with the largest decline recorded in imports of power generating machinery and equipment.

Services, Income and Current Transfers

The services surplus declined by 10.0 per cent to Rs24,738 million in 2012-13 from Rs27,485 million in 2011-12. The lower surplus on the services account was largely due to lower travel receipts compared with the previous year and a higher deficit on the transportation account as the difficult trading conditions in the tourism sector adversely affected passenger transportation services. A higher surplus was recorded on the other services account. Gross tourism receipts contracted significantly from the third quarter of 2012 onwards to the first quarter of 2013 but showed some resilience thereafter in the final quarter of the year under review.

The investment income account, inclusive of cross-border transactions of GBC1s, posted a net surplus of Rs3,382 million. Direct investment income and other investment income recorded significant net inflows in 2012-13, which more than offset the net outflows of portfolio investment income. The surplus on the current transfers account fell to Rs2,834 million in 2012-13 as a result of lower net inflows on private transfers.

Capital and Financial Account

The capital and financial account, inclusive of reserve assets, posted lower net inflows of Rs35,514 million in 2012-13 compared to Rs38,776 million recorded in the previous year. Direct investment, inclusive of GBC1s cross-border transactions, recorded outflows of Rs32,407 million in 2012-13. Excluding cross-border transactions of GBC1s, non-residents' direct investment in Mauritius, net of repatriation, amounted to Rs11,353 million in 2012-13 compared to Rs6,939 million in 2011-12. Residents' direct investment abroad, net of repatriation, and excluding cross-border transactions of GBC1s, increased to Rs3,036 million in 2012-13 compared to Rs2,713 million in 2011-12.

On a gross basis, Mauritius attracted Rs13,329 million by way of foreign direct investment in 2012-13, substantially higher than the figure of Rs8,636 million recorded in the preceding year. Foreign direct investment was mainly channelled into the real estate activities to the tune of Rs5,929 million, of which IRS/RES/IHS accounted for Rs4,645 million and the '*Financial and insurance activities'* sector to the amount of Rs4,755 million.

Portfolio investment, inclusive of GBC1s cross-border transactions, posted higher net inflows of Rs308,232 million in 2012-13 compared to Rs299,698 million registered in 2011-12. On the assets side, excluding GBC1s, there were net inflows of Rs2,655 million as against net outflows of Rs363 million in the previous year. On the liabilities side, net inflows of Rs2,129 million were recorded, indicating sustained interest of non-residents in equities and bonds on the Stock Exchange of Mauritius and Development and Enterprise Market.

'Other investment' account recorded higher net outflows of Rs219,792 million in 2012-13 compared to net outflows of Rs154,773 million in 2011-12. The Government sector registered net inflows of Rs7,581 million in 2011-12 on account of external long-term debt disbursements of Rs8,532 million and capital repayments of Rs951 million. In comparison, net inflows of Rs2,344 million were recorded in 2011-12. Loan disbursements to public corporations amounted to Rs401 million while capital repayments totalled Rs941 million, thus resulting in net outflows of Rs540 million in 2012-13 as against net inflows of Rs3,358 million during 2011-12. 'Private long-term capital' recorded lower net outflows of Rs254 million in 2012-13 compared to Rs2,588 million during the preceding year.

Table 4.6 provides a summary of the Balance of Payments.

Table 4.6 **Balance of Payments Summary**

	2007-08	2008-09	2009-10	2010-11	2011-12 [1]	2012-13 [1]
	(Rs million)					
Current Account	**-22,232**	**-24,771**	**-24,655**	**-33,633**	**-39,676**	**-37,009**
Goods	**-55,313**	**-48,633**	**-55,600**	**-62,340**	**-71,520**	**-67,963**
Exports f.o.b.	67,673	66,926	64,469	72,444	77,727	83,630
Imports f.o.b.	122,986	115,559	120,069	134,783	149,247	151,593
Imports c.i.f.	130,671	123,300	126,989	141,621	155,985	159,591
Services	**20,626**	**17,000**	**22,031**	**23,090**	**27,485**	**24,738**
Income	**8,340**	**689**	**2,328**	**-973**	**1,078**	**3,382**
Current Transfers	**4,115**	**6,173**	**6,586**	**6,590**	**3,281**	**2,834**
Capital and Financial Account	**12,813**	**14,397**	**12,706**	**56,702**	**38,776**	**35,514**
Capital Account	**-49**	**-16**	**-169**	**-58**	**-141**	**-184**
Financial Account	**12,862**	**14,413**	**12,875**	**56,760**	**38,917**	**35,698**
Direct Investment	6,243	10,730	7,863	315,179	-103,316	-32,407
Portfolio Investment	-3,219	-4,662	-4,672	-81,923	299,698	308,232
Other Investment	18,947	10,829	19,378	-168,098	-154,773	-219,792
Reserve Assets	-9,110	-2,484	-9,694	-8,399	-2,692	-20,335
Net Errors and Omissions	**9,419**	**10,374**	**11,949**	**-23,069**	**900**	**1,495**

[1] Provisional
Notes: (a) Import data for 2007-08 are inclusive of import of aircrafts (Rs3,700 million).
(b) Import data for 2008-09 are inclusive of import of ships (Rs583 million).
(c) Import data for 2009-10 are inclusive of import of aircrafts (Rs2,862 million).
(d) Figures for 2009-10 and onward have been drawn from new monthly banking statements.
(e) As from 2010, balance of payments includes cross-border transactions of GBC1s and are not strictly comparable with prior data.
Source: Statistics Division.

Gross Official International Reserves

The gross official international reserves of the country, made up of the gross foreign assets of the Bank, the foreign assets of the Government and the country's Reserve Position in the IMF, increased from Rs86,671 million as at end-June 2012 to a high of Rs105,040 million as at end-June 2013. The gross foreign assets of the Bank increased from Rs85,089 million as at end-June 2012 to Rs103,424 million as at end-June 2013 while the reserve position in the Fund went up to Rs1,616 million as at end-June 2013. Based on the value of imports of goods, *f.o.b.*, and non-factor services for the year 2012, the level of gross official international reserves as at end-June 2013 represented 5.6 months of imports compared to 4.6 months as at end-June 2012.

Table 4.7 shows the monthly level of gross official international reserves of the country.

Government Finance

Government Revenue and Expense

Government revenue amounted to Rs73,794 million in 2012, representing 21.5 per cent of GDP at market prices compared to 21.4 per cent in 2011. Taxes constituted the major share of Government revenue (88.0 per cent). The remaining components of revenue were 'other revenue' (Rs5,426 million), grants (Rs2,398 million) and social contributions (Rs1,051 million).

Government expense totalled Rs70,255 million in 2012, representing 20.4 per cent of GDP at market prices compared to 22.0 per cent in 2011. Compensation of employees amounting to Rs18,684 million accounted for the largest share of expense (26.6 per cent).

Table 4.7 Gross Official International Reserves

	(Rs million)				*(US$ million)*
End of Month	**Gross Foreign Assets of Bank of Mauritius**	**Reserve Position in the IMF**	**Foreign Assets of the Government**	**Gross Official International Reserves**	**Gross Official International Reserves [1]**
2012					
July	86,307	1,568	0.2	87,875.2	2,845.4
Aug	86,746	1,561	0.2	88,307.2	2,897.9
Sep	87,799	1,580	0.2	89,379.2	2,935.9
Oct	87,972	1,606	0.1	89,578.1	2,891.8
Nov	90,363	1,588	0.2	91,951.2	2,990.7
Dec	91,409	1,579	0.2	92,988.2	3,046.3
2013					
Jan	93,949	1,577	0.1	95,526.1	3,142.2
Feb	93,382	1,571	0.1	94,953.1	3,081.0
Mar	96,577	1,572	0.2	98,149.2	3,150.3
Apr	95,706	1,573	0.1	97,279.1	3,140.2
May	103,886	1,568	0.1	105,454.1	3,391.5
Jun	103,424	1,616	0.1	105,040.1	3,386.9

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

Budgetary Central Government Operations

Budgetary central Government gross operating surplus, which represents the excess of revenue relative to expense, stood at Rs3,538 million in 2012. The budget deficit amounted to Rs6,078 million, corresponding to 1.8 per cent of GDP at market prices. Government borrowing requirements totalled Rs7,194 million in 2012, representing 2.1 per cent of GDP at market prices. Domestic and external financing amounted to Rs4,213 million and Rs2,981 million, respectively.

Table 4.8 provides details about budgetary central Government operations for the years 2011 to 2013.

Table 4.8 Statement of Budgetary Central Government Operations

(Rs million)

		2011	2012	2013 [1]
1.	Revenue	69,223.2	73,793.7	83,300.0
2.	Expense	70,937.5	70,255.3	80,091.1
3.	Gross Operating Balance (1-2)	-1,714.3	3,538.4	3,208.9
4.	Net Acquisition of Non-Financial Assets	8,632.5	9,616.0	11,737.1
5.	Net Lending (+)/ Borrowing (-): Budget Balance	-10,346.8	-6,077.6	-8,528.2
6.	*Net Lending (+)/ Borrowing (-) as a % of GDP*	*-3.2%*	*-1.8%*	*-2.2%*
7.	Net Acquisition of Financial Assets	2,992.1	1,397.1	6,638.8
8.	Net Incurrence of Liabilities	13,338.9	7,474.7	15,167.0
9.	Adjustment for difference in Cash and Accrual	-191.2	-280.4	-650.0
10.	Borrowing Requirements	13,147.7	7,194.3	14,517.0
	Borrowing Requirements as a % of GDP	*4.1%*	*2.1%*	*3.8%*
	Domestic	7,583.5	4,212.9	5,875.2
	Foreign	5,564.2	2,981.4	8,641.8
	Memo item:			
	Primary Balance	-717.6	4,051.7	2,571.8
	Primary Balance as a % of GDP	*-0.2%*	*1.2%*	*0.7%*

[1] As per Programme Based Budget Estimates 2013.
Notes: (i) The figures have been compiled using the IMF's GFS Manual 2001.
(ii) Figures may not add up to totals due to rounding.
Source: Ministry of Finance and Economic Development, Government of Mauritius.

2013 Budget

The 2013 Budget theme was 'Rising to the challenges of a world in transition' and its main objectives were, namely to: (i) embrace technology and reinforce our Africa Strategy; (ii) support growth and create employment; (iii) strengthen Public Services; (iv) protect the vulnerable; and (iv) ensure sound macroeconomic management. The budget deficit was projected at Rs8,528 million in 2013, representing 2.2 per cent of GDP at market prices while the borrowing requirements of Government were forecast at Rs14,517 million.

Public Sector Debt

Public sector debt increased by 6.0 per cent, from Rs194,765 million as at end-June 2012 to Rs206,465 million as at end-June 2013. However, as a percentage of GDP at market prices, total public sector debt increased by 0.5 percentage point to 58.1 per cent. Table 4.9 provides details on public sector debt.

As at end-June 2013, total budgetary central Government debt stood at Rs185,139 million, representing an increase of 6.9 per cent from its end-June 2012 level. As a percentage of GDP at market prices, it remained stable at 52.1 per cent as at end-June 2013.

Budgetary central Government domestic debt went up by 3.0 per cent to Rs143,886 million over the year to end-June 2013. The share of short-term domestic debt to total Government debt decreased from 22.8 per cent to 20.8 per cent, while the share of medium- and long-term domestic debt increased from 77.2 per cent to 79.2 per cent over the same period.

Table 4.9 Public Sector Debt

	Dec-11	Jun-12	Dec-12	Jun-13 Provisional
				(Rs million)
1. Short-term Domestic Obligations [1]	**36,067**	**31,835**	**31,093**	**29,880**
o/w: Treasury Bills	31,820	31,835	29,486	29,861
Advances from Bank of Mauritius	0	0	0	0
Advances from Banks	0	0	0	0
2. Medium-term Domestic Obligations [1]	**42,632**	**43,637**	**40,174**	**40,697**
o/w: Treasury Notes	42,611	43,616	40,157	40,680
3. Long-term Domestic Obligations [1]	**58,520**	**64,265**	**69,539**	**73,309**
o/w: MDLS/Government of Mauritius Bonds	34,565	36,590	39,892	42,287
Five-Year Government of Mauritius Bonds	23,954	27,674	29,647	31,022
4. Domestic Central Government Debt (1+2+3)	**137,219**	**139,737**	**140,806**	**143,887**
	(42.5)	*(42.5)*	*(42.5)*	*(40.5)*
5. External Central Government Debt	**30,630**	**33,526**	**35,177**	**41,253**
	(9.5)	*(10.1)*	*(10.2)*	*(10.2)*
(a) Foreign Loans	26,709	28,888	31,134	37,315
(b) Foreign Investment in Government Securities	283	845	241	157
(c) IMF SDR Allocations	3,638	3,793	3,802	3,781
6. Extra Budgetary Unit Domestic Debt	**105**	**105**	**105**	**105**
7. Extra Budgetary Unit External Debt	**191**	**185**	**180**	**171**
8. Local Government Domestic Debt	**3**	**2**	**2**	**1**
9. Public Enterprise Domestic Debt	**9,529**	**10,333**	**11,130**	**10,055**
10. Public Enterprise External Debt	**11,173**	**10,877**	**10,888**	**10,994**
11. Domestic Public Sector Debt	**146,856**	**150,177**	**152,043**	**154,047**
	(45.5)	*(45.3)*	*(44.2)*	*(43.4)*
12. External Public Sector Debt	**41,994**	**44,588**	**46,245**	**52,418**
	(13.0)	*(13.5)*	*(13.4)*	*(14.8)*
13. Total Public Sector Debt (11+12)	**188,850**	**194,765**	**198,288**	**206,465**
	(58.5)	(58.8)	(57.6)	(58.1)

[1] By original maturity.
Notes: (i) Short-term: Up to 12 months; Medium-term: Over 1 year but less than 5 years; Long-term: 5 years and above.
(ii) Figures in brackets are percentages to GDP.
(iii) Figures may not add up to totals due to rounding.

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

Budgetary central Government external debt stood at Rs41,253 million as at end-June 2013 compared to Rs33,526 million as at end-June 2012, reflecting the increased recourse by Government to external financing for its budget deficit. As a percentage of GDP at market prices, external Government debt increased slightly from 10.1 per cent to 11.6 per cent over the same period.

Tables 4.10 shows the evolution of budgetary central Government external debt by interest rate mix.

Table 4.10 Government External Debt by Interest Rate Structure

(Per cent)

	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13 *Provisional*
Fixed Rate	25.5	24.3	25.5	22.1	19.5
Floating Rate	70.1	71.4	69.9	73.6	76.8
Interest-Free	4.4	4.3	4.6	4.3	3.7

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

MONETARY POLICY

At its September 2012 meeting, the MPC observed that global economic activity had weakened since its last meeting, amid external pressures stemming from the lingering Eurozone sovereign debt crisis and concerns over fiscal sustainability in major advanced economies. Meanwhile, global inflationary pressures had resurfaced following the increase in food and energy prices. The domestic economy had continued to hold up well to the protracted crisis although the pace of economic activity, especially in the export-led sectors, had been affected by the escalating external headwinds. The MPC judged that considerable uncertainty remained with regard to the domestic economic outlook while upside risks to the domestic inflation outlook had risen, emanating partly from higher global food and energy prices. The majority of MPC members considered that there was need to remain cautious on the monetary policy front given prevailing uncertainty in the global economy and a persistent negative real interest rate in the domestic economy that could potentially impact on savings deposits, asset prices and corporate indebtedness. The Committee voted with a majority of 6-3 to keep the Key Repo Rate unchanged at 4.90 per cent.

At its meeting on 26 November 2012, the MPC noted that the international economic situation had remained precarious due to the uncertainty over the resolution of the Eurozone debt crisis and the extent of fiscal contraction that might eventually take place in the US at the beginning of 2013. The domestic economy was assessed to have withstood external headwinds relatively well. While the output gap had remained negative, the economy was expected to be propped up by market diversification efforts and the relatively good performance of emerging sectors. The MPC noted that global inflationary pressures had remained contained but that commodity prices, in particular food prices, could still represent a major upside risk. On the domestic front, upside risks to inflation had arisen from elevated global food prices, recent rupee depreciation, the expected impact of the PRB award, the anticipated adjustment in retail petroleum prices and recent budgetary measures. Members collectively recognised the upside risks to inflation and expressed strong concerns over a possible resurgence of inflation. However, views differed on the extent to which monetary policy should react to those threats in the context of a global economic slowdown. The Committee voted with a majority of 5-4 to keep the Key Repo Rate unchanged at 4.90 per cent.

At its meeting on 11 March 2013, the MPC observed that economic conditions in developed economies of export interest to Mauritius had remained fragile while performance had been more robust in emerging economies. On the domestic front, growth had picked up slightly as activity rebounded in some key sectors. The MPC noted that important downside risks, stemming mainly from weak and uncertain economic conditions in main export markets as a result of the threat of a prolonged recession in the euro area, would continue to weigh on the domestic growth outlook. Global inflationary pressures had remained contained although elevated commodity prices, in particular food and oil prices, still represented a major upside risk. While the negative output gap pointed to moderate demand pressures on prices, there were persistent upside risks to the inflation outlook as a result of elevated global commodity prices, the impact of the recent PRB award to the public sector, the recent increase in retail petroleum prices and the expected second-round effects of these increases, as well as the projected rise in administered prices. A majority of members viewed that it was too early to start tightening monetary policy at this juncture as domestic and external economic conditions were still fragile. The MPC decided by a majority of 5-3 that the Key Repo Rate remained broadly appropriate at 4.90 per cent.

At the last MPC meeting on 17 June 2013, the MPC noted that global economic conditions had remained weak and uneven, with growth slowing in a number of emerging economies as a result of persistent external headwinds. Concurrently, the global inflation outlook had been benign given significant economic slack and slower growth in commodity prices. The domestic economy was assessed to be vulnerable to the subdued external environment. Economic performance had been below trend, with slow growth recorded in major export sectors despite diversification efforts, while a significant contraction had been noted in the *Construction* sector. However, upside risks to the inflation outlook arising mainly from the public sector wage award and possible spillovers to private sector wages remained significant. While some members emphasised the MPC's mandate of price stability and argued for proactive action to tackle medium-term inflation, others viewed that the growth outlook had deteriorated in light of recent developments in main trading-partner countries. Weighing the balance of risks, the MPC decided by majority of 5-3 to cut the Key Repo Rate by 25 basis points to 4.65 per cent.

FINANCIAL STABILITY

In the medium term, risks to financial stability in Mauritius continued to emanate mostly from global economic and financial developments.

Although banks in Mauritius faced a difficult economic environment, they remained sound, generally profitable and well-capitalised. Banks operated in a favourable and stable funding environment as funding and liquidity risks remained relatively low. Both domestic-owned and foreign-owned banks maintained access to their main sources of funding, both locally and abroad. Stress tests carried out by the Bank and the IMF indicated that the Mauritian banking system is well-capitalised and resilient against a range of shocks.

Private sector credit growth increased and overall asset quality was considered as relatively good. As part of its macroprudential surveillance of the financial system, the Bank continued to monitor credit, especially at sectoral levels, as well as the level of non-performing loans (NPL). *Construction* remained a vulnerable sector where the level of NPL required close monitoring as the credit off-take, amid lacklustre construction activity, might pose financial stability concerns. The Bank will continue to watch trends in private sector debt in Mauritius and the risks they may present to overall financial stability.

Non-bank deposit-taking institutions proved to be resilient in 2012. According to the Financial Services Commission (FSC), the insurance sector performed relatively well in 2012 and maintained adequate buffer to withstand shocks that might affect its soundness. During the first semester of 2013, the payment systems operated efficiently and transactions were generally settled on the system without delay and loss.

5 Regulation and Supervision

The banking sector continued to expand, with banks' total assets growing faster in 2012-13 than in the preceding year. The sector remained resilient and profitable. One additional bank, namely BanyanTree Bank Limited, started operations during the year, bringing the total number of banks to 21.

The Bank achieved further progress in its efforts to enhance the soundness and resilience of the banking sector. The branch of Barclays Bank PLC operating in Mauritius was incorporated as a subsidiary under the name Barclays Bank Mauritius Limited in May 2013. This development is in line with the Bank's objective of protecting affiliates of foreign banks operating in the Mauritian jurisdiction from any potential problem affecting their parent banks in their home country, thereby reducing financial stability risks. In addition, the Bank continued to strengthen the regulatory framework, in particular, by improving the governance structure of financial institutions falling under its purview. The Bank issued new guidelines and brought improvements to existing ones to take on board developments in international best practices. The Bank maintained a high degree of interaction with its regulatees.

With the increasing presence of domestic banks in the region, the need for supervisory colleges to enhance cross-border supervisory collaboration and sharing of information between home and host regulators is becoming necessary. It is expected that the first supervisory college will be set up in the fourth quarter of 2013 in Mauritius.

PERFORMANCE OF THE BANKING SECTOR

At the end of June 2013, the banking sector comprised 21 banks licensed to carry out banking business in Mauritius, of which 9 were local banks, 8 were subsidiaries of foreign-owned banks and 4 were branches of international banks. The 21 banks operated a total of 223 branches, 9 counters, 1 mobile van and 450 Automated Teller Machines (ATMs), and employed 7,464 persons as at 30 June 2013. Besides traditional banking facilities, fourteen banks offered card-based payment services such as credit and debit cards and Internet banking. Two banks offered phone banking facilities to their customers.

The banking sector grew at a faster pace during 2012-13 than in the preceding year. The on-balance sheet assets of banks expanded by 10.2 per cent compared to 4.0 per cent in the preceding year. The off-balance sheet assets grew by 7.1 per cent as against a contraction of 1.8 per cent in the previous year.

Deposits grew by 11.3 per cent during the year under review, mainly due to an increase of 16.9 per cent in Segment B deposits. The resources were mainly placed with banks abroad which rose by 38.2 per cent.

CAMEL Rating

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

The ratings of individual banks for the quarters ended June 2012 and December 2012 were released in December 2012 and June 2013, respectively. As shown in Table 5.1, fifteen out of twenty banks were assigned a 'satisfactory' rating in June and December 2012. Five banks maintained a 'fair' rating in those periods.

Table 5.1 **CAMEL Ratings of Banks**

Composite CAMEL rating	Number of banks awarded the respective ratings	
	Jun-12	Dec-12
2+	6	9
2-	9	6
3+	4	5
3-	1	0

Source: Off-site Division, Supervision.

Capital Adequacy

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

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

Over the year to end-June 2013, banks' aggregate capital base (net of capital deductions) increased by 15.1 per cent to Rs95,187 million. Tier 1 capital rose by 14.5 per cent to Rs90,958 million, which represented 88.7 per cent of gross capital. The increase in Tier 1 capital was driven by a large proportion of profits being retained by banks to sustain their operations and by additional capital injection by some foreign banks.

Tier 2 capital registered an increase of 3.1 per cent from Rs11,219 million as at end-June 2012 to Rs11,569 million as at end-June 2013 and represented 11.3 per cent of gross capital. Subordinated debt amounted to Rs5,278 million, that is, 45.6 per cent of gross Tier 2 capital as at end-June 2013.

Table 5.2 shows the risk-weighted capital adequacy ratio maintained by banks from end-June 2012 through end-June 2013 together with the components of capital and risk-weighted assets.

Risk Profile of On- and Off-Balance Sheet Assets

Total on-balance sheet assets of banks increased by 15.2 per cent, from Rs811,003 million as at end-June 2012 to Rs933,999 million as at end-June 2013. The corresponding total risk-weighted on-balance sheet assets grew by 17.2 per cent to Rs508,370 million over the same period, largely due to an increase in claims on corporates and banks.

The majority of on-balance sheet assets (46.0 per cent) was allocated in the 100 per cent risk-weight basket while 16.3 per cent and 14.8 per cent were in the 0 per cent and 20 per cent risk-weight buckets, respectively. Table 5.3 compares banks' risk buckets as at end-June 2012 and end-June 2013.

Table 5.2 **Risk-Weighted Capital Adequacy Ratio of Banks**

(Rs million)

As at end of period	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Tier 1 capital	79,426	81,460	85,556	90,528	90,958
Tier 2 capital	11,219	10,724	11,910	12,049	11,569
Total Gross Capital	**90,645**	**92,184**	**97,466**	**102,577**	**102,527**
Capital Deductions	7,950	6,439	6,655	7,359	7,340
Total Net Capital (A)	**82,695**	**85,745**	**90,811**	**95,218**	**95,187**
Total Risk-Weighted Assets (B)	**515,170**	**512,535**	**545,132**	**559,339**	**600,449**
Total on-balance sheet risk-weighted credit exposures	*433,755*	*436,568*	*454,835*	*472,133*	*508,370*
Total non-market-related off-balance sheet risk-weighted credit exposures	*38,748*	*35,201*	*49,613*	*46,158*	*47,143*
Total market-related off-balance sheet risk-weighted credit exposures	*4,877*	*4,205*	*3,597*	*3,091*	*3,659*
Total foreign currency exposures	*2,796*	*1,716*	*1,686*	*1,816*	*1,758*
Total risk-weighted assets for operational risk	*34,994*	*34,845*	*35,401*	*36,141*	*39,519*
Capital Adequacy Ratio (A/B)	**16.1%**	**16.7%**	**16.7%**	**17.0%**	**15.9%**

Source: Off-site Division, Supervision.

Table 5.3 **Risk-Weights of Banks' On-Balance Sheet Assets**

Risk Weights (%)	On-Balance Sheet Assets *(Rs million)*	Percentage to total On-Balance Sheet Assets *(Per cent)*	On-Balance Sheet Assets *(Rs million)*	Percentage to total On-Balance Sheet Assets *(Per cent)*
	Jun-2012		Jun-2013	
0	140,648	17.3	152,050	16.3
20	104,044	12.8	138,507	14.8
35	29,530	3.7	33,779	3.6
50	82,616	10.2	129,179	13.8
75	31,530	3.9	35,949	3.9
100	407,738	50.3	429,285	46.0
150	14,897	1.8	15,250	1.6
	811,003	**100.0**	**933,999**	**100.0**

Source: Off-site Division, Supervision.

The average combined risk weighting ratio moved from 37.6 per cent as at end-June 2012 to 40.7 per cent as at end-June 2013. The growth of 16.6 per cent in total risk-weighted assets as a result of risk diversification outweighed the growth of 7.6 per cent in on- and off-balance sheet assets.

Table 5.4 sets out a comparison of the total on- and off-balance sheet assets of banks with corresponding risk-weighted values and average combined risk weighting as at end-June 2012 and end-June 2013.

Asset Quality

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

Total assets of banks went up by 10.2 per cent to Rs1,003,355 million as at end-June 2013, from Rs910,236 million at end-June 2012.

Table 5.4 Combined Risk Weights of Banks' Assets

		End-June 2012	End-June 2013
A	Total On-Balance Sheet Assets *(Rs million)*	811,003	933,999
B	Total Off-Balance Sheet Assets *(Rs million)*	560,637	541,280
C	Total On and Off-Balance Sheet Assets (A + B) *(Rs million)*	1,371,640	1,475,279
D	Total Risk-Weighted Assets *(Rs million)*	515,170	600,449
E	Average Combined Risk-Weighted Ratio (D/C) *(Per cent)*	**37.6**	**40.7**

Source: Off-site Division, Supervision.

Five banks registered reductions ranging from 2.2 per cent to 9.1 per cent in their total assets in 2012-13 while the remaining 15 banks recorded growth ranging from 2.1 per cent to 60.7 per cent. Data relating to one bank, which started operations in February 2013, is excluded from the above.

Acceptances, guarantees and documentary credits, which form part of off-balance sheet assets, went up by 7.1 per cent to Rs82,396 million as at end-June 2013, from Rs76,938 million as at end-June 2012.

Advances

Total advances, including debentures and fixed-dated securities, rose by 3.1 per cent in 2012-13 to Rs615,332 million, compared to an increase of 14.7 per cent in the preceding financial year. As at end-June 2013, total advances represented 89.1 per cent and 61.3 per cent of total deposits and total assets, respectively, compared with 96.2 per cent and 65.6 per cent as at end-June 2012.

Loans and overdrafts in Mauritian rupees amounted to Rs209,218 million, or 34.0 per cent of total advances, while loans and other financing in foreign currencies in Mauritius amounted to Rs62,075 million, or 10.1 per cent of total advances. Loans and other financing in foreign currencies outside Mauritius stood at Rs275,685 million as at end-June 2013, representing 44.8 per cent of total advances. The remaining facilities consisted of local and foreign bills purchased and discounted, bills receivable and fixed-dated securities.

Concentration of Risks

Credit risk concentration, one of the major risks faced by banks in Mauritius, refers to the risk of loss arising from a bank's exposure to different sectors of the economy and/or different entities.

Large exposures in the banking sector, that is, exposures above 15 per cent of an institution's capital base, amounted to Rs178,362 million, representing 25.6 per cent of the total fund and non-fund based facilities extended as at end-June 2013. The aggregate large exposures to borrowers represented 187.9 per cent of the capital base of banks as at end-June 2013 compared to 233.5 per cent as at end-June 2012.

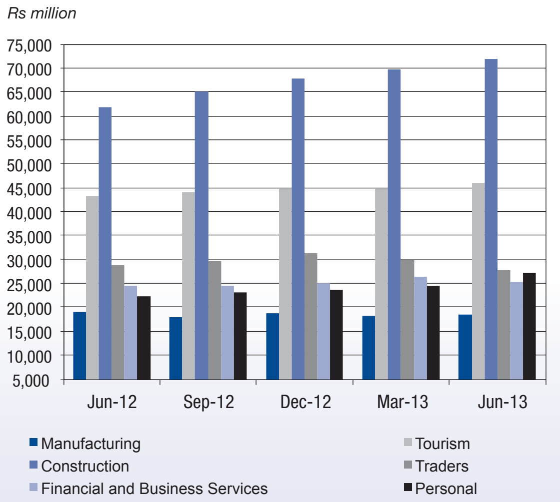
Sectorwise Distribution of Credit to the Private Sector in Mauritius

Banks are also exposed to credit concentration in certain sectors of the economy. The share of credit to *'Construction'* in total private sector credit rose from 23.2 per cent as at end-June 2012 to 25.3 per cent as at end-June 2013. Credit to *'Tourism'* as a percentage of total credit was almost unchanged. Credit to *'Personal'* and *'Traders'* sectors stood at 9.6 per cent and 9.7 per cent of total credit to the private sector, respectively, as at end-June 2013 compared to 8.3 per cent and 10.7 per cent as at end-June 2012. Chart 5.1 shows the sectorwise distribution of credit to the private sector from June 2012 through June 2013.

Non-Performing Advances and Provisioning

Total non-performing advances of banks rose by 16.6 per cent, from Rs18,403 million as at end-June 2012 to Rs21,456 million as

Chart 5.1 Sectorwise Distribution of Credit to Private Sector



Source: Off-site Division, Supervision.

at end-June 2013. Consequently, the ratio of non-performing advances to total advances deteriorated from 3.1 per cent to 3.5 per cent. Impaired credit on facilities extended in Mauritius went up by 26.0 per cent to Rs17,099 million while impaired credit extended outside Mauritius declined by 9.8 per cent to Rs4,357 million in 2012-13.

Specific provisions for loan losses made by banks increased by 54.0 per cent, from Rs5,928 million as at end-June 2012 to Rs9,127 million as at end-June 2013. Specific provisions made on impaired credits in and outside Mauritius increased by Rs2,514 million and Rs685 million, respectively. The ratio of specific provisions to non-performing advances (cover ratio) improved from 32.2 per cent at end-June 2012 to 42.5 per cent as at end-June 2013.

Deposits

Deposits continued to be the principal source of funding and constituted the highest share of banks' total liabilities. The share of deposits in total liabilities increased from 68.2 per cent as at end-June 2012 to 68.8 per cent as at end-June 2013. Total deposits increased by 11.3 per cent to Rs690,529 million as at end-June 2013, from Rs620,575 million at end-June 2012. The rise in the deposit base of the banking sector was largely driven by an expansion of 16.9 per cent in Segment B deposits while Segment A deposits increased by 5.2 per cent.

The share of foreign currency deposits to total deposits rose to 61.0 per cent as at end-June 2013, from 59.6 per cent as at end-June 2012. Demand, savings and time deposits accounted for 38.3 per cent, 22.9 per cent and 38.8 per cent of total deposits, respectively, compared to 32.9 per cent, 22.9 per cent and 44.2 per cent as at end-June 2012.

The advances-to-deposits ratio, which indicates the extent to which funds mobilised by way of deposits have been utilised to finance lending activities, declined from 96.2 per cent as at end-June 2012 to 89.1 per cent as at end-June 2013. This ratio stood at 81.3 per cent for Segment A activities and 95.6 per cent for Segment B activities as at end-June 2013 compared to 78.9 per cent and 112.1 per cent, respectively, as at end-June 2012.

Profitability

During 2012/13, banks operating in Mauritius realised profit after tax, with the exception of four banks which incurred losses. Three banks saw their operating profits wiped out by impairment charges while the fourth bank, a new entrant in the banking sector, continued to incur high operational expenses after it established business in Mauritius. Aggregate pre-tax profit of banks rose to Rs15,421 million in 2012/13, from Rs14,357 million in 2011/12.

Table 5.5 shows the consolidated income statements of the banking sector for the past three years based on the audited results of banks. The data cover the financial years ended 30 June, 31 December and 31 March.

Components of Income

Total income of banks increased by 13.8 per cent, from Rs42,139 million in 2011/12 to

Table 5.5 **Consolidated Income Statements of Banks**

			(Rs million)
	2010/11	2011/12	2012/13
Interest Income	**32,567**	**32,776**	**37,326**
Interest on Advances	*21,375*	*23,171*	*26,372*
Interest on Securities	*9,243*	*7,456*	*8,242*
Interest on Placements and Loans to banks	*1,584*	*1,896*	*2,411*
Other Interest Income	*365*	*253*	*301*
Interest Expense	**15,270**	**15,221**	**17,510**
Interest on Deposits	*11,306*	*10,922*	*11,582*
Interest on Borrowings from banks	*3,579*	*3,896*	*4,988*
Other Interest Expenses	*385*	*403*	*940*
Net Interest Income	**17,297**	**17,555**	**19,816**
Non-Interest Income	**7,964**	**9,363**	**10,642**
Net Fee Income and Commission	*3,663*	*4,233*	*4,848*
Profit from Dealings in Foreign Currencies	*3,215*	*2,904*	*1,257*
Other Non-Interest Income	*1,086*	*2,226*	*4,537*
Operating Income	**25,261**	**26,918**	**30,458**
Non-Interest Expense	**9,967**	**10,758**	**11,740**
Staff Costs	*5,379*	*5,767*	*6,170*
Other Operating Expenses	*4,588*	*4,991*	*5,570*
Operating Profit before Provisions	**15,294**	**16,160**	**18,718**
Provision and Adjustments to Income from Credit Losses	*2,070*	*1,777*	*3,140*
Operating Profit after Provisions	**13,224**	**14,383**	**15,578**
Exceptional Items	*59*	*(26)*	*(157)*
Profit before Tax	**13,283**	**14,357**	**15,421**
Provision for Income Taxes	*1,365*	*1,729*	*1,575*
Profit after Tax	**11,918**	**12,628**	**13,846**

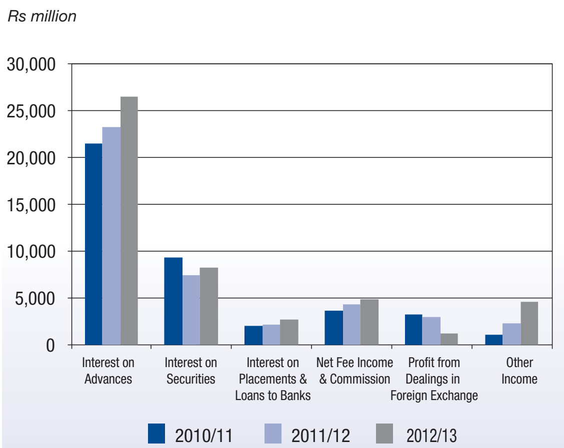
Source: Off-site Division, Supervision.

Rs47,968 million in 2012/13, mainly on account of growth of 13.7 per cent in non-interest income. Chart 5.2 shows the movements in components of interest income of banks from 2010/11 through 2012/13.

Interest Income

Interest income rose by 13.9 per cent to Rs37,326 million in 2012/13 compared to an increase of 0.6 per cent in 2011/12. Interest earned from advances, representing 70.7 per cent of total interest income, increased by 13.8 per cent to Rs26,372 million in 2012/13. Interest received from placements and loans to banks (including other interest income) went up by 26.2 per cent to Rs2,712 million while interest

Chart 5.2 **Components of Income of Banks**



Source: Off-site Division, Supervision.

earned on securities increased by 10.5 per cent to Rs8,242 million in 2012/13.

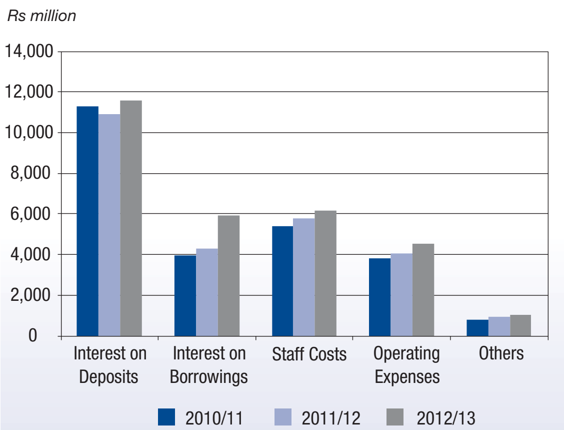
Non-Interest Income

Non-interest income, which constitutes an important source of revenue for banks, rose by Rs1,279 million, from Rs9,363 million in 2011/12 to Rs10,642 million in 2012/13. During the year under review, fee-related income grew by 14.5 per cent while profit arising from dealings in foreign currencies continued its downward trend and declined by 56.7 per cent in 2012/13. Together, they accounted for 57.4 per cent of total non-interest income in 2012/13 compared to 76.2 per cent in 2011/12.

Components of Expense

Total interest expense rose by Rs2,289 million to Rs17,510 million in 2012/13, driven mainly by the increase in interest paid on deposits and borrowings of Rs660 million and Rs1,092 million, respectively. Chart 5.3 shows the evolution of the components of expense of banks from 2010/11 through 2012/13.

Chart 5.3 Components of Expense of Banks



Source: Off-site Division, Supervision.

Non-Interest Expense

Non-interest expense, comprising staff costs and other operating expenses, grew by 9.1 per cent to Rs11,740 million in 2012/13 compared to a growth of 7.9 per cent a year earlier. This was mainly driven by an increase of 11.6 per cent in other operating expenses. Staff costs rose by 7.0 per cent, partly due to an expansion in the workforce of the banking sector during the period under review.

Overall, the cost-to-income ratio for the banking sector stood at 38.5 per cent in 2012/13, down from 40.0 per cent in 2011/12.

Operating Profit

Banks' operating profit before provision for credit losses increased from Rs16,160 million in 2011/12 to Rs18,718 million in 2012/13. Concurrently, post-tax profits rose by 9.6 per cent to Rs13,846 million in 2012/13 compared to a growth of 6.0 per cent in the preceding year.

Return on Average Assets and Equity

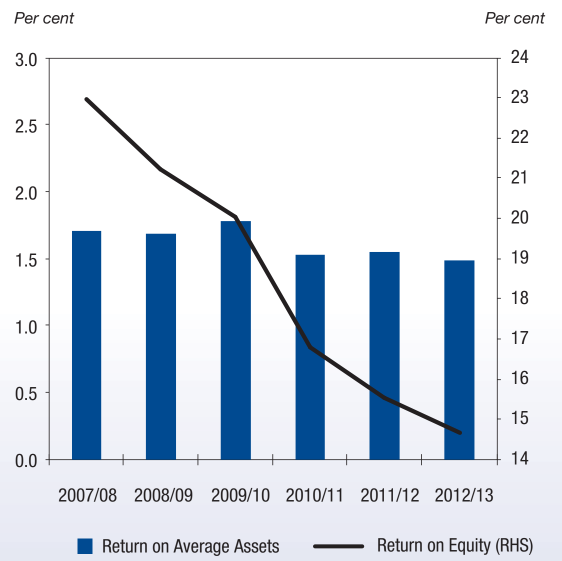
The pre-tax return on average assets for the banking sector decreased by 6 basis points to 1.49 per cent in 2012/13. It ranged between negative 17.7 per cent and positive 4.7 per cent for individual banks. Five banks achieved a return on average assets of above 2.0 per cent.

Similarly, post-tax return on equity for the banking sector declined from 15.5 per cent in 2011/12 and to 14.7 per cent in 2012/13. It ranged from negative 53.3 per cent to positive 29.7 per cent in 2012/13 for individual banks. Chart 5.4 depicts the return on average assets and equity of banks from 2008/09 through 2012/13.

Interest Rate Spread

Interest rate spread rose to Rs2.83 during the period under review. Interest earned per Rs100 of advances increased by 3 basis points while the cost per Rs100 of deposits decreased by 3 basis points. Table 5.6 shows the interest rate spread for 2010/11 through 2012/13.

Chart 5.4 Return on Average Assets and Equity of Banks



Source: Off-site Division, Supervision.

Table 5.6 Interest Rate Spread of Banks

			(Rupees)
	2010/11	**2011/12**	**2012/13**
Interest Earned per Rs100 of Advances	4.68	4.57	4.60
Cost per Rs100 of Deposits	2.00	1.80	1.77
Interest Rate Spread	2.68	2.77	2.83

Source: Off-site Division, Supervision.

Electronic Banking

As at end-June 2013, fourteen banks were providing electronic banking services. The monthly average number of transactions for the quarter ended June 2013 increased to 5.0 million compared to 4.7 million in corresponding period of 2012 as the number of credit, debit and other cards in circulation rose from 1,378,854 to 1,439,074.

The number of ATMs in operation in Mauritius and Rodrigues went up from 430 as at end-June 2012 to 450 at end-June 2013.

The monthly average value of credit, debit and other cards transactions at ATMs and Merchant Points of Sale increased by 15.6 per cent to Rs10,506 million for the quarter ended June 2013 compared to the corresponding period of 2012. Outstanding advances granted on credit cards stood at Rs2,288 million as at end-June 2013, with a monthly average credit of Rs8,469 per card in 2012-13 compared to an average of Rs8,444 in 2011-12. Table 5.7 summarises electronic banking transactions during the period under review.

Internet Banking

The number of Internet banking users decreased from 235,129 as at end-June 2012 to 229,500 as at end-June 2013. With banks providing a wider range of Internet banking

Table 5.7 Electronic Banking Transactions

	Jun-12	**Sep-12**	**Dec-12**	**Mar-13**	**Jun-13**
Number of ATMs in operation at end of quarter	430	436	441	446	450
Monthly average number of transactions for the quarter	4,700,339	4,692,339	5,418,285	4,870,292	5,040,158
Monthly average value of transactions[1] for the quarter (Rs million)	9,087	9,138	11,472	10,094	10,506
Number of credit cards in circulation at end of quarter	226,293	232,313	237,812	243,148	249,000
Number of debit & other cards in circulation at end of quarter	1,152,561	1,160,146	1,172,152	1,182,678	1,190,074
Total number of cards in circulation at end of quarter	1,378,854	1,392,459	1,409,964	1,425,826	1,439,074
Outstanding advances on credit cards at end of quarter (Rs million)	2,058	2,145	2,031	2,184	2,288

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

services, the number of Internet banking transactions increased from 266,059 as at end-June 2012 to 366,954 as at end-June 2013 while the average value of Internet banking transactions increased significantly from Rs53,068 million in June 2012 to Rs116,480 million in June 2013.

Phone Banking

Three banks were offering phone banking facilities as at end-June 2013. A total number of 315,092 phone banking customers carried out 599,732 transactions for an amount of Rs85 million.

PERFORMANCE OF NON-BANK DEPOSIT-TAKING INSTITUTIONS

Eight non-bank deposit-taking institutions (NBDTIs) were in operation in Mauritius as at end-June 2013. Of these, four were involved in leasing activities only, two in lending business only and the remaining two in both leasing and lending operations. Four of the NBDTIs were subsidiaries/related companies of banking institutions or insurance companies.

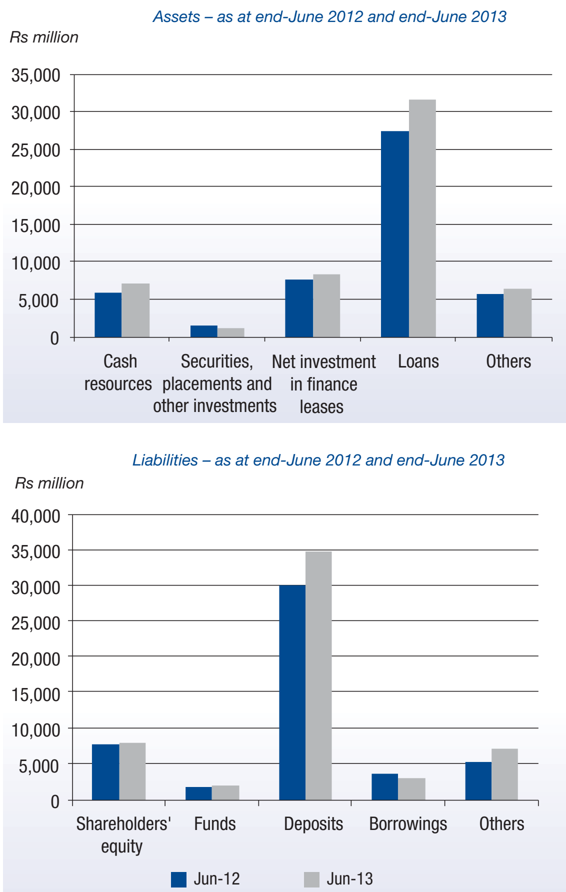
As at end-June 2013, all NBDTIs met the minimum required capital of Rs200 million. In addition, they are required to maintain a capital adequacy ratio of 10 per cent as per the *Guideline on Capital Adequacy Ratio for Non-Bank Deposit-Taking Institutions* and to comply with the relevant guidelines of the Bank.

Balance Sheet Structure

The assets of NBDTIs increased by 13.1 per cent to Rs54,855 million as at end-June 2013. The share of loans to total assets rose from 56.7 per cent in June 2012 to 57.8 per cent in June 2013, whereas the share of investment in finance leases to total assets contracted by 0.7 per cent to 15.2 per cent over the same period.

Deposits remained the main source of funding, accounting for 62.0 per cent of NBDTIs' liabilities as at end-June 2012 and 63.4 per cent as at end-June 2013. During the year under review, deposits went up by 15.7 per cent to Rs34,788 million in 2013. Chart 5.5 illustrates the composition of assets and liabilities of NBDTIs at end-June 2012 and end-June 2013.

Chart 5.5 Balance Sheet Structure of NBDTIs



Source: Off-site Division, Supervision.

The advances-to-deposits ratio declined from 117.0 per cent at end-June 2012 to 115.2 per cent at end-June 2013.

Leases-to-deposits ratio (based on deposits held by leasing companies only) fell from 65.3 per cent at end-June 2012 to 65.1 per cent at end-June 2013.

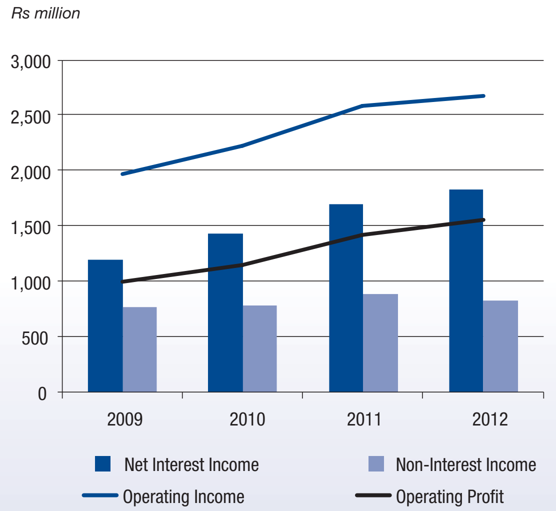
Capital Adequacy

The capital adequacy ratio of NBDTIs improved from 22.7 per cent at end-June 2012 to 24.3 per cent at end-June 2013, as a result of a relatively higher increase of 18.3 per cent in aggregate capital base of the sector compared to an increase of 10.2 per cent in the total risk-weighted assets. As at end-June 2013, the capital adequacy ratio maintained by NBDTIs ranged from 10.9 per cent to 54.7 per cent.

Profitability

The consolidated profitability figures for NBDTIs are based on the audited results covering financial years ended 30 June, 30 September and 31 December 2012. In 2012, all NBDTIs realised profits with aggregate profit before tax growing by 16.9 per cent to Rs1,497 million. Table 5.8 summarises the performance of the NBDTIs over the last three financial years. Chart 5.6 shows the evolution of net interest income, non-interest income, operating income and operating profit over the years 2009 to 2012.

Chart 5.6 Profitability of NBDTIs



Source: Off-site Division, Supervision.

Interest earned on Rs100 of loans/leases went up by Re0.02 while interest paid on Rs100 of deposits contracted by Re0.42. Thus, the interest spread expanded from Rs2.20 to Rs2.64 during the year under review.

Table 5.8 Consolidated Income Statements of NBDTIs

(Rs million)

	2010	2011	2012
Interest Income	4,026	4,167	4,283
Interest Expense	2,590	2,471	2,442
Net Interest Income	1,436	1,696	1,841
Non-Interest Income	787	886	838
Operating Income	2,223	2,582	2,679
Non-Interest Expense	1,066	1,159	1,121
Operating Profit	1,157	1,423	1,558
Other Non-Operating Profit	10	19	11
Profit before Provision and Adjustment for Credit Losses	**1,167**	**1,442**	**1,569**
Provision and Adjustment for Credit Losses	*117*	*161*	*72*
Profit before Tax	**1,050**	**1,281**	**1,497**
Income Tax Expense	*57*	*66*	*82*
Profit after Tax	**993**	**1,215**	**1,415**

Source: Off-site Division, Supervision.

Return on Average Assets and Equity

The pre-tax return on average assets improved slightly from 2.9 per cent in 2011 to 3.2 per cent in 2012. Individual NBDTIs posted pre-tax return on average assets in the range of 0.02 per cent to 4.9 per cent in 2012.

The post-tax return on equity increased from 17.1 per cent in 2011 to 17.9 per cent in 2012. Chart 5.7 shows the return on average assets and equity over the years 2009 to 2012.

Liquidity

As at 30 June 2013, liquid assets held by NBDTIs amounted to Rs7,144 million, much higher than the required minimum ratio of 10 per cent of deposit liabilities which amounted to Rs34,788 million.

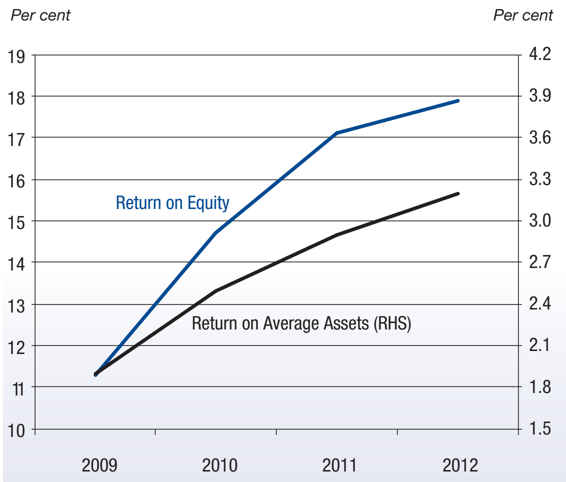
CASH DEALERS

As at 30 June 2013, there were 10 money changers and 6 foreign exchange dealers, collectively known as cash dealers, in operation. Unlike money changers which deal principally in the exchange of foreign currency notes, foreign exchange dealers are authorised to carry out other activities in addition to the money changing business. Foreign exchange dealers provide other services such as facilities for clients to send money abroad and to trade foreign currency through forward contracts.

Total assets of cash dealers amounted to Rs641 million as at 30 June 2013, with assets of foreign exchange dealers totalling Rs551 million. The bulk of the assets of these institutions consisted of cash in hand and at bank (45 per cent), inventories of foreign currencies (17 per cent) and investment in Treasury Bills/ Government Securities (15 per cent).

During the year ended 30 June 2013, cash dealers sold foreign currencies for a total amount of Rs17,079 million, while the cost of sales amounted to Rs16,813 million. Operating

Chart 5.7 Return on Average Assets and Equity of NBDTIs



Source: Off-site Division, Supervision.

expenses incurred by cash dealers amounted to Rs224 million during the period under review, of which staff costs accounted for Rs110 million.

GUIDELINES

In its continuous effort to provide guidance to financial institutions, the Bank has worked on the following guidelines.

Guideline on Mobile Banking and Mobile Payment Systems

The Bank issued a *Guideline on Mobile Banking and Mobile Payment Systems* on 5 February 2013. The objective of the guideline is to promote a sound financial system in Mauritius and regulate the mobile banking and mobile payment systems. The guideline is intended for providers of mobile banking and mobile payment services.

Draft Guideline on Disclosure of Information to Guarantors

In terms of section 37(7) of the Banking Act 2004, the Bank may require every financial institution to send or make available to the guarantor of a credit facility extended by it, a statement of account in written or electronic form, in accordance with guidelines or instructions issued by the Bank. The statement of account shall provide for:

(i) the classes or categories of credit facilities for which a statement of account shall be sent or made available to guarantors;

(ii) the circumstances under which the statement of account shall be sent or made available to guarantors; and

(iii) such other information as the central bank considers appropriate and necessary.

Accordingly, a *Draft Guideline on Disclosure of Information to Guarantors* was prepared to provide guidance to financial institutions by setting out the framework and prescribing the instances for issuing statements of accounts in written or electronic form to guarantors of credit facilities.

The draft guideline was circulated to banks, NBDTIs and the Mauritius Bankers Association Limited (MBA) for their views and comments. A working group comprising banks, the Association of Leasing Companies, the MBA and the Bank was set up to discuss the proposals received and to finalise the guideline.

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

In order to align the *Guidance Note on General Principles for Maintenance of Accounting and Other Records and Internal Control Systems* issued in November 1994 with international best practices, a revised *Guideline on Maintenance of Accounting and Other Records and Internal Control Systems* was drafted and circulated to stakeholders and the MBA for their views and suggestions. A working group has been set up to discuss the proposals received. The revised guideline shall replace the existing guidance note.

Guideline on Related Party Transactions

Amendments were brought to the *Guideline on Related Party Transactions* such that financial institutions may request their customers to submit necessary written information to ascertain related party status.

Implementation of Basel III in Mauritius

In response to the global financial crisis, the Basel Committee on Banking Supervision developed a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. These measures, commonly referred to as Basel III, aim at improving the banking sector's ability to absorb shocks arising from financial and economic stress, reinforce risk management and governance, and enhance banks' disclosures and transparency. The reforms, while targeting bank-level or microprudential regulation, also have a macroprudential focus to address system-wide risks that can build up across the banking sector as well as the procyclical amplification of these risks over time.

While Basel III has been developed for internationally active banks, the Bank supports the underlying objective of the Basel III reform package, which is to strengthen the resilience of the banking sector and intends to implement measures that are relevant to the Mauritian jurisdiction in a phased manner. In this connection, the Bank issued a *Consultation Paper on the Implementation of Basel III in Mauritius* in October 2012. The Paper sets out the Basel III rules and the Bank's broad proposals for implementing the core Basel III capital measures, including the implementation timelines. The Consultation Paper provides a background against which banks can develop their plans to be in compliance with the Basel III requirements. The Consultation Paper was followed by the issue of a draft *Guideline on the Scope of Application of Basel III and Eligible Capital* in May 2013. In line with established practice, a working group will be constituted to discuss the comments received on the draft guideline.

DEPOSIT INSURANCE SCHEME

The Deposit Insurance Scheme which aims at enhancing stability in the financial system will be implemented pursuant to the enactment of the Mauritius Deposit Insurance legislation.

THE ECONOMIC AND FINANCIAL MEASURES (MISCELLANEOUS PROVISIONS) ACT 2012

The Economic and Financial Measures (Miscellaneous Provisions) Act 2012, which was enacted in December 2012, brought amendments to, *inter-alia*, the Bank of Mauritius Act 2004 and Banking Act 2004 as follows:

(1) Bank of Mauritius Act 2004

1. *Section 6 – Powers of the Bank*

(i) Section 6(1) was amended by inserting the following new paragraphs -

(ac) notwithstanding paragraphs (aa) and (ab), authorise a bank that fails to meet the agreed lending targets to small and medium enterprises to on-lend the amount referred to in paragraph (ab) to another bank which has met the agreed lending targets, on such terms and conditions as may be agreed between the banks.

(ea) for the development of the Primary and Secondary markets for Government securities, purchase and sell Government securities traded on the Stock Exchange of Mauritius.

(ii) Section 6(1)(j) was amended such that the holding in Government securities by the Bank under Section 6(1)(j) does not include Government securities purchased and sold by the Bank on the Stock Exchange of Mauritius for the purposes of developing the Primary and Secondary markets for these securities.

(iii) Section 6(1)(w) was amended to enable the Bank to impose a limit on the quantum of fees and charges of financial institutions.

2. *Section 50 – Power to issue instructions*

New subsections (6) and (7) were added to section 50 to enable the Bank to impose administrative penalties on any financial institution that has refrained from complying, or negligently failed to comply, with any instructions or guidelines issued or requirement imposed by the Bank under the banking laws.

3. *Section 52 – Establishment of a Credit Information Bureau*

A new subsection (7) was added to section 52 to define a “utility body” as (a) a body corporate which supplies utility services to consumers, and (b) includes the Central Electricity Board, Central Water Authority, Waste Water Management Authority, a licensee under the Information and Communication Technologies Act, and such other body as may, by Order, be designated by the Bank.

4. *Section 53 – Offence by financial institution*

   Section 53 was amended to now refer to "financial institution" instead of "bank or financial institution" or "bank or other financial institution."

5. *Part VIIIA – Banking Services Review Panel*

   A new PART VIIIA entitled "Banking Services Review Panel" was added to provide for the setting up of an *ad hoc* review panel whereby any licensee of the central bank which is dissatisfied with a decision of the Bank relating to the imposition of –

   (a) a limitation on the quantum of fees or charges under section 6(1)(w);

   (b) a penalty under section 49(6) or 52(5)(b); or

   (c) an administrative penalty under section 50(6),

   may apply to the Review Panel, in a form approved by the Review Panel, for a review of the decision.

The Review Panel shall comprise a Chairperson appointed by the Minister of Finance and Economic Development, a Vice-Chairperson, who shall be the Solicitor General or his representative and the Financial Secretary or his representative.

The Bank is required to extend such technical, administrative and secretarial assistance, as may be necessary, to enable the Review Panel to properly discharge its functions under the banking laws.

In the exercise of its functions, the Review Panel shall not be subject to the direction, control of any other person or authority. Any party who or which is dissatisfied with the determination of the Review Panel may apply to the Supreme Court for a judicial review of the determination.

6. *Section 54 – Monetary Policy Committee*

   Amendments were brought to review the composition of the MPC such that section 54(1) now reads as follows:

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

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

   (b) the 2 Deputy Governors;

   (c) 2 other persons, having recognised experience in the field of economics, banking or finance, who shall be appointed by the Prime Minister;

   (d) 3 other persons, not being Directors or employees of the Bank, having recognised experience in the field of economics, banking or finance, who shall be appointed by the Minister.

Section 54(B) was also amended to provide that at a meeting of the Committee, 5 members, including at least 4 from members appointed under subsection (1)(c) and (d), shall constitute a quorum.

7. *Section 55 – Functions of Committee*

   A new subsection (1A) was added in section 55 as follows:

   (1A) With a view to improving the coordination of monetary and fiscal policy, the Committee shall, in the discharge of its functions, take into account the views of the Bank, the Ministry and such other institution or organisation as it considers appropriate.

8. *Section 69 – Compounding of offences*

   Section 69 was amended to provide that the Bank may, with the consent of the Director of Public Prosecutions, instead of the concurrence of the latter, compound any offence committed by a person under the Act which is prescribed as a compoundable offence.

9. *Second Schedule – Oath of confidentiality and Third Schedule – Declaration of confidentiality*

   The Oath and Declaration of confidentiality in the Second Schedule and Third Schedule were amended to provide that the appointed person shall maintain, not only during but also after his relationship with the Bank of Mauritius, the confidentiality of any matter relating to the banking laws which comes to his knowledge.

(2) Banking Act 2004

1. *Section 37 – Disclosure of Information*

   Major amendments were brought to section 37 on the provision of statement of accounts to customers and guarantors of credit facilities. The central bank may now require every financial institution to make available to the guarantor of a credit facility extended by it, a statement of account in accordance with guidelines or instructions issued by the central bank.

2. *Section 57 – Bank's obligations towards customers*

   A new subsection (5A) was added in section 57 to make it mandatory for banks to issue statement of accounts to their customers on a regular basis, at least once every year.

   Further, a definition of the word "inactive" was added in subsection (9) whereby: "inactive" refers to an account where there has not been any customer induced transaction during one year or more.

3. *Section 96A – Protection of customers of financial institutions*

   A new section 96A was added to provide for additional protection of customers of financial institutions and stipulates that banks and non-bank deposit-taking institutions are required to appoint an officer to deal with complaints and grievances from their customers. It further provides for procedures to be followed by the customer in submitting a complaint against a financial institution.

(3) The Banking (Amendment) Act 2013

The Banking (Amendment) Act 2013, which was enacted in April 2013, amended the Banking Act 2004 such that **Section 32A - Transfer of undertaking by bank** was inserted to provide that a bank may restructure its business with the approval of the central bank. It further stipulates that the central bank may also require a bank to restructure its business.

In determining whether to approve or require the restructuring of a bank, the central bank shall have regard to –

(a) its objects and functions;

(b) any systemic risk that the bank may pose;

(c) any incidence which the bank may have on the stability of the financial system of Mauritius; and

(d) the need to further protect the bank's depositors and the public.

6 Review of Operations: 2012-13

FINANCIAL MARKETS OPERATIONS

The Bank implements monetary policy through open market operations and monitors developments in the money and foreign exchange markets to ensure that they function efficiently. Excess liquidity in the money market increased to a daily average of Rs3.5 billion in 2012-13, from a daily average of Rs2.5 billion in 2011-12, partly as a result of public funds deposited with commercial banks. In an effort to mop up the excess liquidity, the Bank intervened on the money market through the issue of Bank of Mauritius instruments. The outstanding nominal amount on those instruments reached a peak of Rs18.9 billion as at end-June 2013.

The Bank also intervened on the domestic foreign exchange market to smooth out volatility in the rupee exchange rate. It maintained the Operation Reserves Reconstitution programme that was introduced in June 2012 with the aim of increasing the level of foreign currency reserves.

Issue of Government Securities

Treasury Bills

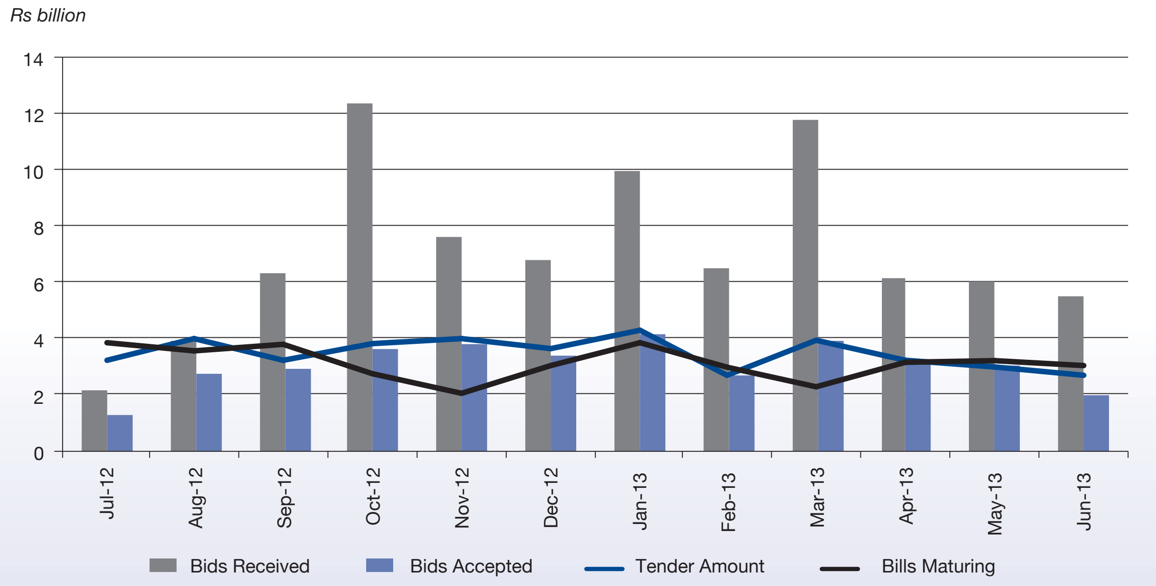
The Bank, in collaboration with the Ministry of Finance and Economic Development, continued the smoothing exercise to mitigate volatility in the weekly amount of Government of Mauritius Treasury Bills put on tender. The market is now informed of the range of weekly issues of Treasury Bills before the start of each month. Notification of the actual amount and tenor of Treasury Bills to be put on tender, which used to be one week in advance, has been increased to two weeks as from January 2013.

During 2012-13, bids totalling Rs84,942 million were received in the 91-Day, 182-Day, 273-Day and 364-Day maturities against a tender amount of Rs41,600 million. The value of bids accepted amounted to Rs36,603 million compared to maturing Treasury Bills of Rs42,519 million. The bid-cover ratio varied between 0.36 and 4.49 in 2012-13 compared to a range of 0.33 to 4.38 in 2011-12. The total amount of bids accepted represented 88.0 per cent of the total tender amount and 43.1 per cent of the total value of bids received compared to 77.5 per cent and 51.0 per cent, respectively, in the preceding financial year. The shares of banks and non-banks in total bids received were 86.0 per cent and 14.0 per cent, respectively, in 2012-13 compared to 93.0 per cent and 7.0 per cent in 2011-12.

During 2012-13, there was a downward trend in the weighted average yields of Treasury Bills, primarily as a result of excess liquidity in the system. The weighted average yields for the 182-Day, 273-Day and 364-Day tenors decreased from 3.32 per cent, 3.38 per cent and 3.82 per cent in July 2012 to 2.65 per cent, 2.81 per cent and 2.91 per cent, respectively, as at end-June 2013. The weighted average yield on the 91-Day Treasury Bills declined from 3.04 per cent at its issue in June 2012 to 2.60 per cent in June 2013. The overall weighted average yield dropped by 83 basis points, from 3.55 per cent in July 2012 to 2.72 per cent in June 2013.

Charts 6.1 and 6.2 provide information on the auctioning of Treasury Bills in 2012-13.

Chart 6.1 Auctioning of Treasury Bills



Source: Financial Markets Operations Division.

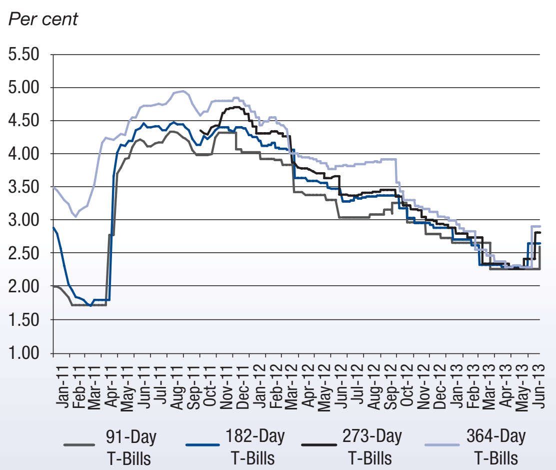
Treasury Notes

During 2012-13, the Bank maintained the monthly auctions of Three-Year Treasury Notes. It was expected that this single maturity issue would help Government determine its debt maturity profile and create conditions conducive to the development of a secondary market for Government securities.

The total amount of Three-Year Treasury Notes put on tender stood at Rs16,100 million. A total amount of Rs11,984 million was accepted while a total of Rs16,669 million matured.

A Three-Year Treasury Note issued on 25 November 2011 with a coupon rate of 5.50 per cent was re-opened on 27 July 2012 and 14 September 2012. Four new issues of Treasury Notes were held during 2012-13, specifically on 31 August and 12 October 2012 and 18 January and 22 May 2013. The coupon rate was set at 4.90 per cent at the first three issues of Treasury Notes and was market determined at 3.52 per cent at the last issue. The 4.90% Three-Year Treasury Note, originally issued on 12 October 2012, was re-opened on 23 November and 14

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



Source: Financial Markets Operations Division.

December 2012. Likewise the 4.90% Three-Year benchmark Treasury Note, issued on 18 January 2013, was re-opened on 15 February, 22 March and 5 April 2013. The 3.52% Three-Year benchmark Treasury Note issued on 22 May was re-opened on 14 June 2013. The weighted yields on bids accepted moved down from 4.99

per cent in July 2012 to 3.55 per cent in March 2013 before rising to 3.65 per cent in April 2013 and further to 3.78 per cent in June 2013.

Long-Term Government of Mauritius Bonds

Between end-June 2012 and end-June 2013, the Government raised a net amount of Rs9,045 million through the issue of long-term Government of Mauritius Bonds. During 2012-13, six auctions of Five-Year Government of Mauritius Bonds were carried out. These consisted in the issue of two new benchmark Bonds and four re-openings aimed at creating adequate liquidity to foster the development of secondary market trading for these Government securities.

On 24 August 2012, the 6.00% Five-Year Government of Mauritius Bonds due on 20 April 2017 was re-opened for the second time. On 26 October 2012, a new benchmark Five-Year Government of Mauritius Bond due on 26 October 2017 was issued with a coupon rate of 5.70 per cent. The Bond was re-opened on 21 December 2012. On 22 February 2013, a new benchmark Five-Year Government of Mauritius Bond due on 22 February 2018 was issued with coupon rate of 4.30 per cent and was subsequently re-opened on 26 April and 21 June 2013. The total value of bids received at the auctions of Five-Year Government of Mauritius Bonds amounted to Rs20,779 million while the total tender amount stood at Rs7,800 million. The total nominal value of bids accepted totalled Rs7,600 million. The bid cover ratio was in the range of 1.89 to 3.92.

Table 6.1 provides details of the six auctions of Five-Year Government of Mauritius Bonds held in 2012-13.

During 2012-13, two issues of Ten-Year Government of Mauritius Bonds were effected on 21 September and 16 November 2012. The total nominal amount put on tender was Rs2,000 million and total bids received amounted to Rs5,322 million.

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

Two issues of Fifteen-Year Government of Mauritius Bonds were effected in 2012-13. The first issue was made for a nominal amount of Rs1,500 million on 3 August 2012 and the second issue was carried on 25 January 2013 for a nominal amount of Rs1,200 million. Both auctions were oversubscribed, with a bid cover ratio standing at 3.10 and 3.17, respectively.

Table 6.1 **Auction of Five-Year Government of Mauritius Bonds**

	Issue date					
	24-Aug-12	26-Oct-12	21-Dec-12	22- Feb-13	26-Apr-13	21-Jun-13
1. Amount of Bonds put on Tender *(Rs million)*	1,400.0	1,400.0	1,400.0	1,200.0	1,200.0	1,200.0
2. Value of Bids Received *(Rs million)*	2,639.0	4,265.0	3,435.0	4,700.0	3,150.0	2,590.0
3. Value of Bids Accepted *(Rs million)*	1,610.0	965.0	1,400.0	1,200.0	1,225.0	1,200.0
4. Interest Rate *(% p.a.)*	6.00	5.70	5.70	4.30	4.30	4.30
5. Highest Yield Accepted *(% p.a.)*	6.15	5.85	5.61	4.40	4.20	4.35
6. Weighted Yield on Bids Accepted *(% p.a.)*	6.11	5.77	5.58	4.34	4.08	4.29
7. Weighted Price of Bids Accepted *(%)*	99.550	99.700	100.495	99.822	100.950	100.036

Source: Financial Markets Operations Division.

Table 6.2	Auction of Ten-Year Government of Mauritius Bonds		
		Issue date	
		21-Sep-12	16-Nov-12
1.	Amount of Bonds put on Tender *(Rs million)*	1,000.0	1,000.0
2.	Value of Bids Received *(Rs million)*	2,818.1	2,504.1
3.	Value of Bids Accepted *(Rs million)*	995.0	1,000.0
4.	Interest Rate *(% p.a.)*	7.35	7.00
5.	Highest Yield Accepted *(% p.a.)*	7.60	7.20
6.	Weighted Yield on Bids Accepted *(% p.a.)*	7.49	7.06
7.	Weighted Price of Bids Accepted *(%)*	99.027	99.575

Source: Financial Markets Operations Division.

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

An auction of a Fifteen-Year Inflation-Indexed Government of Mauritius Bond was held on 15 May 2013 for issue on 17 May 2013 for a nominal amount of Rs1,000 million, at an annual interest rate based on the weighted accepted bid margin.

Table 6.4 provides details of the auction of the Fifteen-Year Inflation-Indexed Government of Mauritius Bond.

Bank of Mauritius Securities

In order to mop up excess liquidity in the banking system, the Bank continued to issue its own securities, namely, Bank of Mauritius Bills of maturities up to one year, Three-Year Bank of Mauritius Notes and Five-Year Bank of Mauritius Bonds all at the same weighted average yields obtained on bids accepted at the primary auctions of similar Government instruments. In 2012-13, Bank of Mauritius securities were issued for a total nominal amount of Rs17.3 billion compared to Rs4.4 billion in 2011-12. A total amount of Rs4.5 billion of Bank of Mauritius securities matured in 2012-13.

Table 6.3	Auction of Fifteen-Year Government of Mauritius Bonds		
		Issue date	
		3-Aug-12	25-Jan-13
1.	Amount of Bonds put on Tender *(Rs million)*	1,500.0	1,200.0
2.	Value of Bids Received *(Rs million)*	4,643.3	3,808.7
3.	Value of Bids Accepted *(Rs million)*	1,029.8	1,395.5
4.	Interest Rate *(% p.a.)*	8.29	7.40
5.	Highest Yield Accepted *(% p.a.)*	8.50	7.60
6.	Weighted Yield on Bids Accepted *(% p.a.)*	8.38	7.50
7.	Weighted Price of Bids Accepted *(%)*	99.239	99.109

Source: Financial Markets Operations Division.

Table 6.4	Auction of Fifteen-Year Inflation-Indexed Government of Mauritius Bonds	
		Issue date
		17-May-13
1.	Amount of Bonds put on Tender *(Rs million)*	1,000.0
2.	Value of Bids Received *(Rs million)*	2,553.4
3.	Value of Bids Accepted *(Rs million)*	1,000.0
4.	Highest Bid Margin Received *(% p.a.)*	4.25
5.	Lowest Bid Margin Received *(% p.a.)*	1.75
6.	Weighted Bid Margin Accepted *(% p.a.)*	2.39

Source: Financial Markets Operations Division.

Secondary Market Trading

During 2012-13, the Bank continued to work towards the enhancement of the Primary Dealer System established in February 2002. It also progressed on the setting up of a bond market for the trading of benchmark Bonds and Notes on the Stock Exchange of Mauritius. As at 30 June 2013, twelve banks held a primary dealer status.

During the period under review, transactions for a total nominal amount of Rs8,554 million of Treasury Bills were conducted by primary dealers compared to a total value of Rs4,421 million during 2011-12. Transactions carried out with corporates and pension funds represented 70.7 per cent of the total amount transacted compared to 81.1 per cent in 2011-12. Deals conducted among primary dealer banks accounted for 23.2 per cent of total transactions while transactions with non-primary dealer banks accounted for the remaining 6.1 per cent.

Transactions were carried out mostly in Band 3 (61 to 90 days to maturity), Band 5 (136 to 180 days to maturity) and Band 8 (301 to 364 days to maturity) for a total amount of Rs5,110 million, representing 59.7 per cent of total transactions. Yields varied between 1.25 per cent and 3.90 per cent during 2012-13 compared to a range of 2.51-4.85 per cent in 2011-12.

Interbank Transactions

During 2012-13, total turnover on the interbank money market decreased by 11.8 per cent to Rs256,018 million, that is, a daily average of Rs717 million compared to Rs842 million in 2011-12.

Transactions were mainly carried out in the call money market for a total amount of Rs213,643 million, representing a decline of 15.1 per cent from the previous year. Daily average transactions amounted to Rs614 million compared to Rs734 million in 2011-12. The value of transactions at short notice increased by 3.4 per cent to Rs34,445 million in 2012-13. However, the daily average amount of transactions fell to Rs257 million, from Rs275 million during 2011-12. Transactions on the term money market totalled Rs7,930 million in 2012-13, or a daily average of Rs112 million compared to Rs85 million during 2011-12.

Interbank interest rates, which are mainly determined by liquidity conditions, fluctuated within a range of 1.20-4.00 per cent in 2012-13 compared to a range of 1.45-4.15 per cent in 2011-12. Rates on the call money market hovered in the range of 1.20-2.35 per cent compared to a range of 1.45-4.15 per cent in 2011-12. Interest rates on money at short notice ranged between 1.30-2.50 per cent compared to a range of 1.55-4.15 per cent in 2011-12 while interest rates on term transactions were in the range of 1.60-4.00 per cent compared with a range of 2.00-4.15 per cent over the same period.

The weighted average interbank interest rate decreased by 100 basis points, from 2.57 per cent in 2011-12 to 1.57 per cent in 2012-13.

Interbank Foreign Exchange Market

Turnover on the domestic interbank foreign exchange market increased significantly by 56.3 per cent to an equivalent amount of US$1,145 million in 2012-13. Purchases of US dollar against the rupee amounted to US$659 million in 2012-13, while purchases of US dollar against other currencies totalled US$117 million. Foreign exchange transactions were carried out at an exchange rate ranging from Rs30.2000 to Rs31.4375 per US dollar in 2012-13.

During 2012-13, the Bank purchased foreign currencies for an equivalent amount of US$865 million compared to US$457 million in 2011-12 and sold foreign currencies for a total amount of US$476 million compared to US$505 million in 2011-12.

Reserves Management

Against the backdrop of deepening euro area sovereign debt crisis and low interest rates, the Bank continued its strategy of currency diversification of its foreign exchange reserves in an effort to enhance return. The Bank also invested part of its reserves with well-rated commercial banks and increased investment in fixed income securities. As at 30 June 2013, the Bank’s gross foreign assets amounted to Rs104,961 million.

Lines of Credit

Special Line of Credit to the Mauritius Sugar Syndicate

In order to accelerate reforms in the sugar industry and protect stakeholders, in particular, small planters, the Bank makes available a Special Line of Credit to banks for on-lending to the Mauritius Sugar Syndicate (MSS). The purpose of the facility is to enable MSS to pay small and medium planters 80 per cent of the estimated net MSS price upfront as from their first consignment. This credit line aims to help planters buy fertilizer to promote future strong crop growth. For the crop year 2012, an amount of Rs1.2 billion was made available to the MSS and a total amount of Rs1,022 million was disbursed. This amount was paid back in full by banks by end-May 2013.

Special Line of Credit in Foreign Currency

To enable export and tourism operators address currency mismatches between their income streams and existing debt-servicing requirements, the Bank introduced a Special Line of Credit in Foreign Currency on 9 June 2012. The line of credit for an amount of EUR600 million were to be drawn in euros, US dollars or Pound sterling. As at 30 June 2013, the Bank had disbursed an amount of EUR38.6 million to five banks.

PAYMENT SYSTEMS AND MCIB

The Bank is responsible for promoting, regulating and organising efficient and secure payment systems in Mauritius. During 2012-13, a major milestone was realised with the full implementation of the Cheque Truncation System (CTS) on 4 February 2013. On the regional front, the testing of the Regional Payment and Settlement System (REPSS), an initiative of the COMESA Clearing House, was completed and operational procedures were finalised. The REPSS became operational on 3 October 2012.

Mauritius Automated Clearing and Settlement System

The Mauritius Automated Clearing and Settlement System (MACSS) is the multi-currency Real Time Gross Settlement infrastructure system of the country. Settlement is made in Mauritian rupees as well as some foreign currencies, namely, Pound sterling, US dollar, euro, Swiss franc and South African rand. It is a fully automated system that complies with international recommendations outlined in the Principles of Financial Markets Infrastructure issued by the Bank for International Settlements Committee on Payment and Settlement Systems and the Technical Committee of the International Organisation of Securities Commissions.

In 2012-13, a total number of 510,858 transactions for a total value of Rs2.2 trillion were processed, representing an increase in the volume and value of transactions on the MACSS of 13.4 per cent and 5.8 per cent, respectively.

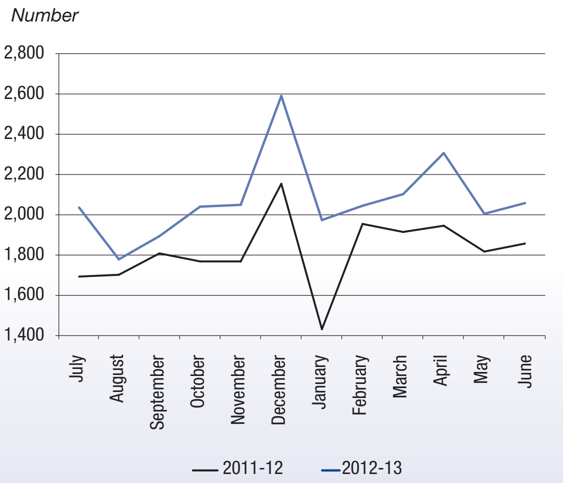
Foreign currency transactions processed by the MACSS during 2012-13 amounted to the equivalent of US$4.9 billion, representing an increase of 32.4 per cent compared to 2011-12.

Charts 6.3 and 6.4 show the daily average volume and value of MACSS rupee transactions during 2011-12 and 2012-13.

Cheque Clearing

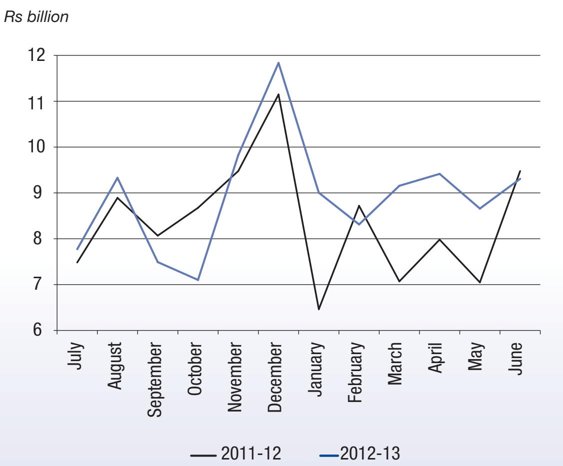
The CTS, which allows cheques to be cleared on the basis of images, was launched on 6 September 2011. Unpaid cheques were, however, still returned manually until end of January 2013. The last session for manual exchange of cheques was held on 31 January 2013 and CTS was fully rolled out on 4 February 2013. Banks have been invited to further improve the clearing process by providing cheque truncation at branch level so as to reduce the number of days taken for cheque clearance.

Chart 6.3 **Daily Average Number of Transactions on MACSS**



Source: Payment Systems and MCIB Division.

Chart 6.4 **Daily Average of the Value of Transactions on MACSS**



Source: Payment Systems and MCIB Division.

Effective 5 July 2012, the number of clearing and settlement cycles was increased to four, at 10.00, 12.00, 15.00 and 16.00 hours compared to two sessions held previously at 10.00 and 15.00 hours. During the four cycles, clearing of cheques and Electronic Fund Transfers (EFTs) are carried out indiscriminately. The MACSS final cut-off time was also extended from 16.15 to 16.45 hours to enable banks to complete transactions after the last clearing cycle.

During the period under review, a daily average of 20,568 cheques for a value of Rs1.1 billion was cleared compared to a daily average of 21,287 cheques for the same value of Rs1.1 billion in 2011-12. A total number of 2,856,847 EFTs for a total value of Rs70.9 billion was processed.

With the full roll-out of the CTS, the second phase of the automation of the Port-Louis Automated Clearing House (PLACH), initiated in 2011, is on the verge of completion. In this perspective, the PLACH Committee has reviewed existing PLACH rules as well as the roles and responsibilities of PLACH participants and the Bank of Mauritius. The new PLACH rules will take effect as from 19 August 2013.

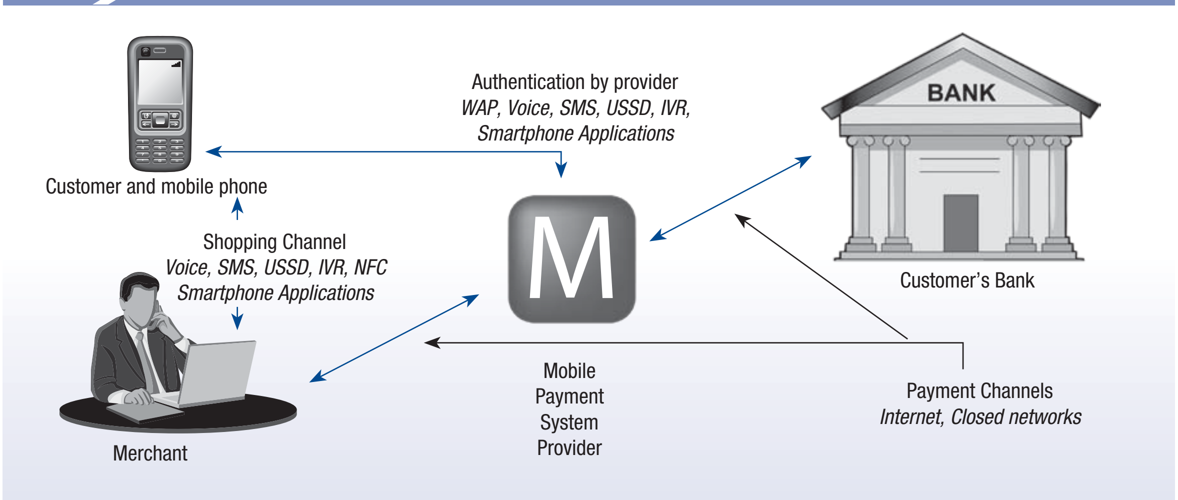
Mobile Banking and Mobile Payment Systems

In the wake of visible transformation in the area of payment systems supported by mobile technology, the Bank deemed it necessary to issue a *Guideline on Mobile Banking and Mobile Payments*, which came into effect on 18 February 2013, to the industry. The guideline allows two basic models for mobile payments in the country, namely one which is bank-led (Chart 6.5) and one which is driven by a Mobile Network Operator (MNO) (Chart 6.6).

Regional Payment and Settlement System

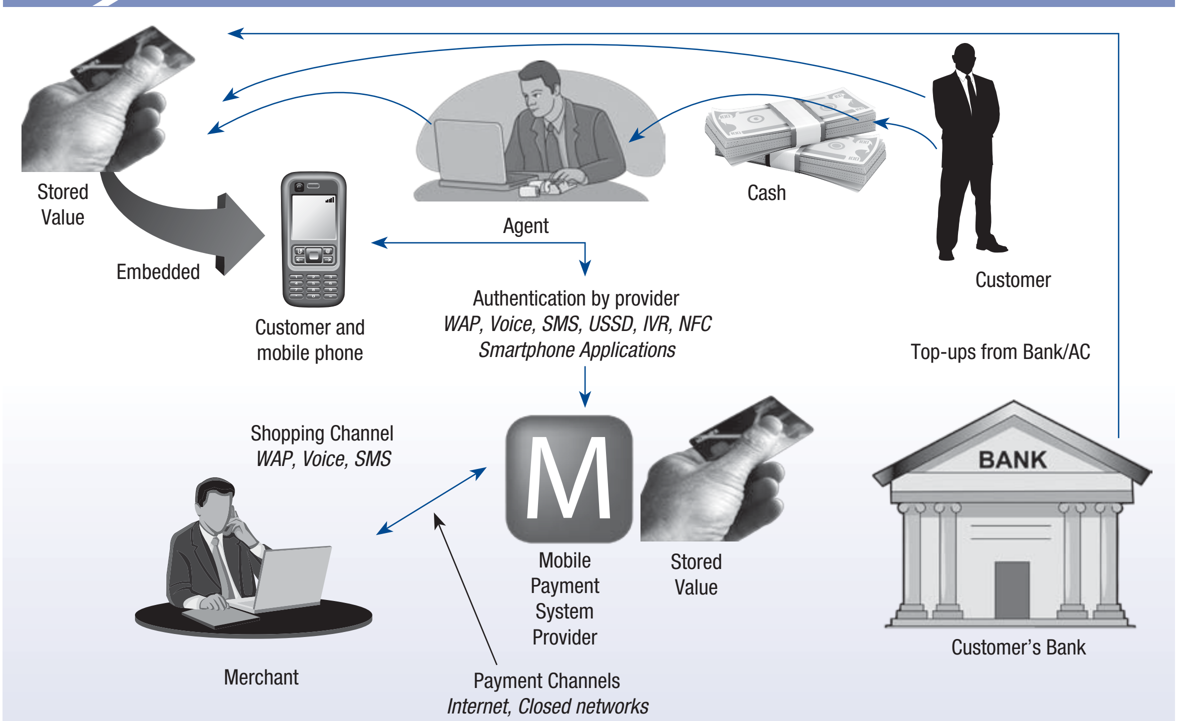
The REPSS is a cross-border fund transfer system initiated by the Common Market for Eastern and Southern Africa (COMESA) region. It has been established with the objective of enhancing intra-regional trade by reducing the cost and time taken for the effective transfer of funds. The REPSS went live on 3 October 2012 with Mauritius and Rwanda as initial participants.

Chart 6.5 **Bank-driven Mobile Banking and Payment Model**



Under this model, customers have direct contractual relationship with a financial institution licensed and supervised by the Bank.

Chart 6.6 **MNO-driven Mobile Banking and Payment Model**



Under this model, customers do not have a direct contractual relationship with a financial institution licensed and supervised by the Bank. The MNO, subject to authorisation of the Bank, takes the lead and creates a stored value account also known as e-wallet or virtual card account. Customers transfer funds into these accounts for the purpose of making payments.

Note: IVR: Integrated Voice Recognition NFC: Near Field Communication SMS: Short Message Service
USSD: Unstructured Supplementary Service Data WAP: Wireless Access Protocol

The Bank of Mauritius, as the settlement bank of the REPSS, holds euro and US dollar accounts for the 20 participant central banks. The Bank also hosts the SWIFT Bank Identification Code of the COMESA Clearing House. So far, nine out of 19 COMESA central banks have signed agreements with the Bank of Mauritius and funded their settlement accounts.

In addition, at the 16th meeting of the COMESA Committee of Governors of Central Banks and the 1st Joint Meeting between Ministers of Finance and Governors of COMESA countries, held in Lusaka in July 2011, it was agreed that the REPSS had the potential to become a Tripartite Facility for the three Regional Economic Communities (RECs), namely, SADC, EAC and COMESA. The REPSS was designed to take on board, with the approval of the COMESA Committee of Central Banks, any member state outside COMESA. Besides operating as a Tripartite Facility for the three RECs, REPSS can also take on board payments for trade with China, India and the Gulf Cooperation Council countries.

Mauritius Credit Information Bureau (MCIB)

Information sharing plays a vital role in alleviating information asymmetry between lenders and borrowers. However, the efficiency and effectiveness of a credit information bureau is largely dependent on the depth of information it captures. During the year under review, the Bank undertook several actions to enhance the quality of service provided by the MCIB.

The MCIB, which started its operations in December 2005 with 11 banks, was gradually extended for more efficiency. It currently covers 42 institutions, of which 17 banks, the Bank of Mauritius, 8 leasing companies, 8 insurance companies, the Mauritius Housing Company Ltd, the Development Bank of Mauritius Ltd, the National Housing Development Co Ltd, the Employees Welfare Fund and the Mauritius Civil Service Mutual Aid Association Ltd. During the year, the MCIB started collecting data from three utility bodies, namely the Central Electricity Board, the Central Water Authority and the Wastewater Management Authority. This additional information allows a better assessment of payment behaviour and supports a more informed creditworthiness analysis of prospective borrowers.

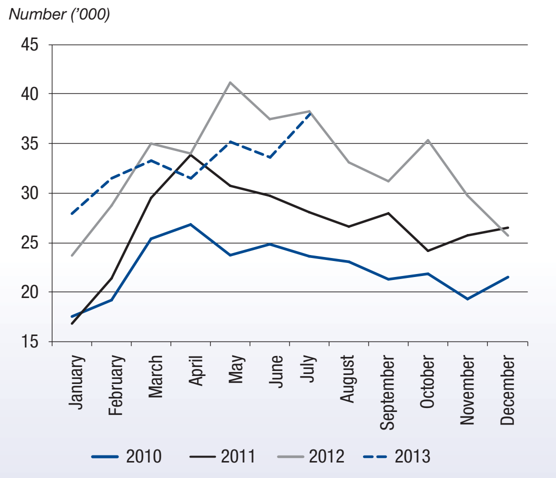
The Bank has initiated procedures for the inclusion of cooperative credit unions, telecommunication and internet service providers as well as private companies offering TV services by end-2013. The Bank is also exploring the possibility for the MCIB to collect information from consumer credit financing institutions.

When the MCIB became operational in 2005, there was no obligation for banks to report on their Segment B activities, that is, activities with foreign counterparties or financing of foreign activities of local counterparties. With a view to strengthening the safety and soundness of the banking sector, all banks now have the obligation to provide the MCIB with information on their Segment B activities. This requirement will bring in four additional banks as participants in the MCIB.

The MCIB, which is already operating along the lines of the World Bank's General Principles for Credit Reporting, constantly reviews its role in maintaining the soundness of the credit market. Effective April 2013, the credit history coverage of the MCIB was extended from two to three years to provide lenders with a better insight of borrowers' repayment patterns so as to allow a better creditworthiness assessment.

A year-on-year comparison of the number of credit profile reports drawn by participants, which reflects to some extent the demand for credit, shows that the number of reports drawn during 2012-13 was higher than in 2011-12. Chart 6.7 shows the monthly number of reports drawn for the period January 2010 to June 2013.

Chart 6.7 Monthly Credit Reports



Source: Payment Systems and MCIB Division.

ISSUE OF NOTES AND COINS

In accordance with section 35 of the Bank of Mauritius Act 2004, the Bank has the statutory obligation to ensure an adequate supply of banknotes and coins to meet the demand of the public in Mauritius. This includes:

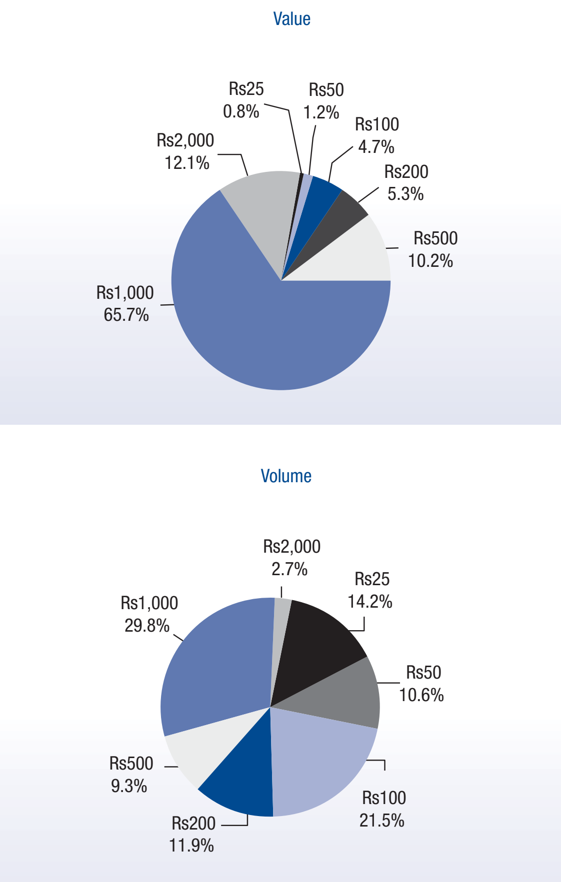
- ensuring the availability and supply of good quality banknotes and coins to banks;
- accepting the deposits of banknotes and coins from banks;
- attending to the destruction of soiled banknotes; and
- exchanging soiled and mutilated banknotes.

During 2012-13, banknotes and coins deposited at and issued by the Bank amounted to Rs29,797 million and Rs32,549 million, respectively. The Bank examined 50.4 million banknotes equivalent to an amount of Rs21,240 million, of which 20.6 per cent for an amount of Rs1,619 million were found to be unfit for circulation and were destroyed.

During 2012-13, the value of banknotes in circulation rose by 12.2 per cent compared to 6.3 per cent in 2011-12 while the volume of banknotes rose by 5.5 per cent compared to 4.4 per cent in 2011-12.

Banknotes of Rs1,000 denomination represented 65.7 per cent of the total value of banknotes in circulation, followed by Rs2,000 denomination banknotes, which accounted for a share of 12.1 per cent. In volume terms, Rs1,000 denomination banknotes represented 29.8 per cent of all banknotes in circulation followed by Rs100 denomination banknotes with a share of 21.5 per cent. Chart 6.8 depicts the total value and volume of banknotes in circulation by denominations.

Chart 6.8 Banknotes in Circulation



Source: Banking and Currency Division.

During 2012-13, the total value of coins in circulation increased by 8.6 per cent compared to a rise of 5.7 per cent in 2011-12. The volume of coins in circulation went up by 3.8 per cent in 2012-13 compared to growth of 3.4 per cent in 2011-12.

Sale of Gold Minted Bars

The Bank offers bars of 10g, 50g and 100g of Minted Gold (24 carats 999.9 assay) for sale. The selling and buying prices of each of the Minted Gold Bars are computed daily based on the international gold price. The Bank offers a safe storage alternative in the vault of the Bank of Mauritius (free of charge for the first year with effect from 6 November 2012). The Bank also guarantees a buyback option from registered owners of gold in cases where the certified packaging has not been tampered with.

Sale of Gold to Licensed Jewellers

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

Sale of Dodo Gold Coins

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

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

Sale of Commemorative Coins

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

1. *Tenth Anniversary of the Independence of Mauritius*

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

2. *1997 Golden Wedding Collector Coin*

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

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

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

The first platinum commemorative coin of Rs1,500 denomination in proof condition was issued in October 2009. The design on the obverse of the coin depicts the State House, Réduit, with the inscription “Rs1,500” underneath. The second commemorative coin of Rs1,200 denomination in proof condition was issued on 27 November 2010. The design on the obverse of the coin depicts the Aapravasi Ghat, with the inscription “Rs1,200” underneath. The third platinum commemorative coin of Rs1,200 denomination in proof condition was issued on 16 December 2011. The design on the obverse of the coin depicts the Morne Brabant, with the inscription “Rs1,200” underneath. The design on the reverse of the three coins bears an effigy of Sir Seewoosagur Ramgoolam.

7 Regional Cooperation

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

The Thirty-Fifth and Thirty-Sixth meetings of the Committee of Central Bank Governors (CCBG) were held on 14 September 2012 and 26 April 2013, respectively in Pretoria, South Africa.

In December 2012, the CCBG held a Strategic Session to review all programmes and projects undertaken by the CCBG structures in the implementation of the Finance and Investment Protocol (FIP) and Regional Indicative Strategic Development Plan (RISDP).

At the end of the Strategic Session and CCBG meetings, Governors concluded that: (a) SADC countries needed to come up with a common approach to respond to a global crisis if it were to recur; (b) a common and gradual approach was required to strengthen and harmonise the financial sector without putting emphasis on achieving a monetary union in the short-term; and (c) the establishment of the African Central Bank by 2018 was not achievable given the experiences of the euro area, the clashing of macroeconomic convergence programmes of both the SADC and the African Union (AU) and the unrealistic timelines set in both programmes.

Governors agreed that these concerns should be shared and discussed with SADC Ministers of Finance and Heads of States. A SADC representation will also be communicated to the AU and Association of African Central Banks which are spearheading the project of a single central bank and currency at continental level. These views were in line with the conclusions and policy recommendations of the study undertaken by the Bank on *"Establishing a Monetary Institute for the SADC Region as an Interim Step Leading to a Monetary Union"* and presented at the April 2013 CCBG meeting.

Other critical issues raised by Governors were: (a) poor communication among member states and SADC structures as well as within countries regarding the status of the implementation of various projects; (b) concerns around the quality and reliability of data being provided in SADC, especially with regard to the comparison required for macroeconomic convergence; and (c) discussion of a constructive approach to ensure that China's participation in the SADC economies is in line with the SADC objectives.

Among the joint initiatives between the CCBG structures and the SADC Secretariat are the review of the FIP and the RISDP. The FIP baseline study and dashboard have been approved by Governors for implementation. With regard to the CCBG structures, Governors agreed that their structures were sufficient for the implementation of the FIP processes. The coordination of the meetings of the Ministers of Finance and Central Bank Governors remains a critical intervention required in the implementation of the FIP and the SADC agenda. At a workshop held in February 2013 in Pretoria, the CCBG subcommittees identified several challenges that had impeded the smooth implementation of the RISDP including timelines and milestones. The preliminary report on the findings has been circulated among member states in June 2013.

The SADC Subcommittee of Banking Supervisors recommended member states to develop guidelines in line with international standards to monitor (i) international financial reporting standards; (ii) the Basel Core Principles; (iii) capital core requirements; and (iv) sensitisation on Basel III and macroprudential guidelines.

The pilot project for the cross-border settlement system – the SADC Integrated Regional Electronic Settlement System – will be tested in the Common Monetary Area (CMA) countries on 22 July 2013. Full implementation in the rest of SADC will be gradual and will occur when regional central banks and commercial banks are ready to join the system.

FINANCIAL STABILITY BOARD REGIONAL CONSULTATIVE GROUP FOR SUB-SAHARAN AFRICA

The meetings of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa are held twice a year. The challenges and vulnerabilities of the region together with the possible policy options remain at the forefront of the agenda. These then serve as input into the deliberations of the FSB Plenary. The initial set-up which comprised nine members has been enlarged to include the Central Bank of West African States. The second and third meetings of the FSB RCG for Sub-Saharan Africa were held in September 2012 and February 2013, respectively. The topics focused *inter alia* on regional vulnerabilities, unintended consequences of regulatory reforms on emerging market and developing economies, key financial sector reforms for Sub-Saharan Africa, resolution of financial institutions and macroprudential framework and policy in Sub-Saharan Africa. Other countries are being encouraged to join the RCG as the pursuit of global financial stability necessarily entails taking into account the differences across countries legal systems, financial sophistication and capacity as well as the diversity of national experiences.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

The Eighteenth Meeting of the Common Market for Eastern and Southern Africa (COMESA) Committee of Governors of Central Banks was held during 11-12 December, 2012 in Kigali, Rwanda. Governors noted that the REPSS had started live operations on 3 October 2012 and registered its first transaction between Bramer Banking Corporation Limited of Mauritius and Fina Bank of Rwanda, through their respective central banks. With a view to promoting its utilisation, they extended the period of transacting on REPSS free of charge till 30 September 2013 and urged all central banks to carry out sensitisation campaigns.

Regarding progress made towards achieving macroeconomic convergence in COMESA in 2011, Governors observed that member states were facing challenges to attain the fiscal and inflation criteria. However, member states were making good progress in the following areas: (a) compliance with the secondary criteria as regards the use of indirect monetary policy instruments; (b) moving towards market determined exchange rates; (c) adherence to the 25 Core Principles of Bank Supervision and Regulation; and (d) adherence to the Core Principles for Systemically Important Payment Systems.

Governors approved the Medium-Term Strategic Plan of COMESA Monetary Institute and urged mobilisation of resources from within member states and from cooperating partners for the implementation of the Plan. They also approved the Work Programmes for the Monetary and Exchange Rates Policies and Financial System Development and Stability Subcommittees for 2013. They urged central banks to develop sound macroprudential policy frameworks and human skills in this area. The National Bank of Rwanda and the Reserve Bank of Malawi were elected as the next Chair and Vice-Chair of the Committee of Central Bank Governors, respectively.

ASSOCIATION OF AFRICAN CENTRAL BANKS

The Thirty-Sixth Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) was held in Algiers, Algeria, on 30 August 2012. The Assembly of Governors took note of the draft report on the implementation of the African Monetary Cooperation Programme in 2011. While expressing concerns about the impact of external shocks on countries' performance under the convergence criteria in 2011, Governors agreed that it was not necessary to modify the criteria and encouraged member countries to continue efforts to reinforce macroeconomic convergence. The Assembly took note of the revised terms of reference of the Community of African Banking Supervisors (CABS) and invited the Executive Secretariat and the Secretariat of Making Finance Work For Africa to organise the inaugural meeting of CABS as soon as possible. It was agreed that the theme for the 2013 AACB Symposium would be "Financial Inclusion in Africa: The Challenges of Financial Innovations for Monetary Policy and the Stability of Financial System". "The Role of Central Banks in the Promotion of Sustainable Economic Growth in Africa" was selected as the theme for the Continental Seminar in 2013. The Assembly of Governors elected the Banque d'Algérie and the Bank of Mauritius, as the Chair and Vice-Chair of the AACB for the period 2012-13.

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INTRODUCTION

The net profits for the financial year ended 30 June 2013 in terms of section 11(1) of the Bank of Mauritius Act 2004 (the Act) was Rs71.0 million, compared to Rs395.3 million for the previous financial year. The low yield environment which prevailed throughout the year led to a significant reduction in interest income on foreign and domestic assets. Staff costs for the year have increased due to the implementation of revised salaries and benefits following the review carried out by a salary commissioner.

According to section 11(1) of the Act, the Board of Directors shall determine the net profits of the Bank for each financial year, after meeting all current expenditure for that year and after making such provisions as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies. The Board met on 19 September 2013 to consider the Financial Statements of the Bank for the financial year ended 30 June 2013 and determined the net profits for the year then ended.

Assets

Purchases of foreign exchange under the Operation Reserves Reconstitution led to an increase in the foreign assets of the Bank. Domestic assets decreased mostly as a result of a reduction of the Bank's holdings of Government of Mauritius bills and securities.

Liabilities

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

Capital and Reserves

The net decrease in Reserves resulted from loss on Revaluation of Foreign Currencies, SDR and Gold, the whole amount of which was transferred from the Special Reserve Fund in accordance with sections 47(1) and 47(1A) of the Act. As required under section 11(2) of the Act, an amount of Rs10.6 million representing 15% of the net profits for the year in terms of section 11(1) of the Act was transferred to the General Reserve Fund.

Statement of Responsibilities

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

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

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

The Bank is responsible for the preparation and fair presentation of the financial statements in conformity with accounting principles applicable to central banks and best international practices in accordance with section 31(1) of the Act and the implementation of an internal control structure to maintain the reliability of the financial statements and to provide reasonable but not absolute assurance against the possibility of errors and irregularities that are material to the financial statements. The Board presently consists of the Governor as Chairperson, two Deputy Governors and three other Directors. The Act provides for not less than five but not more than seven other Directors. The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius

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

Report on the Financial Statements

We have audited the financial statements of Bank of Mauritius (the "Bank") on pages 80 to 117 which comprise the statement of financial position as at 30 June 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements which include summary of significant accounting policies and other explanatory notes.

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

Bank's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Bank, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 80 to 117 give a true and fair view of the financial position of the Bank as at 30 June 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Bank of Mauritius Act 2004.

KPMG

KPMG
Licensed Auditors
Ebène
Date: 2 October 2013

John Chung, BSc FCA
Licensed by FRC

BANK OF MAURITIUS STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013	2012
		Rs	Rs
ASSETS			
Foreign Assets:			
Cash and Cash Equivalents	6	**62,862,652,325**	53,040,392,255
Other Balances and Placements	7	**40,382,784,174**	31,812,162,992
Interest Receivable		**179,138,050**	243,048,924
Other Investments	8	**223,455,138**	212,524,475
		103,648,029,687	85,308,128,646
Domestic Assets:			
Loans and Advances	9	**1,497,577,281**	443,123,336
Investment in Government Securities	10	**6,620,341,688**	9,237,310,692
Computer Software	11	**426,637**	5,456,630
Property, Plant and Equipment	12	**1,730,916,044**	1,748,949,781
Other Assets	13	**521,635,665**	315,571,293
TOTAL ASSETS		**114,018,927,002**	97,058,540,378
LIABILITIES			
Currency in Circulation	14	**24,644,007,420**	21,985,845,587
Demand Deposits:			
Government		**16,088,970,127**	14,616,173,678
Banks		**28,377,491,471**	23,977,369,481
Other Financial Institutions		**101,562,119**	143,655,758
Others		**176,694,394**	131,639,892
		44,744,718,111	38,868,838,809
Bank of Mauritius Securities	15	**17,857,231,334**	7,753,805,621
Provisions	16	**100,000,000**	100,000,000
Employee Benefits	17	**251,535,190**	202,914,574
Other Liabilities	18	**5,022,061,366**	4,841,989,706
TOTAL LIABILITIES		**92,619,553,421**	73,753,394,297
CAPITAL AND RESERVES			
Stated and Paid up Capital	5	**2,000,000,000**	2,000,000,000
Reserves	5	**19,399,373,581**	21,305,146,081
TOTAL CAPITAL AND RESERVES		**21,399,373,581**	23,305,146,081
TOTAL LIABILITIES, CAPITAL AND RESERVES		**114,018,927,002**	97,058,540,378

A.K. Tohooloo
Head-Accounting and Budgeting

M.I. Belath
Second Deputy Governor

R. Bheenick
Governor

Date: 2 October 2013

BANK OF MAURITIUS STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rs	2012 Rs
INCOME			
Income from Financial Assets			
Interest and Similar Income on Foreign Assets	19 (a)	**794,011,948**	797,963,625
Interest and Similar Income on Domestic Assets	19 (b)	**362,498,278**	485,162,587
Others	19 (c)	**(50,334,435)**	2,066,443
	19	**1,106,175,791**	1,285,192,655
(Loss)/Gain on Foreign Exchange Transactions, Revaluation of Foreign Currency and SDR		**(552,173,290)**	1,755,916,937
Other Income	20	**69,496,533**	62,634,970
(Loss)/Gain on Financial Instruments at Fair Value Through Profit or Loss		**(1,302,304,093)**	1,204,413,471
		(678,805,059)	4,308,158,033
EXPENDITURE			
Interest Expense and Similar Charges	21	**26,143**	15,774
Staff Salaries and Other Benefits	22	**375,892,524**	249,119,537
General Expenditure		**156,989,980**	129,752,989
Fees Payable		**32,267,523**	26,561,045
Coin Issue Expenses		**8,477,489**	12,170,142
Note Issue Expenses		**45,853,521**	131,509
Depreciation and Amortisation		**125,716,004**	131,535,217
Directors' Remuneration	23	**16,599,962**	18,478,642
IMF Charges	32	**2,370,305**	7,099,661
Other Expenditure	24	**18,096,795**	16,780,879
		782,290,246	591,645,395
OPEN MARKET OPERATIONS	25		
Interest on Bank of Mauritius Securities		**384,330,134**	452,199,772
NET (LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,845,425,439)**	3,264,312,866

STATEMENT OF DISTRIBUTION FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rs	2012 Rs
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - AS PER IFRS		**(1,845,425,439)**	3,264,312,866
Transfer from/(to) Special Reserve Fund in terms of sections 47(1) and 47(1A) of the Bank of Mauritius Act 2004	5	**1,916,421,982**	(2,868,970,001)
NET PROFITS FOR THE YEAR IN TERMS OF SECTION 11(1) OF THE BANK OF MAURITIUS ACT 2004		**70,996,543**	395,342,865
Transfer to General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004		**(10,649,482)**	(59,301,430)
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004		**60,347,061**	336,041,435

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

BANK OF MAURITIUS STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Stated and Paid Up Capital	General Reserve Fund	Special Reserve Fund	Accumulated Profit	Other Reserves	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Balance at 1 July 2011	1,000,000,000	1,495,281,998	16,199,306,406	-	1,682,286,246	20,376,874,650
Total Comprehensive Income						
- Net profit and total comprehensive income for the year	-	-	-	3,264,312,866	-	3,264,312,866
Transfer to Capital	1,000,000,000	-	(1,000,000,000)	-	-	-
Transfer to Special Reserve Fund	-	-	2,868,970,001	(2,868,970,001)	-	-
Transfer to General Reserve Fund	-	1,741,587,676	-	(59,301,430)	(1,682,286,246)	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	(336,041,435)	-	(336,041,435)
Balance at 30 June 2012	2,000,000,000	3,236,869,674	18,068,276,407	-	-	23,305,146,081
Balance at 1 July 2012	2,000,000,000	3,236,869,674	18,068,276,407	-	-	23,305,146,081
Total Comprehensive Income						
- Net loss and total comprehensive income for the year	-	-	-	(1,845,425,439)	-	(1,845,425,439)
Transfer from Special Reserve Fund	-	-	(1,916,421,982)	1,916,421,982	-	-
Transfer to General Reserve Fund	-	10,649,482	-	(10,649,482)	-	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	(60,347,061)	-	(60,347,061)
Balance at 30 June 2013	**2,000,000,000**	**3,247,519,156**	**16,151,854,425**	**-**	-	**21,399,373,581**

BANK OF MAURITIUS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rs	2012 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated from Operating Activities	26	**18,056,914,341**	4,854,228,680
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in Other Balances and Placements		**(8,464,928,752)**	(8,157,512,591)
Net movement in Investment in Government Securities		**2,700,279,406**	(3,269,340,310)
Additions to Intangible Assets		**(374,089)**	(501,339)
Acquisition of Property, Plant and Equipment		**(104,595,272)**	(29,217,667)
Proceeds from Sale of Property, Plant and Equipment		**2,749,389**	4,007,301
Dividend Received		**1,301,557**	1,067,473
Net Cash Generated from Investing Activities		**(5,865,567,761)**	(11,451,497,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Balance of net profits paid into the Consolidated Fund		**(336,041,435)**	(219,629,965)
Net Increase/(Decrease) in Cash and Cash Equivalents		**11,855,305,145**	(6,816,898,418)
Cash and Cash Equivalents at 1 July		**53,040,392,255**	56,590,976,768
Effect of exchange rate fluctuations on Cash and Cash Equivalents		**(2,033,045,075)**	3,266,313,905
Cash and Cash Equivalents at 30 June	6	**62,862,652,325**	53,040,392,255

BANK OF MAURITIUS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. LEGAL FRAMEWORK

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004 (the "Act"), the Bank of Mauritius (the ''Bank") is established to act as the Central Bank for Mauritius. Its main place of business is at Sir William Newton Street, Port Louis, and it operates an office in Rodrigues. The Bank is an independent institution with its own legal personality and submits a copy of its audited financial statements to the Minister of Finance who lays a copy thereof before the National Assembly.

The primary objective of the Bank is to maintain price stability and to promote orderly and balanced economic development.

To attain these objectives, the Bank's principal functions are to:

- conduct monetary policy and manage the exchange rate of the Mauritian Rupee, taking into account the orderly and balanced economic development of Mauritius;

- regulate and supervise financial institutions carrying on activities in, or from within, Mauritius;

- manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius; collect, compile, disseminate, on a timely basis, monetary and related financial statistics; and manage the foreign exchange reserves of Mauritius.

Under section 10 of the Act, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government of Mauritius. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve.

Under section 11(1) of the Act, the Board shall determine the net profits of the Bank for each financial year, after meeting all current expenditure for that year and after making such provision as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies.

Under section 11(2) of the Act, the Bank shall establish a General Reserve Fund to which shall be allocated, at the end of every financial year of the Bank, 15 per cent of the net profits of the Bank.

Under section 11(3) of the Act, the balance of the net profits for the financial year remaining after the allocation made under subsection 11(2) shall, subject to subsection 11(4), be paid into the Consolidated Fund as soon as practicable after the end of every financial year. Section 11(4) of the Act provides that subject to subsection 11(5), the balance in the General Reserve Fund shall be at least equivalent to the amount paid as capital of the Bank. Under section 11(5) of the Act, where, at any time, the balance in the General Reserve Fund is less than the amount paid as capital of the Bank, the Bank shall endeavour to bring the balance to the required level.

Further, under section 11(6) of the Act, no allocation under subsection 11(3) shall be made where, in the opinion of the Board:

(a) the assets of the Bank are, or after such allocation would be, less than the sum of its liabilities and paid up capital; or

(b) the Bank would not be in a financial position to conduct its activities properly.

2. BASIS OF PREPARATION

(a) Statement of Compliance

In terms of section 31(1) of the Act, the accounting of the Bank shall, at all times be carried out in conformity with accounting principles applicable to central banks and best international practices. In line with best practices, the Bank has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

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

(e) New Standards and Amendments not yet effective for 2013

IFRS 13: Fair Value Measurement

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

IFRS 13 defines fair value as 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, i.e. an exit price.

The impact on the financial statements for the Bank has not yet been estimated.

IFRS 7 Amendment Disclosures: Offsetting Financial Assets and Financial Liabilities

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

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

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

The impact on the financial statements for the Bank has not yet been estimated.

IAS 19 Employee Benefits (amended 2011)

The amendments to IAS 19 will be adopted by the Bank for the first time for their financial reporting period ending 30 June 2014.

One of the significant changes in the amended standard is the elimination of the 'corridor method' under which the recognition of actuarial gains and losses could be deferred. Instead, all actuarial gains and losses are recognised immediately in other comprehensive income. It is expected that this generally will have a significant impact on those entities currently applying the corridor method. However, even if an entity does not currently apply the corridor method, the amended standard may still have a significant effect on entities with funded defined benefit plans. This is principally because it introduces a new approach to calculating and presenting the net interest income or expense on the net defined benefit liability (asset). This is now calculated as a single net interest figure, based on the discount rate that is used to measure the defined benefit obligation. As a consequence, an entity is no longer able to recognise in profit or loss the long-term expected return on the plan assets actually held; for many entities this will result in a reduction in net profit from that reported under the current IAS 19.

The amended standard alters both the timing and location of recognition of the changes in the net defined benefit liability (asset) and each entity will need to evaluate the impact from its own perspective.

The impact on the financial statements for the Bank has not yet been estimated.

IAS 32 Amendment: Offsetting Financial Assets and Financial Liabilities

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

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

The impact on the financial statements for the Bank has not yet been estimated.

IFRS 9: Financial Instruments

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

IFRS 9 (2009) addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 (2009) there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

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

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

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

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

The impact on the financial statements for the Bank has not yet been estimated.

3. ACCOUNTING POLICIES

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

(a) Financial Instruments

(i) Initial Recognition

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

(ii) Classification

Financial assets or financial liabilities classified as held-for-trading, which is a subset of the fair-value-through-profit-or-loss (“FVTPL”) category, are those that are acquired or incurred principally for the purpose of generating profits from short-term fluctuations in price or dealer’s margin. A financial asset is classified as held-for-trading if, regardless of why it was acquired, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

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

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

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

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

(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

(iv) Offsetting

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

(v) Measurement

Financial instruments are initially measured at fair value, which is the value of the consideration given (in the case of an asset) or received (in the case of a liability) for it, including transaction costs.

FVTPL (including held-for-trading) assets and liabilities are measured at fair value at subsequent reporting dates.

Loans and receivables and non-trading financial liabilities are measured at amortised cost using the effective interest method.

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

(vi) Fair Value Measurement Principles

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

Gold Deposits

Gold Deposits are held by the Bank for reserve management purposes. IAS 39 specifically excludes from its scope gold deposits and therefore IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, has been considered to assess the most appropriate accounting for the gold deposits. As a result, IAS 39 has been applied by analogy and gold deposits are classified as a financial asset reported at fair value through profit or loss. Accordingly, all gains and losses on revaluation of gold are recognised in profit or loss. Gold is valued at the price ruling on the international market.

Government of Mauritius Treasury Bills

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

Other Government Securities

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

Bank of Mauritius Securities

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

Unquoted Investments

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

(vii) Gains and Losses on Subsequent Measurement

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

(viii) Cash and Cash Equivalents

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

(b) Computer Software

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

(c) Property, Plant and Equipment

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

Depreciation is provided at the following annual percentage rates:

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

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

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

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

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

(e) Currency in Circulation

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

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

(f) Employee Benefits

Defined Benefit Pension Plan

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

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

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

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

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

Short-Term Employee Benefits

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

State Pension Plan

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

(g) Income and Expenditure Recognition

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

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

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

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

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis,
- fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments carried at fair value through profit or loss in the statement of comprehensive income.

(h) Foreign Currencies

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

(i) Impairment

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

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

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

(j) Taxation

The Bank is exempted from any tax imposed on income, profits or capital gains under section 64 of the Bank of Mauritius Act 2004.

(k) Provisions

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

Provisions are determined by the Bank through their best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(l) Operating Leases

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

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

(m) Comparative Figures

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

4. USES OF ESTIMATES AND JUDGEMENT

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

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

Key Sources of Estimation Uncertainty

Determining Fair Values

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

Determination of Functional Currency

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

5. CAPITAL AND RESERVES

Stated and Paid up Capital

The stated and paid up capital of the Bank is Rs2 billion in accordance with section 10(4) of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government of Mauritius (refer to Note 1).

General Reserve Fund

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

Special Reserve Fund

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

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

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

	2013	2012
	Rs	Rs
(Loss)/Gain on revaluation of Foreign Currencies and SDR	**(614,117,889)**	1,664,556,530
(Loss)/Gain on Financial Instruments at Fair Value Through Profit or Loss	**(1,302,304,093)**	1,204,413,471
Transfer from/(to) Special Reserve Fund in terms of sections 47(1) and 47(1A) of the Bank of Mauritius Act 2004	**1,916,421,982**	(2,868,970,001)

6. CASH AND CASH EQUIVALENTS

	2013	2012
	Rs	Rs
Short-Term Deposit Accounts	**42,972,959,216**	34,722,223,066
Special Drawing Rights (SDR)	**4,662,191,138**	4,676,257,276
Repurchase Agreement	**8,159,572,920**	4,432,722,840
Current Accounts	**2,299,599,864**	3,005,754,773
Foreign Currency Notes and Coins	**450,300**	68,710
Gold Deposits	**4,698,951,122**	6,117,615,890
Foreign Liquid Securities	**68,927,765**	85,749,700
	62,862,652,325	53,040,392,255

7. OTHER BALANCES AND PLACEMENTS

	2013	2012
	Rs	Rs
Foreign Investments	**28,128,997,602**	21,323,799,935
Long Term Deposit Accounts	**12,253,786,572**	10,488,363,057
	40,382,784,174	31,812,162,992

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

8. OTHER INVESTMENTS

	2013	2012
	Rs	Rs
Unquoted Investments	**223,455,138**	212,524,475

Basis of Valuation

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

9. LOANS AND ADVANCES

	2013	2012
	Rs	Rs
Special Line of Credit – Sugar Industry	**-**	46,186,721
Special Line of Credit – National Equity Fund	**-**	15,168,323
Special Line of Credit in Foreign Currency	**1,485,189,813**	-
Overnight Facility to banks	**-**	370,000,000
Others	**12,387,468**	11,768,292
	1,497,577,281	443,123,336

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

10. INVESTMENT IN GOVERNMENT SECURITIES

	2013	2012
	Rs	Rs
Government of Mauritius Treasury Bills	**2,992,213,115**	6,492,910,697
Other Government Securities	**3,628,128,573**	2,744,399,995
	6,620,341,688	9,237,310,692

11. COMPUTER SOFTWARE

	Rs
COST	
At 1 July 2011	122,324,502
Additions	501,339
At 30 June 2012	122,825,841
Additions	374,089
At 30 JUNE 2013	**123,199,930**
AMORTISATION	
At 1 July 2011	104,368,229
Charge for the year	13,000,982
At 30 June 2012	117,369,211
Charge for the year	5,404,082
At 30 JUNE 2013	**122,773,293**
NET BOOK VALUE	
At 30 JUNE 2013	426,637
At 30 June 2012	5,456,630

12. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Capital Work in Progress	Furniture, Equipment, Fixtures and Fittings	Computer Equipment	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs
COST						
At 1 July 2011	1,536,391,792	862,500	678,474,895	111,355,524	26,526,623	2,353,611,334
Additions	-	3,943,599	13,423,785	623,858	11,226,425	29,217,667
Scrapped	-	-	(141,280)	-	-	(141,280)
Disposals	-	-	(5,566,367)	(468,604)	(9,831,836)	(15,866,807)
At 30 June 2012	1,536,391,792	4,806,099	686,191,033	111,510,778	27,921,212	2,366,820,914
Additions	80,864,310	3,894,216	7,664,128	5,170,618	7,002,000	104,595,272
Transfers	-	-	24,609	(24,609)	-	-
Scrapped	-	-	(119,704)	(1,232,058)	-	(1,351,762)
Disposals	(3,637,595)	-	(793,999)	(12,097,606)	(7,076,325)	(23,605,525)
At 30 June 2013	**1,613,618,507**	**8,700,315**	**692,966,067**	**103,327,123**	**27,846,887**	**2,446,458,899**
DEPRECIATION						
At 1 July 2011	120,211,368	-	301,141,176	70,351,836	22,715,446	514,419,826
Charge for the year	28,138,035	-	66,280,629	17,820,014	6,295,557	118,534,235
Scrapped	-	-	(141,280)	-	-	(141,280)
Disposals	-	-	(5,551,909)	(467,403)	(8,922,336)	(14,941,648)
At 30 June 2012	148,349,403	-	361,728,616	87,704,447	20,088,667	617,871,133
Charge for the year	29,682,569	-	66,983,385	17,510,193	6,135,775	120,311,922
Transfers	-	-	(96,178)	96,178	-	-
Scrapped	-	-	(107,733)	(1,228,958)	-	(1,336,691)
Disposals	(1,384,416)	-	(765,462)	(12,078,306)	(7,075,325)	(21,303,509)
At 30 June 2013	**176,647,556**	**-**	**427,742,628**	**92,003,554**	**19,149,117**	**715,542,855**
CARRYING AMOUNT						
At 30 June 2013	**1,436,970,951**	**8,700,315**	**265,223,439**	**11,323,569**	**8,697,770**	**1,730,916,044**
At 30 June 2012	1,388,042,389	4,806,099	324,462,417	23,806,331	7,832,545	1,748,949,781

13. OTHER ASSETS

	2013 Rs	2012 Rs
Net cheques to be cleared	**60,442,908**	17,943,004
Staff Loans	**95,312,457**	103,198,845
Prepayments	**86,101,544**	32,694,472
Industrial Gold and Dodo Gold Coins	**101,375,825**	120,095,955
Gold Bars	**108,385,020**	-
Interest Receivable on domestic assets	**65,528,350**	37,131,989
Others	**4,489,561**	4,507,028
	521,635,665	315,571,293

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

14. CURRENCY IN CIRCULATION

	2013 Rs	2012 Rs
Notes issued		
Face value		
2,000	**2,861,192,000**	1,113,090,000
1,000	**15,537,772,000**	14,668,311,000
500	**2,417,909,000**	2,381,303,500
200	**1,241,391,200**	1,446,050,800
100	**1,119,334,700**	996,954,800
50	**275,671,600**	258,764,650
25	**185,266,375**	176,778,700
Demonetised Notes	**216,737,145**	218,217,960
Total	**23,855,274,020**	21,259,471,410
Coins issued		
Face value		
20 rupees	**177,628,380**	147,545,660
10 rupees	**249,494,240**	235,816,850
5 rupees	**112,832,085**	104,128,585
1 rupee	**136,388,647**	129,149,701
50 cents	**31,061,406**	30,187,550
25 cents **	**6,334,285**	6,341,453
20 cents	**40,405,377**	38,939,505
10 cents **	**2,421,636**	2,426,098
5 cents	**9,523,018**	9,249,402
2 cents **	**330,478**	330,517
1 cent	**222,800**	222,693
Others***	**22,091,048**	22,036,163
Total	**788,733,400**	726,374,177
Total face value of Notes and Coins in Circulation	**24,644,007,420**	21,985,845,587

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

15. BANK OF MAURITIUS SECURITIES

	2013	2012
	Rs	Rs
Bank of Mauritius Savings Bonds	907,400	907,400
Bank of Mauritius Bonds	758,271,385	-
Bank of Mauritius Notes	5,773,684,581	6,975,821,564
Bank of Mauritius Bills	11,324,367,968	777,076,657
	17,857,231,334	7,753,805,621

16. PROVISIONS

	2013	2012
	Rs	Rs
Balance at 30 June	100,000,000	100,000,000

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

17. EMPLOYEE BENEFITS

Amounts recognised in the Statement of Financial Position:

	2013	2012
	Rs	Rs
Defined Benefit Plan (Note (a))	153,860,926	119,236,333
Short Term Employee Benefits (Note (b))	97,674,264	83,678,241
	251,535,190	202,914,574

(a) Defined Benefit Plan

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

The report dated 27 June 2013 submitted by The State Insurance Company of Mauritius Ltd is produced hereunder.

Amounts recognised in profit or loss:

	2013	2012
	Rs	Rs
Current Service Cost	20,217,159	15,035,940
Employee Contributions	(9,723,125)	(8,074,783)
Scheme Expenses	681,459	578,125
Interest Costs	68,553,345	70,253,460
Expected Return on Plan Assets	(31,826,841)	(34,155,340)
Actuarial Loss	11,221,480	11,051,961
Net Periodic Pension Cost included in Staff Costs	59,123,477	54,689,363
Actual Return on Plan Assets	39,154,148	3,030,966

17. EMPLOYEE BENEFITS (CONT'D)

(a) Defined Benefit Plan (Cont'd)

Movements in liability recognised in the Statement of Financial Position:

	2013 Rs	2012 Rs
At 1 July	**119,236,333**	81,618,086
Total Expenses as per above	**59,123,477**	54,689,363
Transfer value received	**-**	(115,592)
Bank of Mauritius share of pension (topping-up)	**(149,076)**	(149,076)
Employer Contributions	**(24,349,808)**	(16,806,448)
At 30 June	**153,860,926**	119,236,333

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

	2013 Rs	2012 Rs
At 1 July	**(721,614,162)**	(702,534,596)
Current Service Cost	**(20,217,159)**	(15,035,940)
Interest Cost	**(68,553,345)**	(70,253,460)
Actuarial (Losses)/Gains	**(106,395,485)**	20,920,783
Benefits Paid	**42,768,469**	45,289,050
At 30 June	**(874,011,682)**	(721,614,163)

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

	2013 Rs	2012 Rs
At 1 July	**339,633,346**	351,914,035
Expected Return on Plan Assets	**31,826,841**	34,155,340
Actuarial Gains/(Losses)	**10,643,552**	(25,714,753)
Contributions from the Employer	**24,349,808**	16,806,448
Transfer value received	**-**	115,592
Employee Contributions	**9,723,125**	8,074,783
Benefits Paid (Excluding BOM share of pension)	**(42,619,393)**	(45,139,974)
Scheme Expenses	**(681,459)**	(578,125)
At 30 June	**372,875,820**	339,633,346

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

	30 June 2013 %	30 June 2012 %
Major categories of Plan Assets		
Local Equities	**22**	23
Overseas Equities and Bonds	**12**	13
Fixed Interest	**65**	63
Others	**1**	1
Expected return on Plan Assets	**9.5**	10

17. EMPLOYEE BENEFITS (CONT'D)

(a) Defined Benefit Plan (Cont'd)

Amounts recognised in the Statement of Financial Position:

	2013 Rs	2012 Rs
Total Market Value of Assets	**372,875,820**	339,633,346
Present Value of Plan Liabilities	**(874,011,682)**	(721,614,163)
Deficit	**(501,135,862)**	(381,980,817)
Unrecognised Actuarial Losses	**347,274,937**	262,744,484
	(153,860,925)	(119,236,333)

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

The actual return on plan assets was Rs39.2 million (2012: Rs3 million).

The history of experience adjustments is as follows:-

	2013 Rs	2012 Rs	2011 Rs	2010 Rs	2009 Rs
Present value of defined benefit obligation	**(874,011,682)**	(721,614,163)	(702,534,596)	(606,057,773)	(432,832,723)
Fair value of plan assets	**372,875,820**	339,633,346	351,914,035	355,439,835	316,073,892
Deficit	**(501,135,862)**	(381,980,817)	(350,620,561)	(250,617,938)	(116,758,831)
Experience (losses)/gains on plan liabilities	**(106,395,485)**	20,920,783	(75,153,694)	(148,099,433)	(1,915,050)
Experience (losses)/gains on plan assets	**10,643,552**	(25,714,753)	(10,826,463)	22,300,211	(69,443,065)

The Bank expects to make a contribution of Rs24.5 million (2012: Rs22 million) to the defined benefit plans during the next financial year. This estimate may be amended by the Bank of Mauritius on the basis of availability of more accurate information.

The principal actuarial assumptions used for accounting purposes were:

	2013	2012
Discount Rate	**9.5%**	10%
Expected Return on Plan Assets	**9.5%**	10%
Future Long-term Salary Increases	**7%**	7%
Post Retirement Mortality Tables Increases	**5%**	5%

(b) Short-Term Employee Benefits

	2013 Rs	2012 Rs
Provision for Annual and Sick Leaves	**63,061,767**	51,858,795
Provision for Passage Benefits	**34,612,497**	31,819,446
	97,674,264	83,678,241

An amount of Rs13,996,023 representing the increase in provision for the year has been recognised in the Statement of Comprehensive Income.

17. EMPLOYEE BENEFITS (CONT'D)

(c) Defined Contribution Pension Fund

	2013	2012
	Rs	Rs
Contributions expensed (Note 22)	26,721,568	17,211,335

(d) State Pension Plan

	2013	2012
	Rs	Rs
National Pension Scheme Contributions Charged (Note 22)	886,313	895,262

18. OTHER LIABILITIES

	2013	2012
	Rs	Rs
Balance of net profits payable into the Consolidated Fund in terms of Section 11 (3) of the Bank of Mauritius Act 2004	60,347,061	336,041,435
Suppliers' Credits	333,037,780	177,669,293
Abandoned Funds from Financial Institutions	762,444,820	413,466,525
Interests and Charges Payable	85,246,330	121,424,966
Foreign Bills sent for Collection	14,221	31,687
Reserve for Repayment of Capital and Interest:		
- Bank of Mauritius Savings Bonds	97,200	97,200
Special Drawing Rights (SDR) (Note 32)	3,780,855,831	3,793,240,477
Others	18,123	18,123
	5,022,061,366	4,841,989,706

19. INCOME FROM FINANCIAL ASSETS

(a) Interest and Similar Income on Foreign Assets

	2013	2012
	Rs	Rs
Deposit Accounts	764,512,358	744,612,212
Fixed Income	13,717,201	27,433,567
Special Drawing Rights	3,589,437	10,581,564
Repurchase Agreements	11,909,025	1,615,277
Current Accounts	283,927	13,721,005
	794,011,948	797,963,625

(b) Interest and Similar Income on Domestic Assets

	2013 Rs	2012 Rs
Loans and Advances		
Special Line of Credit - Sugar Industry	**21,030,297**	24,950,269
Special Foreign Currency Line of Credit	**8,416,982**	-
Loans and Advances to Banks	**931,709**	3,392,017
Special Line of Credit – National Equity Fund	**673,951**	1,664,794
	31,052,939	30,007,080
Government Securities	**328,583,537**	452,862,735
Other Loans	**2,861,802**	2,292,772
	362,498,278	485,162,587

(c) Others

	2013 Rs	2012 Rs
Dividend and Other Income	**1,301,557**	1,067,473
Loss on Sale/Revaluation of Industrial Gold and Dodo Gold Coins	**(15,061,796)**	(48,288)
Loss on Sale/Revaluation of Gold Bars	**(36,820,452)**	-
Profit on Issue of Mauritius Commemorative Coins	**245,744**	1,046,746
Profit on Sale of Coins	**512**	512
	(50,334,435)	2,066,443
Total Income from Financial Assets	**1,106,175,791**	1,285,192,655

20. OTHER INCOME

	2013 Rs	2012 Rs
Processing and Licence Fees	**40,695,645**	40,774,148
MACSS & MCIB Fees	**20,617,863**	16,992,985
Commissions	**512,327**	1,768,769
Rent	**19,450**	16,925
Profit on Sale of Property, Plant and Equipment	**432,302**	3,082,143
Others	**7,218,946**	-
	69,496,533	62,634,970

21. INTEREST EXPENSE AND SIMILAR CHARGES

	2013 Rs	2012 Rs
Government of Mauritius Accounts	**26,143**	15,774

22. STAFF SALARIES AND OTHER BENEFITS

	2013	2012
	Rs	Rs
Staff Salaries and Allowances	**338,808,504**	223,601,249
Pension Cost (Note 17(c))	**26,721,568**	17,211,335
Staff Family Protection Scheme	**9,476,139**	7,411,691
National Savings Fund (Note 17(d))	**886,313**	895,262
	375,892,524	249,119,537

The amount of Rs338,808,504 includes an increase in the liability for short term employee benefits amounting to Rs13,996,023 (see Note 17(b)).

23. DIRECTORS' REMUNERATION

	2013	2012
	Rs	Rs
Governor	**6,733,315**	8,007,505
Deputy Governors (2)	**8,666,647**	8,821,137
Other Directors (3)*	**1,200,000**	1,650,000
	16,599,962	18,478,642

*There were four directors up to November 2012. Directors are paid a monthly fee of Rs30,000.

24. OTHER EXPENDITURE

	2013	2012
	Rs	Rs
Stationery and Library	**3,486,720**	2,149,838
Postage, Telephone and Reuters	**13,923,602**	12,985,869
Others	**686,473**	1,645,172
	18,096,795	16,780,879

25. OPEN MARKET OPERATIONS

The Bank, in the pursuit of its objectives to maintain price stability and to promote orderly and balanced economic development, undertakes open market operations to manage liquidity conditions in the domestic foreign and money markets. As such, open market operations are broadly conducted through the issue of Bank of Mauritius securities, outright sale and purchase of Government securities, conduct of repurchase transactions, special deposit facility and intervention in the domestic foreign exchange market to smooth out any unwarranted volatilities in the rupee exchange rate and improve the functioning of these markets.

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

	2013 Rs	2012 Rs
Net (Loss)/Profit for the Year	**(1,845,425,439)**	3,264,312,866
Adjustments for:		
Non-Cash Increase in Employee Benefits	**48,620,616**	39,889,213
Amortisation of Intangible Assets	**5,404,082**	13,000,982
Depreciation of Property, Plant and Equipment	**120,311,922**	118,534,235
Profit on Sale of Property, Plant and Equipment	**(432,302)**	(3,082,143)
Dividend Received	**(1,301,557)**	(1,067,473)
(Gain)/Loss on Financial Instruments at Fair Value Through Profit or Loss	**1,302,304,093**	(1,204,413,471)
Loss/(Gain) on revaluation of foreign currencies and SDR	**614,117,889**	(1,664,556,530)
Gain on revaluation of Government Securities	**(83,310,402)**	(211,188,493)
Operating Profit Before Working Capital Changes	**160,288,902**	351,429,186
Change in Interest Receivable	**63,910,874**	(181,291,096)
Change in Loans and Advances	**(1,054,453,945)**	(238,444,357)
Change in Other Assets	**(206,064,372)**	(73,279,652)
Change in Notes and Coins in Circulation	**2,658,161,833**	1,291,107,888
Change in Government Demand Deposits	**1,472,796,449**	4,329,852,196
Change in Banks' Demand Deposits	**4,400,121,990**	2,420,059,476
Change in Other Financial Institutions' Demand Deposits	**(42,093,639)**	9,702,721
Change in Other Demand Deposits	**45,054,502**	(492,742,507)
Change in Bank of Mauritius Securities	**10,103,425,713**	(2,707,989,561)
Change in Other Liabilities	**455,766,034**	145,824,386
Net Cash Generated From Operating Activities	**18,056,914,341**	4,854,228,680

27. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2013 is as follows:

Capital Subscription in the African Export - Import Bank

The Bank has a commitment to pay on call USD 918,000 for capital subscription in the African Export-Import Bank. This amount has not been accounted for as a liability in the financial statements.

There was no other contingent liability that existed at 30 June 2013.

28. OPERATING LEASE COMMITMENTS

	1 year Rs	1 - 5yrs Rs	Above 5 yrs Rs	Total Rs
New Staff Quarters - Rodrigues	24,000	108,000	324,000	456,000
New Office Building - Rodrigues	100	450	1,350	1,900
Archiving - Plaine-Lauzun DBM	156,250	-	-	156,250
Fallback Site – Cyber Tower	969,422	2,086,682	-	3,056,104
Accommodation of Expatriate Staff	144,000	-	-	144,000
Others	392,260	519,680	-	911,940
	1,686,032	**2,714,812**	**325,350**	**4,726,194**

An amount of Rs2,246,092 (2012: Rs2,124,275) has been expensed in profit or loss for the year. The leases in Rodrigues run for a period of 20 years, with an option to renew the lease after that date. The other leases cover a period of one year and are renewable.

29. FINANCIAL INSTRUMENTS

(a) Introduction

A financial instrument, as defined by IAS 32 (Financial Instruments: Disclosure and Presentation), is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As the monetary authority for Mauritius, the Bank's activities are policy orientated. In the course of carrying out its functions, the Bank is faced with financial risks, operational risks and reputational risks. The main financial risks to which the Bank is exposed to are credit risk, interest rate risk, liquidity risk, price risk and foreign exchange risk. A significant proportion of these risks arise from the management of foreign exchange reserves of the Bank.

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) (i) Categories of Financial Instruments

	Carrying Amount 2013 Rs	Fair Value 2013 Rs	Carrying Amount 2012 Rs	Fair Value 2012 Rs
Financial Assets				
Fair value through profit or loss (FVTPL)				
Investment in Government Securities	**6,620,341,688**	**6,620,341,688**	9,237,310,692	9,237,310,692
Foreign Investment	**28,128,997,602**	**28,128,997,602**	21,323,799,935	21,323,799,935
Gold deposits	**4,698,951,122**	**4,698,951,122**	6,117,615,890	6,117,615,890
Other Investment	**223,455,138**	**223,455,138**	212,524,475	212,524,475
	39,671,745,550	**39,671,745,550**	36,891,250,992	36,891,250,992
Loans and receivables				
Cash & Cash Equivalent (Excl. Gold deposits)	**58,163,701,203**	**58,163,701,203**	46,922,776,365	46,922,776,365
Long Term Deposits Accounts	**12,253,786,572**	**12,253,786,572**	10,488,363,057	10,488,363,057
Loan & Advances	**1,497,577,281**	**1,497,577,281**	443,123,336	443,123,336
Staff Loans	**95,312,457**	**95,312,457**	103,198,845	103,198,845
Interest Receivable on foreign assets	**179,138,050**	**179,038,050**	243,048,924	243,048,924
Interest Receivable on domestic assets	**65,528,350**	**65,528,350**	37,131,989	37,131,989
	72,255,043,913	**72,255,043,913**	58,237,642,516	58,237,642,516
Total Financial Assets	**111,926,789,463**	**111,926,789,463**	95,128,893,508	95,128,893,508
	2013 Rs	**2013 Rs**	2012 Rs	2012 Rs
Financial Liabilities				
Amortised cost	**67,623,996,592**	**67,623,996,592**	51,464,602,448	51,464,602,448

(b) (ii) Fair Value Hierarchy

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

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) (ii) Fair Value Hierarchy (cont'd)

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2013	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		Rs	**Rs**	**Rs**	**Rs**
Financial Assets					
Gold Deposits	6	**4,698,951,122**	**-**	**-**	**4,698,951,122**
Foreign Investments	7	-	**28,128,997,602**	-	**28,128,997,602**
Other Investments	8	-	-	**223,455,138**	**223,455,138**
Investment in Government Securities	10	-	**6,620,341,688**	-	**6,620,341,688**
		4,698,951,122	**34,749,339,290**	**223,455,138**	**39,671,745,550**
2012					
Financial Assets					
Gold Deposits	6	6,117,615,890	-	-	6,117,615,890
Foreign Investments	7	-	21,323,799,935	-	21,323,799,935
Other Investments	8	-	-	212,524,475	212,524,475
Investment in Government Securities	10	-	9,237,310,692	-	9,237,310,692
		6,117,615,890	30,561,110,627	212,524,475	36,891,250,992

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

	Equity Securities
	Rs
Opening balance at 1 July 2012	**212,524,475**
Change in fair value	**10,930,663**
Closing balance at 30 June 2013	**223,455,138**

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) (ii) Fair Value Hierarchy (cont'd)

Financial Asset and Financial Liability Classification

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

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

(c) Credit Risk

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

The Bank is exposed to credit risk which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk on the securities held by the Bank is managed by holding only high quality marketable securities issued chiefly by Government of Mauritius. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties. Credit risk also arises when the Bank provides liquidity to financial institutions through open market operations as part of monetary policy implementation.

(i) *Concentration of Credit Exposure by Geographical Area*

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

	2013	2012
	Rs	Rs
Mauritius	**8,279,709,612**	9,821,256,183
USA	**15,991,629,959**	12,258,442,945
United Kingdom	**5,187,216,550**	7,315,670,878
Europe	**82,083,064,242**	65,422,127,688
Others	**385,169,100**	311,395,814
	111,926,789,463	95,128,893,508

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (cont'd)

(ii) Concentrations of Credit Exposure by Counterparty Types

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

	2013 Rs	2012 Rs
Government	**14,914,370,723**	13,792,915,221
Supranational Financial Institutions	**7,821,142,782**	7,820,232,612
Foreign Banks and Financial Institutions	**87,597,206,510**	72,968,676,118
Other	**1,594,069,448**	547,069,557
	111,926,789,463	95,128,893,508

(iii) Credit Exposure by Credit Rating

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

	Credit Rating	**2013 Rs**	**%**	2012 Rs	%
Cash & Cash Equivalents	Central Banks	**49,935,693,636**	**48.18**	40,937,880,665	48.00
	Aaa	**2,289,080,000**	**2.21**	2,433,272,520	2.85
	Aa	**4,702,261,363**	**4.54**	1,152,134,899	1.35
	A	**1,236,166,667**	**1.19**	2,399,065,669	2.81
	Baa	**499,537**	**0.00**	422,612	0.00
	NR	**4,698,951,122**	**4.53**	6,117,615,890	7.17
Other Balances and Placements	Central Banks	**36,934,757,932**	**35.63**	29,293,906,992	34.34
	Aa	**3,448,026,242**	**3.33**	2,518,256,000	2.95
Interest Receivable	Central Banks	**128,121,103**	**0.12**	187,591,144	0.22
	Aaa	**10,041,702**	**0.01**	11,150,073	0.01
	Aa	**35,753,560**	**0.03**	5,279,470	0.01
	A	**5,221,685**	**0.01**	10,993,326	0.01
	Baa	**-**	**-**	1,937	0.00
	NR	**-**	**-**	28,032,974	0.03
Other Investments	NR	**223,455,138**	**0.22**	212,524,475	0.25
Total External Assets		**103,648,029,687**	**100.00**	85,308,128,646	100.00

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (cont'd)

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

	Credit Rating	2013 Rs	%	2012 Rs	%
Loans and Advances	Aa	**-**	**-**	120,000,000	1.22
	A	**-**	**-**	259,708,715	2.64
	Baa	**293,412,575**	**3.54**	36,478,007	0.37
	NR	**1,204,164,707**	**14.54**	26,936,615	0.27
Investment in Government Securities	NR	**6,620,341,688**	**79.97**	9,237,310,692	94.06
Other Assets	NR	**160,840,806**	**1.95**	140,330,833	1.44
Total Domestic Financial Assets		**8,278,759,776**	**100.00**	9,820,764,862	100.00

	Credit Rating	2013 Rs	%	2012 Rs	%
Summary by Major Credit Category					
External Assets	Central Banks	**86,998,572,671**	**83.94**	70,419,378,800	82.54
	Aaa	**2,299,121,702**	**2.22**	2,444,422,593	2.87
	Aa	**8,186,041,165**	**7.89**	3,675,670,369	4.31
	A	**1,241,388,352**	**1.20**	2,410,058,996	2.83
	Baa	**499,537**	**-**	424,549	-
	NR	**4,922,406,260**	**4.75**	6,358,173,339	7.45
Total External Assets		**103,648,029,687**	**100.00**	85,308,128,646	100.00
Domestic Financial Assets	Aa	**-**	**-**	120,000,000	1.22
	A	**-**	**-**	259,708,715	2.64
	Baa	**293,412,575**	**3.55**	36,478,007	0.37
	NR	**7,985,347,201**	**96.45**	9,404,578,140	95.77
Total Domestic Financial Assets		**8,278,759,776**	**100.00**	9,820,764,862	100.00
Total Financial Assets		**111,926,789,463**		95,128,893,508	

(d) Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet financial commitments as and when they arise. Liquidity risk is also the risk arising from the possibility of an entity not realising the fair value of a financial asset that it may have to dispose of to meet a financial obligation. In order to reduce the level of liquidity risk arising out of open market operations, the Bank requires highly liquid marketable securities such as Government of Mauritius Treasury Bills as collateral for loans after applying a haircut.

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

The Bank manages liquidity of its foreign currency assets in order to settle commitments of the Bank and Government as and when they arise, as well as to intervene on the domestic foreign exchange market. The Bank has set limits with regard to currency and counterparty exposures to contain the risk.

The table below shows the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, net of interest receivable or payable on interest bearing non-derivative financial instruments.

Maturity Analysis

At 30 JUNE 2013	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs
Non Derivative Financial Assets							
Foreign Assets	63,002,042,979	12,274,834,577	18,699,392	28,128,997,602	-	223,455,137	103,648,029,687
Loans and Advances	2,043,837	42,172,069	9,004,731	97,895,230	838,717,704	507,743,710	1,497,577,281
Investment in Government Securities	1,085,412,594	1,321,729,034	663,485,390	348,793,692	2,861,000,330	339,920,648	6,620,341,688
Other Assets	33,744,610	31,783,740	-	-	47,374,390	47,938,067	160,840,807
Total Financial Assets	64,123,244,020	13,670,519,420	691,189,513	28,575,686,524	3,747,092,424	1,119,057,562	111,926,789,463
Non Derivative Financial Liabilities							
Demand Deposits	44,744,718,111	-	-	-	-	-	44,744,718,111
Bank of Mauritius Securities	5,055,368,578	2,235,005,913	4,597,625,156	1,383,357,486	4,585,874,201	-	17,857,231,334
Other Liabilities	375,758,146	102,970,228	-	3,780,855,830	762,462,943	-	5,022,047,147
Total Financial Liabilities	50,175,844,835	2,337,976,141	4,597,625,156	5,164,213,316	5,348,337,144	-	67,623,996,592
Net Liquidity Gap	13,947,399,185	11,332,543,279	(3,906,435,643)	23,411,473,208	(1,601,244,720)	1,119,057,562	44,302,792,871

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

Maturity Analysis (cont'd)

At 30 JUNE 2012	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 9 months Rs	Above 9 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs
Non Derivative Financial Assets							
Foreign Assets	53,227,056,478	10,510,459,395	34,288,363	21,323,799,935	-	212,524,475	85,308,128,646
Loans and Advances	407,335,967	6,454,705	16,611,399	952,973	11,768,292	-	443,123,336
Investment in Government Securities	2,357,552,336	3,780,693,079	860,561,499	428,247,409	1,484,321,049	325,935,321	9,237,310,692
Other Assets	37,131,989	-	-	-	50,414,812	52,784,032	140,330,833
Total Financial Assets	56,029,076,770	14,297,607,179	911,461,261	21,753,000,317	1,546,504,153	591,243,828	95,128,893,508
Non Derivative Financial Liabilities							
Demand Deposits	38,868,838,809	-	-	-	-	-	38,868,838,809
Bank of Mauritius Securities	1,586,086,856	493,722,344	2,229,473,416	509,577,315	2,934,945,690	-	7,753,805,621
Other Liabilities	299,223,146	336,041,435	-	3,793,240,477	413,484,648	-	4,841,989,706
Total Financial Liabilities	40,754,148,811	829,763,779	2,229,473,416	4,302,817,792	3,348,430,338	-	51,464,634,136
Net Liquidity Gap	15,274,927,959	13,467,843,400	(1,318,012,155)	17,450,182,525	(1,801,926,185)	591,243,828	43,664,259,372

The Bank did not have any derivative financial assets and liabilities at 30 June 2013 (2012: Nil).

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk

Repricing Analysis

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

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

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

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

	Change in yield (basis points)	Effect on Profit 2013 Rs	Effect on Profit 2012 Rs
Foreign Currency Portfolio	+50	500,003,381	426,540,643
	-50	(314,759,866)	(222,782,386)
Government Securities	+50	(44,899,849)	(37,354,952)
	-50	45,658,620	37,912,938

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 30 June 2013							
Financial Assets							
Foreign Assets	58,017,991,879	12,235,147,639	18,638,933	28,128,997,602	-	5,247,253,634	103,648,029,687
Loans and Advances	1,517,651	42,172,069	9,004,731	97,895,230	1,334,600,132	12,387,468	1,497,577,281
Investment in Government Securities	1,085,412,594	1,321,729,034	663,485,390	348,793,692	3,200,920,978	-	6,620,341,688
Other Assets	-	-	-	-	95,312,457	65,528,350	160,840,807
Total Financial Assets	59,104,922,124	13,599,048,742	691,129,054	28,575,686,524	4,630,833,567	5,325,169,452	111,926,789,463
Financial Liabilities							
Demand Deposits	-	-	-	-	-	44,744,718,111	44,744,718,111
Bank of Mauritius Instruments	5,055,368,578	2,235,005,913	4,597,625,156	1,383,357,486	4,585,874,201	-	17,857,231,334
Other Liabilities	-	-	-	-	-	5,022,047,147	5,022,047,147
Total Financial Liabilities	5,055,368,578	2,235,005,913	4,597,625,156	1,383,357,486	4,585,874,201	49,766,765,258	67,623,996,592
Interest Sensitivity Gap	54,049,553,546	11,364,042,829	(3,906,496,102)	27,192,329,038	44,959,366	(44,441,595,806)	44,302,792,871

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

	Up to 3 months	Above 3 and up to 6 months	Above 6 and up to 9 months	Above 9 and up to 12 months	Over 12 months	Non-interest bearing	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 30 June 2012							
Financial Assets							
Foreign Assets	53,026,560,916	10,454,258,040	34,105,016	21,323,799,935	-	469,404,739	85,308,128,646
Loans and Advances	407,335,967	6,454,705	16,611,399	952,973	-	11,768,292	443,123,336
Investment in Government Securities	2,357,552,336	3,780,693,079	860,561,499	428,247,409	1,810,256,369	-	9,237,310,692
Other Assets	-	-	-	-	103,198,845	37,131,989	140,330,833
Total Financial Assets	55,791,449,219	14,241,405,824	911,277,914	21,753,000,317	1,913,455,214	518,305,020	95,128,893,508
Financial Liabilities							
Demand Deposits	-	-	-	-	-	38,868,838,809	38,868,838,809
Bank of Mauritius Instruments	1,586,086,856	493,722,344	2,229,473,416	509,577,315	2,934,945,690	-	7,753,805,621
Other Liabilities	-	-	-	-	-	4,841,989,706	4,841,989,706
Total Financial Liabilities	1,586,086,856	493,722,344	2,229,473,416	509,577,315	2,934,945,690	43,710,828,515	51,464,634,136
Interest Sensitivity Gap	54,205,362,363	13,747,683,480	(1,318,195,502)	21,243,423,002	(1,021,490,476)	(43,192,523,495)	43,664,259,372

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Effective Interest Rates

For assets:

The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 3.00% p.a. to 8.90% p.a. (2012: 3.00% p.a. to 11.10% p.a.) and from 0% p.a. to 4.65% p.a. (2012: 0% p.a. to 4.76% p.a.) for foreign currency denominated assets.

For liabilities:

The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 2.28% p.a. to 4.73% p.a. (2012: 1.75% p.a. to 6.00% p.a.) and from 0% p.a. to 0.18% p.a. (2012: 0% p.a. to 0.21% p.a.) for liabilities denominated in foreign currencies.

(f) Foreign Currency Risk

The Bank of Mauritius has monetary assets and liabilities denominated in foreign currencies, which consist mainly of currencies of the major trading partners of Mauritius. The liabilities represent mainly deposit accounts maintained by its customers.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside a reserve called Special Reserve Fund, which is used to cater for movements due to appreciation/depreciation in foreign currencies, Gold and SDR.

The Bank considers it has a well diversified portfolio of foreign currencies which would mitigate any foreign currency risk that may arise from volatility in exchange rates. The composition of the Bank's Foreign Assets based on the SDR Basket is as follows:

	2013 Rs	2012 Rs
SDR Basket	**60,153,162,190**	45,177,260,393
Non SDR Basket	**43,494,867,497**	40,130,868,253
	103,648,029,687	85,308,128,646

The SDR Basket comprises the following currencies: JPY, EUR, GBP and USD.

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

	Change in MUR Exchange Rate	**Effect on Equity 2013 Rs**	Effect on Equity 2012 Rs
Foreign Currency Portfolio	**+50 cents**	**2,909,483,960**	2,348,646,645
	-50 cents	**(2,909,483,960)**	(2,348,646,645)

29. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair Values and Carrying Amounts

The fair values of the financial assets and financial liabilities classified as financial instruments at fair value through profit or loss approximate their carrying amounts at the reporting date. The fair values of financial assets and liabilities classified as loans and receivables at amortised cost approximate to their carrying values at reporting date.

(h) Significant Accounting Policies

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

30. CAPITAL RISK MANAGEMENT

Under section 10 of the Bank of Mauritius Act 2004, the Stated and Paid Up Capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The paid up capital presently stands at Rs2 billion.

31. RELATED PARTY TRANSACTIONS

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

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

The Bank contributes for the post retirement benefits of its employees as disclosed in Note 17(c), including for the First Deputy Governor. The contribution for the First Deputy Governor was Rs681,893 (2012: Rs600,332)

32. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND (IMF)

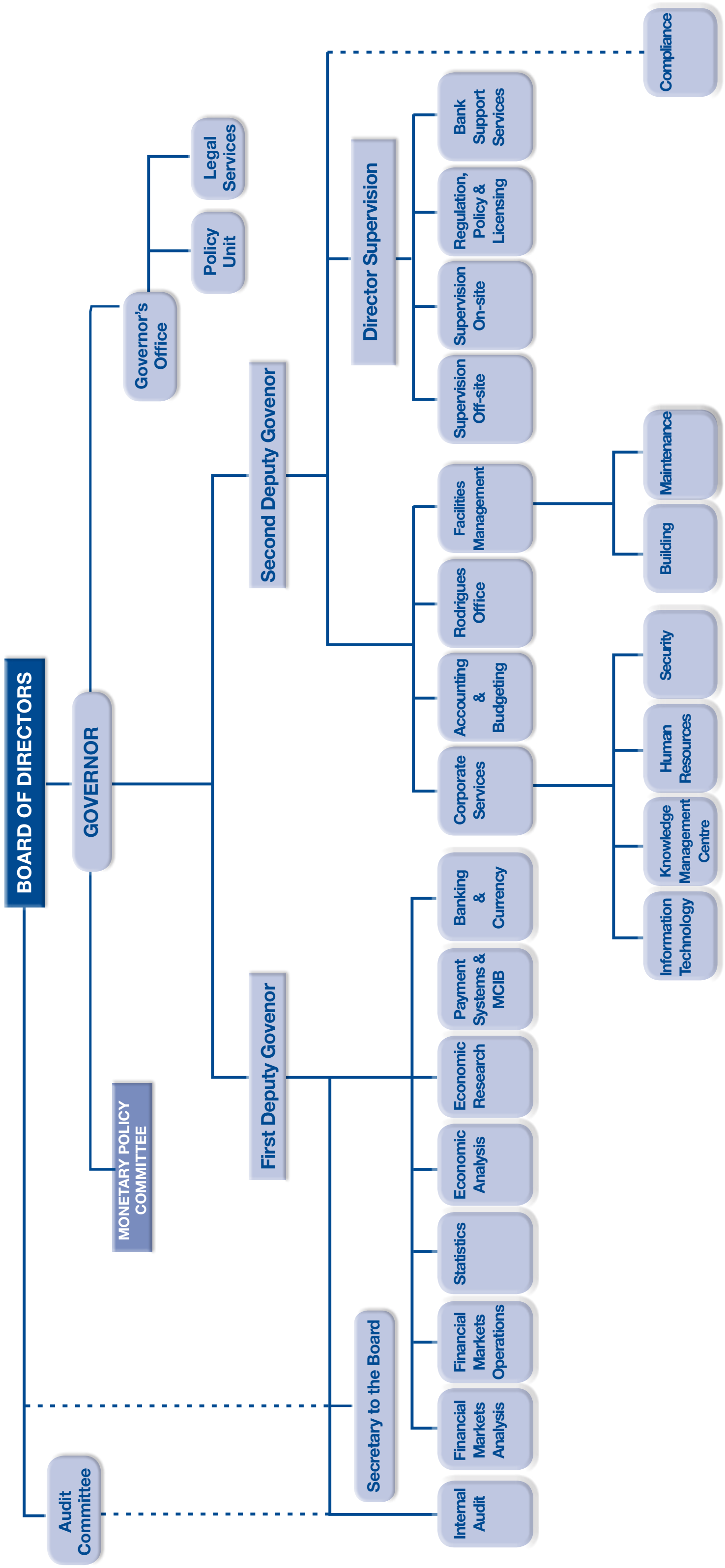
As a member of IMF, Mauritius was initially allocated an amount of SDR 15,744,000. In August 2009, the IMF Board of Governors approved an additional allocation of Special Drawing Rights to member countries. Accordingly, a total amount of SDR 81,061,549 (Rs3,780,855,831) was allocated to Mauritius, bringing the total holdings to SDR 96,805,549. IMF charges the Bank on the SDR allocations and also remunerates it on the SDR holdings on a quarterly basis. IMF charges for the current year amounted to Rs2,370,305 (2012: Rs7,099,661).

The Bank maintains two current accounts and one securities account for the IMF. The IMF No 1 and No 2 current accounts appear in the Statement of Financial Position under the heading "Demand Deposits from other Financial Institutions". The securities account is not included in the Statement of Financial Position and is kept separately.

The Government of Mauritius has been participating in the IMF Quarterly Financial Transactions Plan. Participation in the plan entails the obligation to provide usable currencies in exchange for SDRs when designated, and accords the right to use SDRs in case of a balance of payment need.

Appendices

Appendix I
The Organisation Structure of the Bank as at 30 June 2013



Appendix II Senior Management Officials as at 30 June 2013

Governor	Mr Rundheersing Bheenick, G.O.S.K.
First Deputy Governor	Mr Yandraduth Googoolye
Second Deputy Governor	Mr Mohammed Iqbal Belath
Secretary	Mrs Hemlata Sadhna Sewraj-Gopal
Director - Supervision	Mr Kalyanaraman Chandrachoodan
Head - Corporate Services Division	Mr Jayendra Kumar Ramtohul
Head - Supervision, On-Site Division	Mr Ramsamy Chinniah
Head - Financial Markets Operations Division	Mr Jaywant Pandoo
Head - Economic Analysis Division	Mrs Marjorie Marie-Agnes Heerah Pampusa
Head - Bank Support Services Division	Mr Mardayah Kona Yerukunondu
Head - Statistics Division	Mr Mahendra Vikramdass Punchoo
Head - Financial Markets Analysis Division	Mr Jitendra Nathsingh Bissessur
Head - Accounting & Budgeting Division	Mr Anil Kumar Tohooloo
Head - Regulation, Policy & Licensing Division	Mrs Sudha Hurrymun
Head - Facilities Management Division	Mr Yuntat Chu Fung Leung
Head - Payment Systems & MCIB Division	Mr Dhanesswurnath Thakoor
Head - Supervision, Off-Site Division	Mr Deenesh Ghurburrun
Head - Governor's Office	Ms Lakshmi Appadoo
Head - Internal Audit	*(vacant)*
Head - Banking & Currency Division	Dr Daneshwar Doobree

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

Governor Rundheersing Bheenick attended:

i. A High-Level Executive Training Programme on "Systemic Approach to Decision-Making during Uncertain Times" organised by the World Bank Treasury and the Reserve Advisory and Management Programme (RAMP), from 16 to 18 July 2012, Boston, U.S.A.

ii. The Symposium and 36th Ordinary Meeting of the Council of Governors of the Association of African Central Banks, from 29 to 30 August 2012, Algeria.

iii. The Third Global Islamic Finance Forum on "Internationalisation of Islamic Finance Forum - Bridging Economies", from 14 to 21 September 2012, Malaysia.

iv. The IMF/World Bank Annual Meetings, including various meetings in the sidelines including the Commonwealth Governors Meeting, the 8th Governing Board of the International Islamic Liquidity Management Corporation, the 2012 Small States Forum, the Roundtable on Infrastructure Financing in Africa hosted by the African Development Bank, the Roundtable of the Institute of International Finance Emerging Markets Advisory Council and a series of high-level bilateral meetings, from 9 to 14 October 2012, Tokyo, Japan.

v. The Inaugural Africa Summit of the Institute of International Finance organised in collaboration with Standard Bank, from 11 to 13 November 2012, Cape Town, South Africa.

vi. A High-Level Policy-Oriented Conference jointly hosted by the U.S. National Bureau of Economic Research and the Central Bank of Tanzania, from 17 to 19 December 2012, Zanzibar, Tanzania.

vii. Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa, from 6 to 7 February 2013, Nairobi, Kenya.

viii. Mission to the Reserve Bank of India (RBI) for bilateral meetings with the Governor as well as meetings with headships of banks and other corporations in India with operations in Mauritius, from 11 to 13 February 2013, Mumbai, India.

ix. The Frankfurt Finance Summit 2013 on the theme "Regulation and Crisis Management" hosted by the Deutsche Bundesbank, 19 March 2013, Frankfurt, Germany.

x. The IMF/World Bank Spring Meetings from 16 to 21 April 2013, Washington D.C., U.S.A, back-to-back with The Executive Forum organised by the World Bank Treasury and RAMP, from 22 to 23 April 2013, Washington D.C., U.S.A, followed by a meeting of the Committee of Central Bank Governors in SADC, 26 April 2013, Pretoria, South Africa.

xi. The *20ème Conférence des Gouverneurs des Banques Centrales des Pays Francophones* on the theme "*Sorties de Crise, Défis Prudentiels et Risques pour les Banques Centrales*", from 8 to 10 May 2013, Paris, France, followed by the Roundtable of Governors on the theme "Macroeconomic and Financial Stability in Africa", from 11 to 12 May 2013, Basel, Switzerland.

xii. The Governor delivered a lecture on the theme "Mauritius: the Financial Crossroads of the World" organised by the Official Monetary and Financial Institutions Forum at the Armourer's Hall, London, 30 May 2013, followed by bilateral meetings in Ireland with the Governor and Deputy Governor (Central Banking) of the Central Bank of Ireland.

xiii. The Annual General Meeting of the Bank for International Settlements, from 22 to 23 June 2013, Basel, Switzerland, back-to-back with the 2013 Governors' Roundtable for African Central Bankers on the theme "Supporting Investment and Growth: Financial Development, Financial Integration and Fiscal Frameworks" organised jointly by JPMorgan, the African Development Bank Group and the Centre for the Study of African Economies of Oxford University, from 25 to 27 June 2013, Oxford, United Kingdom.

First Deputy Governor Yandraduth Googoolye attended:

i. The Seminar on Crisis Preparedness in Interconnected Markets jointly organised by the Toronto Leadership Centre and Riskbank, from 1 to 5 October 2012, Stockholm, Sweden.

ii. The 8th High Level Meeting on Strengthening Financial Sector Supervision and Current Regulatory Priorities jointly organised by the Basel Committee on Banking Supervision and the Financial Stability Institute, from 24 to 25 January 2013, Cape Town, South Africa.

iii. The Standard Bank African Supervisory College hosted by the South African Reserve Bank (SARB), from 9 to 10 May 2013, Pretoria, South Africa.

iv. The 13th Annual International Seminar on Policy Challenges for the Financial Sector, from 5 to 7 June 2013, Washington D.C., U.S.A.

He represented the Governor at:

i. The COMESA Bureau Meeting, from 10 to 11 September 2012 in Swaziland, and the SADC Committee of Central Bank Governors meeting on 14 September 2012, South Africa.

ii. The Symposium organised by Banque des Etats de L'Afrique Centrale, from 22 to 23 November 2012, Malabo, Equatorial Guinea.

iii. The Meeting of the Bureau of the Association of African Central Banks on 27 February 2013, Dakar, Senegal.

iv. The Symposium for the COMESA Committee of Central Bank Governors on 24 May 2013, Kampala, Uganda.

Second Deputy Governor Mohammed Iqbal Belath attended:

i. The ECB Seminar on Retail Payments Integration and Innovation, from 15 to 16 April 2013, Frankfurt, Germany.

ii. The 20th General Meeting of Shareholders of the African Export-Import Bank (AfreximBank) on 22 June 2013, Addis Ababa, Ethiopia.

iii. The 5th Annual Retail Banking Africa 2013 Conference, from 25 to 27 June 2013, Johannesburg, South Africa.

He represented the Governor at:

i. The 4th Annual African Central Bankers Conference, from 18 to 23 November 2012, Johannesburg, South Africa.

ii. The Meeting of the COMESA Committee of Central Bank Governors, from 11 to 12 December 2012, Kigali, Rwanda.

iii. The 10th Governing Board Meeting and 4th General Assembly Meeting of the Islamic Liquidity Management Corporation, 22nd Meeting of the Council and 11th General Assembly of the Islamic Financial Services Board, from 6 to 7 April 2013, Doha, Qatar.

iv. The Continental Seminar of the Association of African Central Banks for the year 2013, from 6 to 7 May 2013, Maseru, Lesotho.

v. The Meeting of Peer Review Panel on Macroeconomic Convergence, from 15 to 18 May 2013, Maputo, Mozambique.

Appendix IV Overseas Meetings/Training Courses/Seminars/Workshops

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

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

i. The *20ème Conférence des Gouverneurs des Banques Centrales des Pays Francophones* on the theme "*Sorties de Crise, Défis Prudentiels et Risques pour les Banques Centrales*", from 8 to 10 May 2013, Paris, France, followed by the Roundtable of Governors on the theme "Macroeconomic and Financial Stability in Africa", from 11 to 12 May 2013, Basel, Switzerland.

Mr Jitendra Nathsingh Bissessur, Head–Financial Markets Analysis

i. Attended the International Conference on Monetary Policy Frameworks in Developing Countries - Practice and Challenges hosted by National Bank of Rwanda, from 19 to 21 July 2012, Kigali, Rwanda.

ii. Attended the 7th Annual MSIM Institute – Intensive Training Course hosted by Morgan Stanley Investment Management Institute, from 11 to 18 September 2012, London, United Kingdom.

iii. Accompanied the Governor to the Inaugural Africa Summit of the Institute of International Finance, from 11 to 13 November 2012, Cape Town, South Africa.

iv. Attended the 4th Annual Seminar for African Central Bankers, Sovereign Investors, Public Funds and International Institutions hosted by JP Morgan, from 25 to 28 March 2013, Johannesburg, South Africa.

Mr Ramsamy Chinniah, Head–On-Site, Supervision

i. Attended the Committee of Central Bank Governors meeting, from 12 to 14 September 2012, Pretoria, South Africa.

ii. Attended the Seminar on Integration and Alignment of Supervisory Processes hosted by AFRITAC South and IMF, from 17 to 19 September 2012, Gaborone, Botswana.

iii. Attended the Seminar for Senior Bank Supervisors from Emerging Economies hosted by World Bank, Federal Reserve System and IMF, from 15 to 26 October 2012, Washington D.C., U.S.A.

iv. Attended the Invitation to Supervisory Colleges of SBI and ICICI Bank Ltd hosted by RBI, on 3 December 2012, Mumbai, India.

v. Attended the Inaugural Meeting of the Community of African Banking Supervisors hosted by Making Finance Work for Africa and Association of African Central Banks, from 9 to 10 January 2013, Algeria.

vi. Accompanied the Governor to the Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa, from 6 to 7 February 2013, Nairobi, Kenya.

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

i. Regional Seminar on Basel III and Supervision of Systemically Important Banks hosted by Financial Stability Institute – RBI, from 8 to 11 October 2012, Mumbai, India.

ii. Seminar on Supervision and Regulation of Systemically Important Banks hosted by Financial Stability Institute – BIS, from 14 to 16 May 2013, Basel, Switzerland.

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

i. Accompanied the Governor to a High Level Policy-Oriented Conference jointly hosted by the National Bureau of Economic Research and the Central Bank of Tanzania, from 17 to 19 December 2012, Zanzibar, Tanzania.

ii. Attended a seminar on Financial Stability Frameworks and Governance Arrangement at Central Banks: Issues of Relevance to Africa hosted by SADC Training and Development Forum, from 18 to 20 March 2013, Pretoria, South Africa.

iii. Attended a meeting of the Research Review Panel and the Committee of Central Bank Governors Macroeconomic Subcommittee in SADC, from 25 to 28 June 2013, Pretoria, South Africa.

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

i. Attended the 17th International Conference of Banking Supervisors, from 11 to 14 September 2012, Istanbul, Turkey.

ii. Accompanied the Governor to a meeting of the SADC Committee of Central Bank Governors, from 24 to 26 April 2013, Pretoria, South Africa.

iii. Attended the invitation to the HSBC Global College hosted by UK Prudential Regulation Authority, on 19 June 2013, London, United Kingdom.

iv. Accompanied the Governor to the Annual General Meeting of the Bank for International Settlements, from 22 to 23 June 2013, Basel, Switzerland, back-to-back with the 2013 Governors' Roundtable for African Central Bankers organised jointly by JP Morgan, the African Development Bank Group and the Centre for the Study of African Economies of Oxford University, from 24 to 28 June 2013, Oxford, United Kingdom.

Mr Jaywant Pandoo, Head–Financial Markets Operations

i. Attended the Workshop on Portfolio Analytical Tool hosted by World Bank Treasury, from 10 to 13 July 2012, Washington D.C., U.S.A.

ii. Attended the 4th BIS Meeting on Reserve Management in Africa hosted by BIS and SARB, from 5 to 7 December 2012, Pretoria, South Africa.

iii. Attended the 3rd Annual Africa Sovereign Funds Roundtable hosted by Sovereign Investor Institute, from 7 to 8 March 2013, Cape Town, South Africa.

iv. Accompanied the Governor to the IMF/World Bank Spring Meetings from 16 to 21 April 2013, Washington D.C., U.S.A., back-to-back with the Executive Forum organised by World Bank Treasury and RAMP, from 22 to 23 April 2013, Washington D.C., U.S.A.

Mr Mahendra Vikramdass Punchoo, Head–Statistics

i. Attended the Monetary Policy Formulation and Implementation in the Euro Area hosted by European Central Bank, from 9 to 13 July 2012, Frankfurt am Main, Germany.

ii. Attended the 4th COMESA Committee on Statistical Matters hosted by COMESA Secretariat, from 22 to 24 August 2012, Lusaka, Zambia.

iii. Attended the IFC Committee Meeting and Conference on Statistical Issues and Activities in a Changing Environment hosted by Bank for International Settlements, from 27 to 29 August 2012, Basel, Switzerland.

iv. Accompanied the Governor to the IMF/ World Bank Annual Meetings, from 9 to 14 October 2012, Tokyo, Japan.

v. Attended a seminar on ESCB Statistics for Managers hosted by European Central Bank, from 21 to 23 January 2013, Frankfurt am Main, Germany.

Mr Jayendra Kumar Ramtohul, Head–Corporate Services

i. Accompanied the Governor to the 3rd Global Islamic Finance Forum on "Internationalisation of Islamic Finance – Bridging Economies", from 14 to 21 September 2012, Malaysia.

ii. Attended the 9th IILM Governing Board Meeting, back-to-back with the Survey and Expert Meeting on Financial Sector Assessment Programme for Islamic Finance back-to-back with the 21st Meeting of the Council of the IFSB, from 10 to 12 December 2012, Doha, Qatar and Jeddah, Saudi Arabia.

iii. Attended the 5th Board Audit Committee Meeting hosted by IILM, on 28 December 2012, Kuala Lumpur, Malaysia.

iv. Attended the 6th Board Audit Committee Meeting hosted by IILM, on 28 March 2013, Kuala Lumpur, Malaysia.

v. Attended the Pre Summit Event and the 10th IFSB Annual Summit hosted by IFSB, from 14 to 17 May 2013, Kuala Lumpur, Malaysia.

vi. Attended the meeting of the Joint Committee of the Association of African Central Banks hosted by AACB, on 27 June 2013, Algeria.

Mr Dhanesswurnath Thakoor, Head–Payment Systems and MCIB attended

i. GRG Banking Annual Global Customer Exchange hosted by Megabyte Beyond Computers, from 24 to 28 September 2012, Guangzhou, China.

ii. CPSS – World Bank Forum on Retail Payments hosted by Bank for International Settlements, from 18 to 19 March 2013, Perugia, Italy.

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

Mr Dooneshsingh Audit, Chief–Economic Analysis attended

i. African Caucus Meeting hosted by IMF and Democratic Republic of Congo, from 1 to 2 August 2012, Kinshasa, Democratic Republic of Congo.

ii. Course on Finance for Macroeconomists hosted by IMF, from 25 February to 22 March 2013, Washington D.C., U.S.A.

Ms Rajpriya Bhuckory, Chief–Supervision attended

i. GRG Banking Annual Global Customer Exchange hosted by Megabyte Beyond Computers, from 24 to 28 September 2012, Guangzhou, China.

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

i. SADC Payment System Annual Regional Conference and Financial Market Infrastructures Workshop hosted by SADC, from 19 to 21 September 2012, Pretoria, South Africa.

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

i. 4th Credit Reporting and Risk Management Training hosted by Bank Negara and International Finance Corporation, from 5 to 9 November 2012, Kuala Lumpur, Malaysia.

Mr Gunness Gonpot, Chief–On-Site, Supervision, attended

i. International Programme on Supervisory Effectiveness in a Post Crisis World hosted by CAFRAL and RBI followed by Study tour at the RBI, from 4 to 13 February 2013, Mumbai, India.

Mrs Padma Sandhya Hurree Gobin, Chief–Statistics

i. Accompanied the Governor to the High-Level Executive Training Programme organised by the World Bank Treasury and RAMP, from 16 to 18 July 2012, Boston, U.S.A.

ii. Attended Macroeconomic Diagnostics hosted by IMF, from 27 August to 21 September 2012, Washington D.C., U.S.A.

iii. Attended a workshop on Balance of Payments Issues hosted by Bank for International Settlements, from 28 February to 1 March 2013, Paris, France.

Mrs Padma Sandhya Hurree Gobin, Chief–Statistics conducted

i. A two-week seminar to benefit the representatives of the six member states of the Bank of Central African States, from 14 to 25 January 2013, Douala, Cameroon.

ii. A technical assistance mission in external sector statistics at the Central Bank of Samoa, from 1 to 12 April 2013, Apia, Samoa.

Mr Atmanand Jhary, Chief–Internal Audit attended

i. Réunion pour recueillir les contributions sur l'avant-projet de rapport sur l'organisation, le fonctionnement et la représentation du Groupe Afrique II au FMI et à la Banque Mondiale hosted by BCEAO, on 24 September 2012, Dakar, Senegal.

ii. Course on Operational Risk Management and Internal Audit hosted by Federal Reserve Bank, from 13 to 16 May 2013, New York, U.S.A.

Mrs Rajshri Jutton-Gopy, Chief–Compliance attended

i. Eastern and Southern Africa Anti-Money Laundering Group hosted by ESAAMLG, from 24 to 31 August 2012, Maputo, Mozambique.

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

i. International Programme on Supervisory Effectiveness in a Post Crisis World hosted by CAFRAL and RBI followed by Study tour at the RBI, from 4 to 13 February 2013, Mumbai, India.

Mr Neetyanand Kowlessur, Chief–Economic Analysis

i. Attended the Monetary Policy Formulation and Implementation in the Euro Area hosted by European Central Bank, from 9 to 13 July 2012, Frankfurt am Main, Germany.

ii. Accompanied the Governor to the Symposium and 36th Ordinary Meeting of the Council of Governors of the Association of African Central Banks, from 27 to 30 August 2012, Algeria.

iii. Accompanied the Second Deputy Governor to the 18th Meeting of the COMESA Committee of Central Bank Governors, from 9 to 12 December 2012, Kigali, Rwanda.

iv. Attended a course on Monetary and Fiscal Policy hosted by Study Centre Gerzensee, from 13 to 31 May 2013, Gerzensee, Switzerland.

v. Attended a Joint Technical Meeting – Strategy for the Creation of the African Central Bank and Expert's Meeting hosted by AACB, from 17 to 22 June 2013, Abuja, Nigeria.

Mrs Powkeem Lo Tiap Kwong, Chief–Statistics attended

i. Workshop on the harmonisation of Monetary Statistics in SADC countries hosted by IMF, from 27 to 29 November 2012, Cape Town, South Africa.

Mrs Najma Nabee, Chief–Financial Markets Analysis attended

i. BNM - IDB Islamic Finance: Structure and Instruments Programme hosted by Bank Negara Malaysia in collaboration with Islamic Development Bank, from 1 to 5 April 2013, Kuala Lumpur, Malaysia.

Mrs Malini Ramdhan, Chief–Regulation, Policy and Licensing attended

i. Seminar on Cross-Border Supervision and Supervisory Cooperation hosted by AFRITAC South, from 5 to 7 February 2013, Pretoria, South Africa.

Mr Harryram Ramsurn, Chief–Regulation, Policy and Licensing attended

i. Meeting of the Committee of Central Bank Governors in SADC Project Leaders and Working Group, from 25 to 26 February 2013, Pretoria, South Africa.

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

i. *5ème Edition de la Conférence des Responsables D'Audit des Banques Centrales des Pays Francophones* hosted by Banque de France, from 7 to 9 November 2012, France.

ii. Meeting of the Group of International Finance Centre Supervisors hosted by Financial Services Authority, from 21 to 22 March 2013, London, United Kingdom.

Mrs Vinoda Soyjaudah, Chief–Financial Markets Operations attended

i. Seminar on Crisis Preparedness in Interconnected Markets hosted by Committee of Central Bank Governors - Training and Development Forum, from 20 to 24 August 2012, Pretoria, South Africa.

ii. BIS Asian Reserve Management Workshop hosted by Bank for International Settlements, from 15 to 19 April 2013, Kunming, China.

Overseas Meetings/Training Courses/ Seminars/Workshops Attended by Assistant Manager - Security

Mr Manilall Jhugroo, Assistant Manager–Security attended

i. 5-day familiarisation programme on Security – tailor made programme hosted by RBI, from 27 to 31 August 2012, India.

Mr Girish Mehta, IT Security Officer attended

i. Study tour at RBI hosted by RBI, from 11 to 13 February 2013, India.

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

Mrs Falzana Atchia, Analyst–Statistics attended

i. Cours sur Les Statistiques de la Balance des Paiements hosted by African Development Bank, from 19 to 30 November 2012, Tunis, Tunisia.

Mrs Marie Lily Claude Bastien Sylva, Analyst–Policy Unit attended

i. SADC Finance and Investment Protocol Stakeholders Workshop hosted by SADC, from 18 to 19 September 2012, Gaborone, Botswana.

ii. Meetings of the AACB's Bureau hosted by BCEAO, from 25 to 27 February 2013, Dakar, Senegal.

Mr Nandkumar Daworaz, Analyst–Financial Markets Analysis attended

i. Course on Financial Programming and Policies hosted by IMF, from 9 to 20 July 2012, Washington D.C., U.S.A.

ii. Launch Workshop on the Horizon Software hosted by Commonwealth Secretariat and South African National Treasury, from 18 to 27 March 2013, Cape Town, South Africa.

Ms Archana Devi Gobin, Analyst–IT, Corporate Services, attended

i. SADC/CMA Workshop – SADC Regional Payment System Integration Project hosted by SADC, from 23 to 24 August 2012, Lusaka, Zambia.

Ms Monysha Lyna Jany Singh Jhamna, Analyst –Economic Analysis attended

i. Meetings of the Committee of Central Bank Governors in SADC and the Macroeconomic Subcommittee, from 9 to 11 July 2012, Namibia.

Mr Ranjeet Kallychurn, Analyst–IT, Corporate Services, attended

i. Study tour at RBI hosted by RBI, from 11 to 13 February 2013, Mumbai, India.

Mr Brian Kwok Chung Yee, Analyst–Off-Site, Supervision, attended

i. Seminar on Crisis Preparedness in Interconnected Markets hosted by Committee of Central Bank Governors – Training and Development Forum, from 20 to 24 August 2012, Pretoria, South Africa.

ii. Secondment Programme at ABSA Bank, from 25 September to 16 November 2012, Johannesburg, South Africa.

iii. IFSB-FIS Workshops for Regulatory and Supervisory Authorities – Liquidity Risk Management and Stress Testing Standards hosted by IFSB, from 26 to 30 November 2012, Kuala Lumpur, Malaysia.

Miss Marie Medgee Lauricourt, Analyst–Regulation, Policy and Licensing attended

i. Self-Assessment Regional Workshop hosted by International Association of Deposit, from 5 to 9 November 2012, Nairobi, Kenya.

Mrs Nitisha Mihdidin, Analyst–Economic Analysis attended

i. 12th ECB Seminar on Payment and Settlement Issues for Central Banks hosted by European Central Bank, from 2 to 6 July 2012, Frankfurt am Main, Germany.

Ms Anuja Nababsing, Analyst–HR, Corporate Services attended

i. Annual Meeting of the SADC Training and Development Forum and Capacity Building Workshop for Human Resource Officials hosted by SADC Training and Development Forum, from 24 to 26 July 2012, Pretoria, South Africa.

Mrs Kaveeta Nowbutsing-Hurynag, Analyst–Policy Unit attended

i. Meeting of the Research Review Panel and Macroeconomic Subcommittee hosted by Secretariat of the Committee of Central Bank Governors in SADC, from 13 to 15 February 2013, Seychelles.

Mr Karankumar Pitteea, Analyst–Economic Analysis attended

i. Workshop for Central Banks on Preparation of Forward Looking Financial Stability Reports, back-to-back with the 7th Meeting of the Financial System Development and Stability Subcommittee hosted by COMESA Monetary Institute, from 29 October to 3 November 2012, Kenya, Nairobi.

Mrs Shakuntala Devi Ramanah, Analyst–Off-Site, Supervision, attended

i. Secondment Programme at ABSA Bank, from 25 September to 16 November 2012, Johannesburg, South Africa.

ii. Inaugural Meeting of the Community of African Banking Supervisors hosted by Making Finance Work for Africa and Association of African Central Banks, from 9 to 10 January 2013, Algeria.

Mr Ramanand Ramsohok, Analyst–On-Site, Supervision, attended

i. Seminar on Cross-Border Supervision and Supervisory Cooperation hosted by AFRITAC South, from 5 to 7 February 2013, Pretoria, South Africa.

Mr Dhirajsingh Rughoobur, Analyst–Off-Site, Supervision, attended

i. FSB Regional Consultative Group for Sub-Saharan Africa hosted by Financial Stability Board, on 25 September 2012, Pretoria, South Africa.

ii. Seminar on Macroprudential Approach to Supervision hosted by AFRITAC South, from 1 to 4 April 2013, Pretoria, South Africa.

Mr Yashwantsingh Rughoobur, Analyst–Regulation, Policy and Licensing attended

i. Seminar on Financial Stability Frameworks and Governance Arrangement at Central Banks: Issues of Relevance to Africa hosted by SADC Training and Development Forum, from 18 to 20 March 2013, Pretoria, South Africa.

Mrs Nivedita Sajadah-Aujayeb, Analyst–Regulation, Policy and Licensing attended

i. Task Force of Senior Officials Meeting of the Eastern and Southern Anti-Money Laundering Group hosted by Eastern and Southern Africa Anti-Money Laundering Group, from 8 to 12 April 2013, Arusha, Tanzania.

Mr Feisal Bin Khalid Sooklall, Analyst–Economic Analysis attended

i. Workshop on the Mid-Term Review of Macroeconomic Convergence Targets for 2012 and Meeting of the Macroeconomic Subcommittee hosted by SADC, from 11 to 12 October 2012, Gaborone, Botswana.

ii. Seminar on Macroprudential Approach to Supervision hosted by AFRITAC South, from 1 to 4 April 2013, Pretoria, South Africa.

Overseas Meetings/ Training Courses/ Seminars/ Workshops Attended by Bank Officers Grade 1

Mr Chetanand Christna, Bank Officer Grade 1–Accounting and Budgeting attended

i. Workshop on Settlement, Clearing and

Custodian Relations hosted by World Bank, from 24 to 28 September 2012, Washington D.C., U.S.A.

Mrs Premi Jyoti Santoshi Ghoorah, Bank Officer Grade 1–Financial Markets Operations attended

i. Asset Management Workshop hosted by Bank for International Settlements, from 6 to 10 May 2013, Lucerne, Switzerland.

Mrs Vimlawtee Gungah, Bank Officer Grade 1–Accounting and Budgeting attended

i. Workshop on Securities Accounting – Africa Region hosted by World Bank, from 15 to 19 October 2012, Johannesburg, South Africa.

Mr Rajeev Luchmun, Bank Officer Grade 1–Financial Markets Analysis attended

i. Committee of Central Bank Governors Financial Markets Subcommittee Meeting, from 6 to 7 August 2012, Pretoria, South Africa.

Mr Yahseen Peerbocus, Bank Officer Grade 1–Financial Markets Analysis attended

i. 4th Credit Reporting and Risk Management Training hosted by Bank Negara and International Finance Corporation, from 5 to 9 November 2012, Kuala Lumpur, Malaysia.

Mrs Yasmeena Bee Peeroo-Tegally, Bank Officer Grade 1–Corporate Services attended

i. Familiarisation Visit – RBI Protocol Office hosted by RBI, from 9 to 11 July 2012, India.

ii. 34th Intermediate Central Banking Course hosted by Bank Negara, from 1 to 12 October 2012, Kuala Lumpur, Malaysia.

Mrs Ouma Purmessur Dookhit, Bank Officer Grade 1–Statistics attended

i. 34th Intermediate Central Banking Course hosted by Bank Negara, from 1 to 12 October 2012, Kuala Lumpur, Malaysia.

Mrs Mridula Daibee Ramkissoon, Bank Officer Grade 1–Payment Systems and MCIB attended

i. SWIFT African Regional Conference on the theme 'Africa's role in the new reality – maintaining the momentum' and SWIFT training on the SADC Regional Electronic Settlement System and SWIFT ISO 20022 Methodology hosted by SWIFT, from 21 to 24 May 2013, Gaborone, Botswana.

Appendix V Local Courses/Seminars/ Workshops

Local Courses/ Seminars/Workshops attended by Heads of Division

Mr Jitendra Nathsingh Bissessur, Head–Financial Markets Analysis attended

i. Course on Monetary and Exchange Rate Policy hosted by IMF's Institute for Capacity Development with the Government of Mauritius, from 13 to 23 November 2012, Pointe aux Piments.

ii. 7th Annual General Meeting hosted by MEXA, on 20 March 2013, Port Louis.

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

i. Workshop on Building Mauritius as a Competitive IFC hosted by Financial Services Commission, from 24 to 25 October 2012, Ebene.

ii. Presentation of the October 2012 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 31 October 2012, Port Louis.

iii. Course on Applied Econometrics hosted by WTO Chairs Programme – Mauritius with University of Mauritius, from 7 to 11 January 2013, Réduit.

iv. 164th Annual General Meeting of the MCCI hosted by MCCI, on 28 March 2013, Port Louis.

Mr Jaywant Pandoo, Head–Financial Markets Operations attended

i. Explore New Horizons in Treasury and Fixed Income using Thomson Reuters – Launching Event hosted by Thomson Reuters, on 3 August 2012, Port Louis.

Mr Mardayah Kona Yerukunondu, Head–Bank Support Services attended

i. Forum-Débat: Engaging the Private Sector in the Fight Against Corruption hosted by ICAC, on 5 December 2012, Ebene.

ii. Workshop – New Draft Consumer Protection Bill hosted by Ministry of Industry and Commerce, on 15 March 2013, Pailles.

Mr Vikramdass Mahendra Punchoo, Head–Statistics attended

i. Course on Monetary and Exchange Rate Policy hosted by IMF's Institute for Capacity Development with the Government of Mauritius, from 13 to 23 November 2012, Pointe aux Piments.

ii. High Level Workshop on the Global Financial Crisis and its Impact on the Mauritian Economy hosted by National Economic and Social Council, on 15 November 2012, Pailles.

iii. Jury Panel for the Debate Competition hosted by Quartier Militaire SSS (Girls), on 18 June 2013, Quartier Militaire.

Mr Dhanesswurnath Thakoor, Head–Payment Systems and MCIB attended

i. Presentation on Data Loss Prevention hosted by Leal Communication and Informatics Ltd, on 19 February 2013, Port Louis.

ii. Knowledge Series Workshop on PKI and Digital Signatures hosted by Ministry of Information and Communication Technology in collaboration with eMudhra, on 10 June 2013, Ebene.

iii. Workshop on the theme 'Exploring the Regional Exports' hosted by MEXA, on 14 June 2013, Port Louis.

Local Courses/Seminars/Workshops attended by Chiefs

Mr Dooneshsingh Audit, Chief–Policy Unit attended

i. Annual General Assembly of the Mauritius Sugar Syndicate hosted by Mauritius Sugar Syndicate, on 24 September 2012, Port Louis.

ii. Course on Monetary and Exchange Rate Policy hosted by IMF's Institute for Capacity Development with the Government of Mauritius, from 13 to 23 November 2012, Pointe aux Piments.

iii. National Consultations on Mauritius Preparation for SADC Services Negotiations hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, from 8 to 10 April 2013, Port Louis.

Mr Arvind Dowlut, Chief–IT, Corporate Services attended

i. E-Government Security Challenges hosted by State Informatics Ltd and RSA, on 23 October 2012, Ebene.

Mr Chitananda Ellapah, Chief–Financial Markets Analysis attended

i. An ethical approach to selling financial products and to managing clients in a volatile environment hosted by PluriConseil, from 19 to 20 November 2012, Ebene.

ii. Presentation of the May 2013 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 5 June 2013, Port Louis.

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

i. Mauritius E-Registry Project – Meeting hosted by Registrar General Department, on 1 August 2012, Port Louis.

ii. Steering Committee on National Numbering Plan Change hosted by ICTA, on 6 March 2013, Port Louis.

iii. Meeting – Consumer Education Programme hosted by Ministry of Industry, Commerce and Consumer Protection, on 6 June 2013, Port Louis.

Mr Gunness Gonpot, Chief–On-Site, Supervision, attended

i. Workshop on Building Mauritius as a Competitive IFC hosted by FSC, from 24 to 25 October 2012, Ebene.

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

i. Seminar on Risk-Based Supervision hosted by AFRITAC South, from 10 to 14 July 2012, Ebene.

Mr Neetyanand Kowlessur, Chief–Economic Analysis attended

i. Presentation of the October 2012 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 31 October 2012, Port Louis.

ii. Dissemination of findings of the National Research Foresight Exercise hosted by Mauritius Research Council, on 21 March 2013, Ebene.

Mrs Powkeem Lo Tiap Kwong, Chief–Economic Analysis attended

i. Presentation of the May 2013 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 5 June 2013, Port Louis.

Mr Narainsingh Mundboth, Chief–Facilities Management attended

i. Seminar on Adding value to your business through an integrated facilities management approach hosted by KALIS Professional Training Centre, from 18 to 20 October 2012, Balaclava.

Mr Shakti Proag, Chief–Facilities Management attended

i. Seminar on Adding value to your business through an integrated facilities management approach hosted by KALIS Professional Training Centre, from 18 to 20 October 2012, Balaclava.

Mr Keshwarajsingh Ramnauth, Chief –Economic Analysis attended

i. Presentation of the October 2012 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 31 October 2012, Port Louis.

Local Courses/Seminars/Workshops attended by Assistant Manager – Security

Mr Manilall Jhugroo, Assistant Manager–Security attended

i. Matters pertaining to safety, security and other issues affecting insurance and financial institutions hosted by the Mauritius Police Force, on 21 May 2013, Port Louis.

ii. Course on International Etiquette and Protocol Excellence – Level 1 hosted by Straconsult, from 27 to 28 May 2013, Moka.

Local Courses/Seminars/Workshops attended by Analysts

Mr Ghanish Beegoo, Analyst–Statistics attended

i. Presentation of the May 2013 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 5 June 2013, Port Louis.

Mr Minesh Bhundoo, Analyst–HR, Corporate Services, attended

i. Discussion Forum: 'What drives Employee Engagement and why it matters?' hosted by Dale Carnegie, on 25 April 2013, Pailles.

Mrs Mahima Bhurtha, Analyst–Economic Analysis attended

i. Macroeconomic Modelling and Forecasting, from 27 August to 5 September 2012, Port Louis.

ii. National Consultations on Mauritius Preparation for SADC Services Negotiations hosted by Ministry of Foreign Affairs, Regional Integration and International Trade, from 8 to 10 April 2013, Port Louis.

Mr Ravishin Bullyraz, Analyst–Regulation, Policy and Licensing attended

i. Seminar on Risk-Based Supervision hosted by AFRITAC South, from 10 to 14 July 2012, Ebene.

Mr Veekash Singh Busgeeth, Analyst–Off-Site, Supervision, attended

i. Course on External Vulnerabilities and Policies hosted by AFRITAC South and IMF, from 20 to 30 August 2012, Balaclava.

ii. Economic Issues in Regional Integration hosted by IMF, from 17 to 28 June 2013, Balaclava.

Ms Archana Gobin, Analyst–IT, Corporate Services, attended

i. Conference on the Role of the Public Sector in Banking a Connected Society hosted by Ministry of Information and Communication Technology, on 19 March 2013, Port Louis.

Mr Satishingh Jugoo, Analyst–Statistics attended

i. National Consultations Workshop on Mauritius Preparation for SADC Services Negotiation hosted by the Ministry of Foreign Affairs, Regional Integration and International Trade, from 16 to 18 July 2012, Port Louis.

ii. Workshop on Essential SNA – Building the basics hosted by Eurostat and Statistics Mauritius, from 15 to 18 April 2013, Port Louis.

Mr Ranjeet Kallychurn, Analyst–IT, Corporate Services, attended

i. Presentation on Data Loss Prevention hosted by Leal Communication and Informatics Ltd, on 19 February 2013, Port Louis.

ii. Course on Adobe Photoshop hosted by Nuclei Learning Centre, from 24 to 25 April 2013, Phoenix.

Mr Ved Prakash Koonjul, Analyst–Financial Markets Operations attended

i. Explore New Horizons in Treasury and Fixed Income using Thomson Reuters – Launching Event hosted by Thomson Reuters on 3 August 2012, Port Louis.

Mrs Lutchmee Devi Maistry, Analyst–On-Site, Supervision, attended

i. Seminar on Risk-Based Supervision hosted by AFRITAC South, from 10 to 14 July 2012, Ebene.

Mr Abdool Anwar Massafeer, Analyst–Statistics attended

i. Economic Issues in Regional Integration hosted by IMF, from 17 to 28 June 2013, Balaclava.

Mrs Nitisha Mihdidin, Analyst–Economic Analysis attended

i. Briefing Meeting: Island Project - Mission on Climate Change Finance hosted by Ministry of Environment and Sustainable Development, on 18 January 2013, Port Louis.

Ms Anuja Nababsing, Analyst–HR, Corporate Services, attended

i. Discussion Forum: ‘What drives Employee Engagement and why it matters?’ hosted by Dale Carnegie, on 25 April 2013, Pailles.

Mrs Kaveeta Nowbutsing-Hurynag, Analyst–Policy Unit attended

i. Presentation of the October 2012 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 31 October 2012, Port Louis.

Mr Karankumar Pitteea, Analyst–Economic Analysis attended

i. Course on Applied Econometrics hosted by WTO Chairs Programme – Mauritius with University of Mauritius, from 7 to 11 January 2013, Réduit.

ii. Presentation of the May 2013 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 5 June 2013, Port Louis.

Mrs Usha Pratap Gaya, Analyst–HR, Corporate Services attended

i. Launching of the Best Practice Guide on Overtime Management in the Public Sector hosted by ICAC on 27 March 2013, Ebene.

Mr Leckraz Ramful, Analyst–On-Site, Supervision, attended

i. Seminar on Risk-Based Supervision hosted by AFRITAC South, from 10 to 14 July 2012, Ebene.

Mrs Vijayantimala Ramful, Analyst–Financial Markets Operations attended

i. Explore New Horizons in Treasury and Fixed Income using Thomson Reuters – Launching Event hosted by Thomson Reuters on 3 August 2012, Port Louis.

Mrs Nivedita Sajadah-Aujayeb, Analyst–Regulation, Policy and Licensing attended

i. Workshop on New Draft Consumer Protection Bill hosted by Ministry of Industry and Commerce on 15 March 2013, Pailles.

Mrs Kaajal Seeballuck-Beerbul, Analyst–IT, Corporate Services, attended

i. Explore New Horizons in Treasury and Fixed Income using Thomson Reuters - Launching Event hosted by Thomson Reuters on 3 August 2012, Port Louis.

Mr Feisal Bin Khalid Sooklall, Analyst–Economic Analysis attended

i. Course on External Vulnerabilities and Policies hosted by AFRITAC and IMF, from 20 to 30 August 2012, Balaclava.

ii. Presentation of the May 2013 Regional Economic Outlook for Sub-Saharan Africa hosted by AFRITAC South, on 5 June 2013, Port Louis.

Local Courses/Seminars/Workshops attended by Bank Officers Grade I

Mr Mohammad Naeem Bakurally, Bank Officer Grade I–HR attended

i. Course on Adobe Photoshop hosted by Nuclei Learning Centre, from 24 to 25 April 2013, Phoenix.

Mr Kumaravel Mootoosamy, Bank Officer Grade I–Bank Support Services attended

i. Presentation of the Concept Paper on the Limited Liability Partnership Bill hosted by FSC, on 4 March 2013, Ebene.

ii. 1st Consultative Committee on Limited Liability Partnership Bill hosted by FSC, on 2 May 2013, Ebene.

Mrs Yasmeena Peeroo-Tegally, Bank Officer Grade 1–Corporate Services, attended

i. Course on International Etiquette and Protocol Excellence – Level 1 hosted by Straconsult, from 27 to 28 May 2013, Moka.

Appendix VI Staff Turnover

RECRUITMENTS/APPOINTMENTS

Miss Ahmira Jamalsah, Mr Jacques Adriano Berthy Marianen and Mr Percy Fabrice Dabeesing were appointed Tellers with effect from 1 October 2012.

Mrs Allee Chengelroydoo Vythalingum, Miss Kovila Soobrayen and Miss Chitra Deepun were appointed Tellers with effect from 22 October 2012.

Miss Marie Audrey Jolicoeur and Miss Cynthia Meunier were appointed Bank Officers Grade II with effect from 18 February 2013.

Mrs Sandhya Nundah was appointed Safety and Health Officer with effect from 2 May 2013.

Mr Adarsh Juwaheer was appointed Analyst with effect from 2 May 2013.

Dr Ashwin Kumar Madhou and Mr Ravi Ramprogas were appointed Chiefs with effect from 2 May 2013.

Mr Ibnée Fadil Dookhy was appointed Chief with effect from 6 May 2013.

Mr Sameer Kumar Sharma was appointed Chief with effect from 13 May 2013.

RETIREMENTS

Mr Siamduth Singh Boojhawon, Bank Attendant Grade II, retired from the service of the Bank with effect from 30 September 2012.

Miss Rajpriya Bhuckory, Chief, and Mrs Marie Gladys Lamvohee Nancy, Bank Officer Grade II, retired from the service of the Bank with effect from 1 January 2013.

Mr Jean Frederic Laval Mallet, Chief, retired from the service of the Bank with effect from 28 February 2013.

Mr Mahendranath Kulpoo, Bank Attendant Grade II, retired from the service of the Bank with effect from 13 May 2013.

RESIGNATIONS

Mrs Oumey Shaheen Burtally, Safety and Health Officer, resigned from the service of the Bank with effect from 4 October 2012.

Mr Bavesh Baijnath, Chief, resigned from the service of the Bank with effect from 10 October 2012.

DECEASED STAFF

Mr Asdeho Seeburn passed away on 16 July 2012.

Mr Mahendra Mohesh passed away on 9 December 2012.

Appendix VII Completion of Studies and Promotion

COMPLETION OF STUDIES

Mrs Vinoda Soyjaudah, Chief, has been awarded the degree of Bachelor of Laws by the University of London in August 2012.

Mrs Nivedita Sajadah-Aujayeb, Analyst, has been awarded a Masters of Laws, specialisation: Corporate and Commercial Law by the University of New South Wales in January 2013.

PROMOTION

Mr Dhaylall Doolar was appointed Bank Attendant/Driver with effect from 1 August 2012.

Appendix VIII List of Banks, Non-Bank Deposit-Taking Institutions, Money-Changers and Foreign Exchange Dealers licensed by the Bank of Mauritius

The following is an official list of banks holding a Banking Licence, institutions other than banks which are licensed to transact deposit taking business and cash dealers licensed to transact the business of money-changer or foreign exchange dealer in Mauritius and Rodrigues as at 30 June 2013.

Banks Licensed to carry Banking Business

1. ABC Banking Corporation Ltd
2. AfrAsia Bank Limited
3. Bank One Limited
4. Bank of Baroda
5. Banque des Mascareignes Ltée
6. BanyanTree Bank Limited
7. Barclays Bank Mauritius Limited
8. Bramer Banking Corporation Ltd
9. Century Banking Corporation Ltd
10. Deutsche Bank (Mauritius) Limited
11. Habib Bank Limited
12. HSBC Bank (Mauritius) Limited
13. Investec Bank (Mauritius) Limited
14. Mauritius Post and Cooperative Bank Ltd
15. P.T Bank Internasional Indonesia
16. SBI (Mauritius) Ltd
17. Standard Bank (Mauritius) Limited
18. Standard Chartered Bank (Mauritius) Limited
19. State Bank of Mauritius Ltd
20. The Hongkong and Shanghai Banking Corporation Limited
21. The Mauritius Commercial Bank Limited

Non-Bank Deposit-Taking Institutions

1. AXYS Leasing Ltd
2. Cim Finance Ltd
3. Finlease Company Limited
4. La Prudence Leasing Finance Co. Ltd
5. Mauritius Housing Company Ltd
6. Mauritian Eagle Leasing Company Limited
7. SICOM Financial Services Ltd
8. The Mauritius Civil Service Mutual Aid Association Ltd

Money-Changers (Bureaux de Change)

1. Abbey Royal Finance Ltd
2. Change Express Ltd
3. Easy Change (Mauritius) Co. Ltd
4. EFK Ltd
5. Iron Eagle Ltd
6. Max & Deep Co. Ltd
7. Moneytime Co. Ltd
8. Unit E Co Ltd
9. Viaggi Finance Ltd
10. Vish Exchange Ltd

Foreign Exchange Dealers

1. British American Exchange Co. Ltd
2. Cim Forex Ltd
3. Forex Direct Ltd[1]
4. Island Premier Traders FX Ltd
5. Shibani Finance Co. Ltd
6. Thomas Cook (Mauritius) Operations Company Limited

[1] Forex Direct Ltd surrendered its foreign exchange dealer licence and ceased to carry on the business of foreign exchange dealer in Mauritius as from 12 September 2013.

List of Charts

List of Tables

List of Acronyms

AACB	Association of African Central Banks
AFRITAC	Africa Regional Technical Assistance Centre
ATM	Automated Teller Machine
AU	African Union
BCP	Business Continuity Plan
BIS	Bank for International Settlements
BOM	Bank of Mauritius
CABS	Community of African Banking Supervisors
CAFRAL	Centre for Advanced Financial Research and Learning
CCBG	Committee of Central Bank Governors
CIF	Cost, Insurance and Freight
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CTS	Cheque Truncation System
DEM	Development and Enterprise Market
EAC	East African Community
ECB	European Central Bank
EFT	Electronic Funds Transfer
FIP	Finance and Investment Protocol
FLP	Financial Literacy Programme
FOB	Free on Board
FSB	Financial Stability Board
FRC	Financial Reporting Council
FSC	Financial Services Commission
GBC1s	Global Business Companies Category 1
GDFCF	Gross Domestic Fixed Capital Formation
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GNI	Gross National Income
GNS	Gross National Savings
IAS	International Accounting Standards
ICTA	Information and Communication Technology Authority
IFRS	International Financial Reporting Standards
IHS	Invest Hotel Scheme
IMF	International Monetary Fund

IRS	Integrated Resort Scheme
KRR	Key Repo Rate
MACSS	Mauritius Automated Clearing and Settlement System
MCIB	Mauritius Credit Information Bureau
MDLS	Mauritius Development Loan Stocks
MERI	Mauritius Exchange Rate Index
MPC	Monetary Policy Committee
MNO	Mobile Network Operator
MSS	Mauritius Sugar Syndicate
NBDTI	Non-Bank Deposit-Taking Institutions
NPL	Non-Performing Loans
NYMEX WTI	New York Mercantile Exchange West Texas Intermediate
ORR	Operation Reserves Reconstitution
PLACH	Port-Louis Automated Clearing House
PMS	Performance Management System
PRB	Pay Research Bureau
RBI	Reserve Bank of India
RCG	Regional Consultative Group
RECs	Regional Economc Communities
REPSS	Regional Payment and Settlement System
RES	Real Estate Scheme
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern African Development Community
SDR	Special Drawing Rights
SEMDEX	Stock Exchange Market Index

Acknowledgements

The preparation of this Report was coordinated by a team comprising Ms M Heerah-Pampusa, Ms P Lo Tiap Kwong, Mr F Sooklall, Mr K Pitteea and Ms M Bhurtha.

Contributions for the various chapters in the Report were made by the following officers:

Chapter 1: Core Functions of the Bank -
Ms P Lo Tiap Kwong and Mr F Sooklall.

Chapter 2: Corporate Governance -
Ms H Sewraj-Gopal, Ms P Lo Tiap Kwong and Ms U Pratap Gaya.

Chapter 3: Organisational Overview -
Mr J Ramtohul, Mr H Budhna, Ms A Nababsing, Ms U Pratap Gaya, Mr M Bhundoo, Ms M Bhurtha, Mr N Bakurally, Ms I Ramdhian, Ms H Sewraj-Gopal, Ms S Nundah, Mr Y Chu Fung Leung, Mr S Proag, Mr G Daboo Mr N Mundboth, Mr A Dowlut, Mr G Mehta, Mr M Y Kona and Mr A Jhary.

Chapter 4: Review of the Economy -
Ms P Lo Tiap Kwong, Ms M Bhurtha, Mr F Sooklall, Mr K Pitteea, Mr V Punchoo, Ms P Hurree Gobin, Ms V Soyjaudah, Mr G Beegoo, Mr A Massafeer, Mr C Ellapah, Mr N Daworaz and Mr Y Peerbocus.

Chapter 5: Regulation and Supervision -
Ms S Hurrymun, Mr D Ghurburrun, Mr R Chinniah, Ms M Ramdhan, Mr W Khodabocus, Mr H Ramsurn, Mr S Gopaul, Ms N Aujayeb, Mr Y Rughoobur, Ms M Lauricourt, Mr R Bullyraz, Mr B Kwok Chung Yee, Ms S Ramanah, Ms S D Purryag, Mr V Busgeeth, Ms T Gokool and Ms S Goolam Hossen.

Chapter 6: Review of Operations -
Mr J Pandoo, Mr S Ramnarainsing, Mr C Ellapah, Mr N Daworaz, Mr Y Peerbocus, Mr V Koonjul, Ms V Ramful, Mr D Thakoor, Ms T Gobin Jhurry, Mr J Choolhun, Dr D Doobree, Mr P Seebaluck and Mr G Daboo.

Chapter 7: Regional Cooperation -
Mr D Audit, Mr N Kowlessur, Mr D Rughoobur and Ms K Nowbutsing-Hurynag.

Chapter 8: Financial Statements –
Mr A K Tohooloo and Mr J C Chamary

The report was reviewed by the Consulting Editor Dr J L Roberts and cleared for publication by the Publications Review Committee, which is composed as follows: Mr J Ramtohul, Mr D Thakoor and Mr W Khodabocus.

BANK OF MAURITIUS

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