



# **BANK OF MAURITIUS**

## **Additional Macprudential Measures for the Banking Sector**

**October 2013  
Revised January 2015  
Revised April 2022**

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## **Introduction**

The *Guideline on the Computation of Debt-to-Income Ratio for Residential Property Loans* provides for the debt-to-income ratio as a macroprudential measure for the purchase/construction of residential properties in Mauritius.

This document sets out Additional Macroprudential Measures for the Banking Sector on Risk-Weighted Assets, Additional General Provisions, and Loan-To-Value Ratio respectively.

The *Guideline on Standardised Approach to Credit Risk* and *Guideline on Credit Impairment Measurement and Income Recognition* correspondingly reflect the relevant macroprudential measures.

### **Purpose**

The objective is to mitigate potential systemic risks to the Mauritian banking sector as a whole.

### **Authority**

The *Additional Macroprudential Measures for the Banking Sector* (Additional Macroprudential Measures) are issued under the authority of section 100 of the Banking Act 2004 and section 50 of the Bank of Mauritius Act 2004.

### **Interpretation**

“**Bank of Mauritius**” means the Bank of Mauritius established under the Bank of Mauritius Act 2004;

“**bank**” has the same meaning as in the Banking Act 2004;

“**IRS**” means Integrated Resort Scheme;

“**RES**” means Real Estate Scheme;

“**PDS**” means Property Development Scheme.

## SECTION 1: RISK-WEIGHTED ASSETS <sup>1</sup>

1. To address the systemic risk posed by both the stock of existing loans and new loans in the construction sector, a bank shall risk-weight its fund-based and non fund-based credit facilities secured by residential property and commercial real estate **granted for the purpose of purchase/construction**, as detailed hereunder.

### Claims secured by residential property

2. **Claims secured by residential property [excluding loans under the PDS (comprising IRS/RES)], except for past due loans <sup>2</sup>**

Claims secured by residential property for purchase/construction in Mauritius [excluding loans granted under the PDS – comprising IRS/RES], except as set out in **paragraph 5 below** for past due loans, shall be risk-weighted as follows:

- i. 35% risk weight for the portion of loans up to Rs10 million;
- ii. 75% risk weight for the portion of loans greater than Rs10 million up to Rs20 million;
- iii. 100% risk weight for the portion of loans exceeding Rs20 million,

subject to criteria as specified in **paragraph 35(a)-(f)** of the *Guideline for Standardised Approach to Credit Risk*.

3. **Claims secured by residential property under the PDS (comprising IRS/RES), except for past due loans <sup>3</sup>**

Claims secured by residential property for purchase/construction in Mauritius under the PDS (comprising IRS/RES), except as set out in **paragraph 5 below** for past due loans, that meet all the criteria in **paragraph 35(a)-(f)** of the *Guideline for Standardised Approach to Credit Risk* shall be risk-weighted as follows:

- i. 35% risk weight for the portion of loans up Rs5 million;
- ii. 100% risk weight for the portion of loans greater than Rs5 million up to Rs12 million;
- iii. 125% risk weight for the portion of loans exceeding Rs12 million.

4. **Claims secured by residential property that do not satisfy all the criteria <sup>4</sup>**

Claims secured by residential property for purchase/construction in Mauritius that do not satisfy all the criteria in **paragraph 35(a)-(f)** of the *Guideline on Standardised Approach to Credit Risk* shall be risk-weighted at 125%, except as set out in **paragraph 5 below** for past due loans.

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<sup>1</sup> Initial effective date: 1 July 2014

<sup>2</sup> Effective 31 March 2020: *COVID-19 measures*

<sup>3</sup> Inserted on 1 April 2022 (*Ref: COVID-19 measures 31.03.2020*)

<sup>4</sup> Inserted on 1 April 2022

## 5. Past due loans (claims secured by residential property)

In the case of loans secured by residential property for purchase/construction in Mauritius, when such loans are past due for more than 90 days, these loans (net of specific provisions) shall be risk-weighted as follows:

- i. 100% risk weight for loans up to Rs5 million;
- ii. 125% risk weight for loans greater than Rs5 million up to Rs12 million;
- iii. 150% risk weight for loans exceeding Rs12 million.

### Claims secured by commercial real estate

6. Claims secured by commercial real estate<sup>5</sup> for purchase/construction in Mauritius, except as set out in **paragraph 7 below** for past due loans, shall be risk-weighted as follows:

- i. 100% risk weight for loans up to Rs75 million;
- ii. 125% risk weight for loans exceeding Rs75 million.

## 7. Past due loans (claims secured by commercial real estate)

In the case of loans secured by commercial real estate for purchase/construction in Mauritius, when such loans are past due for more than 90 days, these loans (net of specific provisions) shall be risk-weighted as follows:

- i. 125% risk weight for loans up to Rs75 million;
- ii. 150% risk weight for loans exceeding Rs75 million.

### Note:

- Banks shall stand guided by the *Guideline on Standardised Approach to Credit Risk* for relevant provisions.
- The above risk weights shall apply only to **claims secured by residential property and commercial real estate for the purpose of purchase/construction**. All other claims shall be governed by the requirements of the *Guideline on Standardised Approach to Credit Risk*.

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<sup>5</sup> Includes loans extended for financing the buying and selling of residential properties with a view to making a profit in the transaction or for property development purposes.

## SECTION 2: ADDITIONAL GENERAL PROVISIONS <sup>6</sup>

8. To ensure early provisioning against future credit losses due to rising corporate indebtedness and non-performing loans in some key sectors of the economy, a bank shall make additional general provisions over and above the provisions on standard credit in accordance with the requirements of the *Guideline on Credit Impairment Measurement and Income Recognition*, as detailed below:

**Table 1: Additional General Provisions**

| Type of credit facility, extended to the Resident Segment of the following sectors: | Macroprudential Provision |
|---|---------------------------|
| Household – Housing   | 0.5%                      |
| Household - other than Housing  | 0.75%                     |
| Accommodation   | 1.0%                      |
| Construction (including commercial real estates)                                    | 1.0%                      |

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<sup>6</sup> Section 2 has been placed on hold temporarily, in accordance with the temporary suspension of the *Guideline on Credit Impairment Measurement and Income Recognition* with effect from 5 March 2020, in light of the COVID-19 pandemic.



### **SECTION 3: LOAN-TO-VALUE RATIO <sup>7</sup>**

- 9.** The maximum loan-to-value ratio for residential property loans shall be as follows:
- (i)** 80 per cent of the value thereof for self-employed individuals and contractual employees; and
  - (ii)** 100 per cent of the value thereof for other individuals.

**Bank of Mauritius  
1 April 2022**

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<sup>7</sup> Introduced on 17 June 2021