ANNUAL REPORT

Year ended 30 June 2015

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The Governor

Bank of Mauritius
Port Louis

27 October 2015

The Honourable Seetanah Lutchmeenaraidoo, GCSK
Minister of Finance and Economic Development
Government House
Port Louis

Dear Minister of Finance and Economic Development

Annual Report and Audited Accounts 2014-15

In accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, I transmit herewith the forty-eighth Annual Report of the Bank, which also contains the audited Accounts of the Bank for the year ended 30 June 2015.

Yours sincerely

Rameswurlall Basant Roi, GCSK

Statement From The Governor

Recovery of the global economy remained subdued during 2014-15. Global financial markets recorded volatility bouts, amid continued prevalence of diverging monetary policy stances. The US Federal Reserve ended its quantitative easing program in late 2014, as the US economy started picking up. In contrast, the ECB announced its quantitative easing programme in January 2015 which positively impacted on consumer confidence, business confidence and growth. Receding financial stresses in the Eurozone coupled with unprecedented monetary easing reveal signs that the Eurozone economy is slowly emerging from recession. The US Federal Reserve has announced its intention to embark on a new interest rate cycle on the back of vibrant consumer spending and strong labour market.

Downside risks to global economic activity still prevail in both advanced and emerging market economies. While India is expected to experience buoyant growth, China appears to have lost steam as it restructures its economy. The remaining BRICS countries face economic setbacks. The IMF revised downward its forecast for global output growth to 3.1 per cent in 2015, lower than the 3.4 per cent recorded in 2014. Heightened financial markets volatility coupled with soft landing in major emerging economies may delay prospects of faster and sustained global economic recovery. Growth in Mauritius' core exports market remained moderate.

The Mauritian economy fared moderately well in 2014-15. The real GDP growth rate of 3.5 per cent in 2014 was driven by positive contributions from most sectors. In 2015, Mauritius embarked on a strategic economic agenda to achieve a higher sustainable growth over the medium to long term. This includes the consolidation of key economic pillars – namely, tourism, textile, financial services and sugar – and lending necessary support to sectors like ICT and the ocean economy. Newly-announced projects are expected to boost investment and business confidence, with likely improvements in domestic demand, including consumption.

The domestic economy faces several challenges, both on the domestic and external fronts. As a highly open economy, it is crucial to enhance our competitiveness and seize opportunities to diversify the industrial base and exports markets. The goal to move up to a high-income economy warrants sustained productivity improvement.

The current account of the balance of payments has persistently been in deficit since 2003-04, exacerbated by the widening merchandise trade deficit. Several key economic factors are at the core of this enduring deficit, among which the main ones are the major setbacks recorded in exports arising from prolonged weak external demand after the 2007-08 global financial crisis, aggressive competition from competitor countries, and receding competitiveness partly aggravated by wage increases exceeding productivity gains.

When viewed from the expenditure side of the aggregate demand equation, the decline in the ratio of domestic saving to GDP over the years was reflected in the current account deficit – as lower saving meant higher consumption, a substantial part of which is met from imports. There is a need for households to live within their means.

The current account deficit reached Rs23.2 billion in 2014-15 to stand at 5.8 per cent of GDP as compared to 5.4 per cent in 2013-14, reflecting the widening merchandise trade deficit. The worsening merchandise trade deficit was led by higher increase in imports relative to the rise in exports. The surplus on the services account went up to Rs18.1 billion in 2014-15, from Rs17.3 billion in 2013-14, on account of higher travel receipts and exports of other services. Gross tourism earnings reached Rs43.5 billion in 2014-15, exceeding the Rs41.1 billion registered in 2013-14. In recent years, the exports of services have grown by an annual average rate of 5.5 per cent, deepening the service-based economy.

The capital and financial account, inclusive of reserve assets, posted lower net inflows of Rs16.0 billion in 2014-15 as compared to Rs19.4 billion in the previous year. Direct investment in Mauritius recorded net inflows of Rs51.6 billion but, excluding cross-border transactions of GBC1s direct investment by non-residents in Mauritius net of repatriation flows amounted to Rs8.7 billion in 2014-15 compared to Rs11.6 billion in the preceding year. Mauritius attracted Rs11.0 billion by way of gross foreign direct investment after adjusting for GBC1s, with Rs7.0 billion going into real estate activities in Mauritius. The country registered an overall balance of payments surplus of Rs15.1 billion in 2014-15, compared to an overall surplus of Rs15.9 billion a year earlier.

The level of international reserves, in terms of US dollar, was steady at US$4.0 billion between end-June 2014 and end-June 2015, representing an import cover of 7.0 months.

Earlier in 2015, I made reference to the state of the Bank's balance sheet. The conclusions of the assessment necessitated a number of measures, as the Bank incurred losses in 2013-14 and in 2014-15. Several areas of operations are under review to mend, as far as practicable, the financial position of the Bank. In addition, the financial statements of the Bank for 2013-14 and for the prior year had to be restated.

One of the areas that has prompted compelling remedial action is the management of the foreign exchange reserves, which is being reorganised to improve its performance. The organisational structure of the Bank has also been modified to bring in more functional and operational efficiency.

The Bank has set up a specialised Asset Management Division to enhance the management of the foreign exchange reserves and to introduce a robust risk management framework. Professional skills and a more diversified strategic asset allocation are contributing to improve the return on the foreign assets. Under the new set-up, as global financial market volatility heightened in the first half of 2015, with the Greek crisis and the Chinese market rout, the performance of the reserves not only demonstrated resilience but also witnessed a major improvement.

Inflation hovered around low levels in 2014-15, mainly due to the absence of price pressures from domestic and external sources. The measures of core inflation have trended downwards as well, complementing the view of attenuated price pressures. The rate of inflation fell from 4.0 per cent in June 2014 to 1.7 per cent in June 2015. Year-on-year inflation also drifted downwards, from 3.3 per cent to 0.4 per cent during the same period. Headline inflation is forecast at around 1.5 per cent by December 2015.

The rupee is broadly in line with macroeconomic fundamentals, after the market correction earlier in 2015. In February 2015, the Bank phased out administrative measures that were hampering the free interplay of market forces in the determination of the rupee exchange rate. The impact of the one-off rupee adjustment on consumer prices was mitigated, partly on account of lower global commodity prices. Real-time access to data on foreign exchange transactions carried out by banks from the Reuters Market Tracker as from June 2015 allows better oversight by the Bank, but also induces more orderly behaviour of market operators. Further, the Bank has been conducting sterilised interventions in the foreign exchange market in order to prevent undue volatility in the exchange rate.

The monetary policy stance has remained broadly accommodative in 2014-15, underpinned by falling inflation in an environment of declining global energy, food and other commodity prices. The Key Repo Rate was kept unchanged at 4.65 per cent. Market interest rates stayed relatively low and were, thus, conducive to stimulating economic growth given the supply of cheaper credit. Yet, demand for credit by the household and the business sectors was rather subdued, most likely against the backdrop of uncertain growth prospects. The Bank remains vigilant to upside risk to the inflation outlook that may emerge from global economic recovery and an increase in the domestic growth momentum, as these are potential sources of inflationary pressures in the economy.

For quite some time now, market interest rates have not been moving in line with the policy rate of the central bank. While the Key Repo Rate remained unchanged, interest rates on both deposits and credit facilities have trended downwards. Under such circumstances, the effectiveness of the transmission of monetary policy signals is seriously undermined. To resolve this disconnect in interest rates, the Bank is currently revamping the operational framework for the conduct of monetary policy with the objective of improving the effectiveness of the transmission of monetary policy impulses to the market. Once the new framework is rolled out, due before the end of 2015, the responsiveness of financial markets to monetary policy signals is expected to heighten. The Monetary Policy Committee (MPC), reconstituted in March 2015, is considering the proposal to review the operational framework for the conduct of monetary policy.

Since the beginning of 2015, the Bank has heightened its liquidity management operations, including the conduct of sterilised interventions. Following purchases of foreign exchange from the market, the Bank had successfully sterilised the rupee counterpart equivalent to Rs5.5 billion as of end-June 2015, through deposits at the Bank for a period of one year. In addition, following amendments brought to the Bank of Mauritius Act 2004 empowering the Bank to use its accumulated reserves to finance monetary policy operations, the Bank has been issuing securities in a consistent manner to bring down excess liquidity in the monetary system. As a result, excess liquidity dropped significantly from a peak of Rs19.5 billion in April 2015 to Rs11.8 billion at the end of June 2015 and further to Rs5.1 billion as at end-August 2015. Yields on securities have simultaneously picked up.

During the financial year 2014-15, banks in general were sound and well capitalised. Total assets of banks expanded by 16.7 per cent, while their deposit base grew at a rapid pace of 23.3 per cent.

The capital adequacy ratio (CAR) averaged 17.2 per cent as at end-June 2015, well above the minimum of 10 per cent. The high CAR points to the healthy capital buffers of banks and their sound funding profiles to deal with stressed situations. With the implementation of Basel III framework being phased in from July 2014 till January 2020, banks are called upon to meet higher capital standards through retention of earnings and capital raising programmes. The asset quality of banks, continuously reviewed through regular off-site surveillance and periodic on-site examinations, is considered sound. The exposure of banks to the construction and tourism sectors is subject to close monitoring in view of the difficulties recently experienced by these sectors.

As part of its function to maintain financial stability, the Bank has identified five Domestic Systemically Important Banks (D-SIBs). The D-SIBs are required to maintain additional capital buffers as from January 2016 to increase their resilience to stressed financial and economic conditions.

After joining the Bank in January 2015, in my second stint as Governor, I am endeavouring to consolidate the foundation of the financial system. The financial sector is an important economic pillar and it is imperative to take a long-term strategic view to ensure its sustainable development. Several measures have been initiated to enhance the soundness, safety and attractiveness of the banking sector.

While the banking sector regulatory framework is in line with international standards – such as those recommended by the Basel Committee on Banking Supervision (BCBS), the need to reinforce the regulatory regime is felt so as to cater for rapidly-evolving international standards in the financial industry. Accordingly, the banking legislation was amended in May 2015 to vest the Bank with wider powers to safeguard financial stability. The establishment of a crisis resolution framework and a Deposit Insurance Scheme has reached an advanced stage. Preliminary work has started on the establishment of an Asset Management Company, which will have the main function of taking over the non-performing assets of banks and thereby strengthening their balance sheets. Further measures, some of which I have referred to elsewhere in my Statement, are in the pipeline to protect the interests of depositors, preserve the reputation of Mauritius as a safe and transparent jurisdiction, and achieve financial stability. The Bank is commissioning a comprehensive review of the regulatory guidelines in force, with a view to harmonising and consolidating the regulatory framework.

Following a regular on-site examination conducted at the beginning of 2015 at the defunct Bramer Banking Corporation Ltd, major deficiencies relating to its precarious liquidity situation and its impaired capital were identified and duly conveyed to its management in February 2015. The bank, however, failed to resolve these critical regulatory issues that posed systemic risks to the financial system. With a view to safeguarding the interests of depositors and preserving confidence in and stability of the financial system, the Bank had no other alternative than to revoke the banking licence of the defunct Bramer Banking Corporation Ltd on 2 April 2015. The setting up of a new bank, with Government increased participation in the new bank's equity, is testimony to the commitment of the authorities to protect the interests of depositors and safeguard stability of the financial system in Mauritius. The Bank and the Financial Services Commission (FSC) have commissioned a forensic investigation to establish the facts behind the complex financial transactions carried out by the related parties, affiliates, shareholders and directors of Bramer Banking Corporation Ltd (In Receivership) and other financial institutions forming part of the conglomerate. The findings will help, inter alia, to reinforce the regulatory framework to protect the stability of the financial system. The report on the forensic investigation will be made public in due course.

In early 2015, an assessment of the different payment schemes in the country and risks associated with each of them revealed that a number of payment schemes operated outside the purview of the Bank and were not subject to any supervisory authority. Amendments were brought to the Bank of Mauritius Act 2004 in May 2015 to bestow on the Bank the powers to oversee and regulate all payment schemes. In the light of innovations in and sophistication of the payment system, a full-fledged legislation is under preparation, which will enable effective and comprehensive oversight of the national payment system.

As part of its mandate to ensure financial stability and protect consumers, the Bank has embarked on the implementation of a National Payment Switch (NPS) which will take forward the modernisation of the payment and settlement system. The NPS will become the central point for routing all electronic transactions, either ATMs, point of sales or mobile devices, and will help lower transactions costs. The NPS also has the potential to enable value-added services such as electronic wallets, pre-paid cards and facilitate government payments such as pensions and social aids.

The Bank is implementing a new data management system using the XBRL technology. The volume of data the Bank collects from licensees, both for monitoring and statistical purposes, has grown significantly over time. The innovative infrastructure is, therefore, automating the whole process of data collection and storage, besides carrying out standard data analysis and compliance checks. The new infrastructure will enhance the monitoring of the soundness and stability of the banking sector, one of the core objectives of the Bank. The Bank has been working closely with reporting entities to ensure successful execution of the project, and they are expected to be fully on board by end-March 2016.

In May 2015, the Joint Bank of Mauritius/FSC Coordination Committee, initially set up to engage in inter-regulator cooperation and sharing of information, was reconstituted. The Committee agreed to review the Terms of Reference to take into account the regulatory and supervisory issues that came to light following the latest developments in the financial sector. Working groups have been set up under the new Terms of Reference namely, on Financial Stability, Joint On-Site Supervision, and Harmonisation of Know Your Customer Requirements.

The Bank held the first tripartite meeting with the FSC and the Financial Intelligence Unit in June 2015 to discuss and attend to issues of common interest. Such meetings will be convened regularly to coordinate and address matters that improve sharing of information and preserve the reputation as well as stability of our jurisdiction.

Mauritius, as a small island economy, has to continue expanding its economic space by further consolidating its presence in the region. The financial services sector is called upon to play a vital role in the pursuit of regional integration through our access to markets in COMESA and SADC countries, and by capitalising on our competitive advantage in human capital and banking know-how. The Bank has been an active participant in the meetings and fora at regional and continental level. The Bank is committed to play an active role in the regional integration agenda.

On behalf of the Board of Directors of the Bank and on my own behalf, I would like to thank staff members for their support and dedication in discharging the responsibilities of the Bank. These past few months have been a testing time and the Bank has endeavoured to fulfil its mandate effectively.

I wish to thank the directors of the Board of the Bank and the members of the MPC for the cordial working relations we have had and for their constructive support.

Rameswurlall Basant Roi, GCSK
27 October 2015

Board Members

Sitting from left to right: Dr Yousouf Ismael, Mr Rameswurlall Basant Roi, GCSK (Governor and Chairperson), Mr Ranapartab Tacouri, Ms Hemlata Sadhna Gopal (Secretary to the Board).

Standing from left to right: Mr Antoine Seeyave, Mr Yandraduth Googoolye (First Deputy Governor), Dr Renganaden Padayachy, Mr Mahendra Vikramdass Punchoo (Second Deputy Governor), Mr Joseph E Charles Cartier.

Monetary Policy Committee Members

Mr R Basant Roi, GCSK

Mr Rameswurlall Basant Roi, GCSK was appointed Governor of the Bank of Mauritius with effect from 30 December 2014. Governor Basant Roi is the Chairman of the Board of Directors of the Bank and also chairs the Monetary Policy Committee. He serves as Council Member of the Islamic Financial Services Board and is a Governing Board Member of the International Islamic Liquidity Management Corporation, of which the Bank of Mauritius is a founding member. The career of Governor Basant Roi as a central banker has spanned over a period of more than 30 years. He holds a Masters in Economics with specialisation in monetary and international economics from the Delhi School of Economics, University of Delhi, India.

Mr Y Googoolye

Mr Yandraduth Googoolye is the First Deputy Governor of the Bank of Mauritius since July 2006. He is a member of the Board of Directors and of the Monetary Policy Committee of the Bank of Mauritius. He joined the Bank in 1985. He is a Fellow of the Chartered Association of Certified Accountants, UK, and a Fellow of the Association of International Accountants. He is a Council Member on the Financial Reporting Council of Mauritius.

Mr M V Punchoo

Mr Mahendra Vikramdass Punchoo was appointed Second Deputy Governor of the Bank of Mauritius with effect from 30 December 2014. He is a member of the Board of Directors and of the Monetary Policy Committee of the Bank of Mauritius. He joined the Bank in 1989 as a Research Officer in the Research Department. Mr Punchoo holds a Maitrise en Sciences Economiques from Université Aix Marseille III, France, and an MSc in Economics from Birkbeck College, University of London.

Monetary Policy Committee Members

Mr G Wong So

Mr Guy Wong So joined the Ministry of Economic Planning and Development in December 1971 as economist and, in September 2006, was appointed Director General of the Ministry. He spent 34 years at the Ministry of Economic Planning and Development. He has been a member of the boards of directors of a large number of parastatal bodies in Mauritius. In March 2009, he was appointed as one of the three full-time members of the Public Bodies Appeal Tribunal. In March 2015, he was appointed member of the MPC.

Mr N Degnarain

Mr Nishan Degnarain is a consultant with a global management consulting firm and has extensive experience advising clients in banking, mining and infrastructure around the world. He has published in academic journals and is a frequent speaker at international conferences such as Harvard Business School's Africa Business Conference and Mauritius International Investment Forum. He holds a Masters in Public Policy in International Development from Harvard University's Kennedy School of Government, and also graduated from the University of Cambridge in Economics and Geography. He is an independent member of the Monetary Policy Committee since March 2012.

Mr M M Namdarkhan

Mr Mushtaq Namdarkhan is a barrister and Senior Associate at BLC Chambers, a leading Mauritian legal practice. He specialises in corporate restructuring and insolvency, banking and finance and commercial dispute resolution. He spent time in the Equity Capital Markets, Restructuring and Insolvency, Construction Litigation and Tax groups of that firm. He holds an MA (Hons.) in Law and an LL.M (Commercial), both from the University of Cambridge. He is a member of the MPC since March 2015.

Dr S Narrainen

Dr Streevarsen Narrainen is a Senior Economic Adviser at the Ministry of Finance and Economic Development (MOFED) from 2003 to date. He was a Senior Economic Adviser to the Prime Minister of Mauritius between 1996 and 2000 and an Economic Adviser at MOFED between 1989 and 1996. Prior to 1989, he was Assistant Professor of Economics at the University of Winnipeg and at the University of Manitoba in Canada. He holds a PhD in Economics from McGill University, Montreal, Canada and specialised in Monetary Theory and Policy. He is a member of the MPC since March 2015.

Mr P Dinan, CSK, GOSK

Mr Pierre Dinan, CSK, GOSK, was a senior partner at De Chazal du Mee (DCDM) for 20 years until he retired in June 2004. He is currently a Company Director for a number of public companies in the manufacturing and financial services sectors. He is a graduate in Economics from the London School of Economics and Political Science, and a Fellow of the Institute of Chartered Accountants in England and Wales. He was the founder Chairman of the Mauritius Institute of Directors. He is an independent member of the Monetary Policy Committee since 2007. He has authored three books on the economy of Mauritius.

1 Objectives and Functions of the Bank of Mauritius

The Bank of Mauritius (Bank) was established under the Bank of Mauritius Ordinance 1966 and is governed by the Bank of Mauritius Act 2004. It is required, in the pursuit of its objects, to perform its functions independently.

The main objectives of the Bank

The primary object of the Bank, as set out in Section 4 of the Bank of Mauritius Act 2004, is to maintain price stability and to promote orderly and balanced economic development.

The other objects of the Bank are:

(a) to regulate credit and currency in the best interests of the economic development of Mauritius;

(b) to ensure the stability and soundness of the financial system of Mauritius; and

(c) to act as the central bank for Mauritius.

Functions of the Bank

In the attainment of its objects, the Bank performs a number of core functions, namely to:

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

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

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

(d) collect, compile, disseminate, on a timely basis, monetary and related financial statistics; and

(e) manage the foreign exchange reserves of Mauritius.

In order to accomplish its other objects, the Bank is also responsible to:

(a) ascertain and promote the soundness of financial institutions and their compliance with governing laws, rules and regulations;

(b) ensure the adoption by financial institutions of policies and procedures designed to control and manage risks effectively;

(c) adopt policies to safeguard the rights and interests of depositors and creditors of financial institutions, having due regard to the need for financial institutions to compete effectively in the market and take reasonable risks;

(d) monitor system-wide factors that might have or potentially have a negative impact on the financial condition of financial institutions;

(e) promote public understanding of the financial system, including awareness of the benefits and risks associated with different financial products regulated by the Bank, which are offered by financial institutions; and

(f) carry out investigations and take measures to suppress illegal, dishonourable and improper practices, market abuse and any potential breach of the banking laws.

Amongst the powers conferred on the Bank, subject to the Bank of Mauritius Act 2004, the latter may:

- open accounts for, accept deposits from, and pay interest on such deposits to:

(i) the Government, and institutions and funds controlled by the Government,

(ii) financial institutions,

(iii) such statutory or corporate bodies as the Board may approve, and

(iv) the receiver, the receiver and manager or the liquidator of any financial institution in liquidation;

- maintain accounts with foreign central banks and other foreign financial institutions outside Mauritius and act as correspondent, banker or agent for any other central bank, financial institution or other monetary authority and for any international bank or international monetary authority of which Mauritius is a member or associate;
- develop the foreign exchange and derivatives markets;
- promote the development of the money market of Mauritius, including the Islamic money market through the issue of such Shariah-compliant instruments as may be determined by the Bank;
- purchase and sell Government securities for the development of the Primary and Secondary markets;
- purchase and sell gold coins, gold bullion, gold or shares or units in gold funds;
- appoint banks and other financial institutions to act as its agents in Mauritius, and banks and other financial institutions abroad to act as its agents or correspondents abroad;
- regulate the fees or charges in respect of the services provided by financial institutions and impose such limitation on the quantum of those fees and charges as it may deem appropriate; and
- raise, for monetary policy purposes, loans by the issue of Bank of Mauritius Securities.

Limitations on activities of the Bank

The Bank shall not -

- engage in any trade or acquire any interest in any commercial, agricultural, industrial or any other undertaking, except where -

(i) such interest is acquired in satisfaction of debts due to the Bank, and

(ii) the interest so acquired is disposed of at the earliest opportunity;

- purchase, acquire or lease immovable property, except where the premises are necessary for the conduct of its business under this Act;
- grant loans upon the security of any shares;
- open accounts for and accept deposits from persons, otherwise than as provided for in section 6(1) (a), (b) and (u) of the Act; and
- guarantee loans or advances for the Government or any person, nor grant loans or advances to the Government or any person, except as provided for in sections 6(1), 48(3) and 58 of the Act.

2 Corporate Governance

BOARD OF DIRECTORS

The contracts of the former Governor Mr Rundheersing Bheenick, GOSK, and of the Second Deputy Governor, Mr Mohamad Issa Soormally were terminated on 26 December 2014 by the President of the Republic, on the advice of the Prime Minister, under section 113 of the constitution.

The President of the Republic of Mauritius, acting on the recommendation of the Prime Minister and in exercise of the powers vested in him by sections 13 and 14 of the Bank of Mauritius Act 2004, has on 30 December 2014 appointed:

(i) Mr Rameswurlall Basant Roi, GCSK, as Governor; and

(ii) Mr Mahendra Vikramdass Punchoo as Second Deputy Governor.

Mr Yandraduth Googoolye was re-appointed as First Deputy Governor.

The Board of Directors of the Bank was reconstituted in March 2015 and five new Directors other than the Governor and Deputy Governors, were appointed by the Minister of Finance and Economic Development in accordance with section 16 of the Bank of Mauritius Act 2004.

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.

COMPOSITION OF BOARD OF DIRECTORS AS AT 30 JUNE 2015

Chairperson	Mr Rameswurlall Basant Roi, GCSK, Governor (appointed on 30 December 2014)
Director	Mr Yandraduth Googoolye, First Deputy Governor (re-appointed on 30 December 2014)
Director	Mr Mahendra Vikramdass Punchoo, Second Deputy Governor (appointed on 30 December 2014)
Director	Mr Ranapartab Tacouri (appointed on 4 March 2015)
Director	Mr Antoine Seeyave (appointed on 4 March 2015)
Director	Mr Joseph E Charles Cartier (appointed on 4 March 2015)
Director	Dr Yousouf Ismael (appointed on 4 March 2015)
Director	Dr Renganaden Padayachy (appointed on 13 March 2015)

The Board of Directors held fifteen meetings during 2014-15, as summarised in Table 2.1. At any meeting of the Board, six members constitute the quorum. Decisions are taken by simple majority. In the event of an equality of votes, the Chairperson has a casting vote.

Section 21 of the Bank of Mauritius Act 2004 was amended in May 2015 so that the Board of Directors shall meet at the seat of the Bank at least every 2 months.

Table 2.1 **Board of Directors' Meetings**

Board Directors	Date of first appointment	28.07.14	21.08.14	25.09.14	28.10.14	25.11.14	22.12.14	20.03.15	02.04.15	03.04.15	10.04.15	21.04.15	29.04.15	06.05.15	03.06.15	11.06.15
Governor - Mr R. Basant Roi - Chairperson	08.01.15	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governor - Mr R. Bheenick - Chairperson*	14.02.07	✓	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-
First Deputy Governor - Mr Y. Googoolye	13.07.06	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Second Deputy Governor - Mr M. V. Punchoo	31.12.14	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Second Deputy Governor - Mr M. I. Soormally*	15.10.13	✓	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-
Mr J. T. M. Li Wan Po	24.11.05	✓	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-
Mr S. R. Seebun	21.11.05	✓	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-
Mr G. Vydelingum	05.09.07	✓	✓	✓	✓	✓	✓	-	-	-	-	-	-	-	-	-
Mr R. Tacouri	04.03.15	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr A. Seeyave	04.03.15	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr J. E. C. Cartier	04.03.15	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Y. Ismaël	04.03.15	-	-	-	-	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓
Dr R. Padayachy	13.03.15	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓: Attended

** The contracts of Mr Bheenick and Mr Soormally were terminated on 26 December 2014.*
The Board of Directors of the Bank was reconstituted at the beginning of March 2015.

Audit Committee

The Audit Committee of the Bank was reconstituted by the Board of Directors at its meeting of 20 March 2015 and currently comprises the following non-executive Board Directors:

Chairman	Mr Ranapartab Tacouri
Member	Dr Yousouf Ismael
Member	Dr Renganaden Padayachy

The following Audit Committee Charter was approved at the Board Meeting of 20 March 2015:

1. Purpose

The Audit Committee is an advisory Committee established to assist the Board in its oversight responsibilities with respect to audit and the implementation of the financial reporting system in compliance with the relevant legislations.

2. Membership

The Audit Committee is appointed by the Board of Directors and is composed of at least three members chosen from the Board of Directors. All members of the Audit Committee shall be independent of Management. Appointments to the Audit Committee shall be made for a term of up to three years and may be renewed. The Audit Committee shall appoint a Chairman.

3. Secretariat

The Secretary to the Board may act as Secretary to the Audit Committee. Following the Chairman's approval, the Secretary shall circulate the Agenda and supporting documentation to the Members of the Audit Committee (with copies to Management and to the Head of Internal Audit Division) within a reasonable period of time (usually one week) in advance of each Meeting. The proceedings of meetings of the Audit Committee shall be summarised in minutes prepared by the Secretary, a draft of which shall be circulated within one week following the relevant Meeting.

4. Meetings

Meetings shall be held at least on a quarterly basis. Special Meetings may be convened by the Chairman as required. Two members shall constitute a quorum at any Meeting of the Committee.

The Head - Internal Audit Division or the Officer-in-Charge of the Division may be invited to Meetings. The Committee may, when necessary, invite the External Auditors to attend Meetings and provide pertinent information as appropriate.

The Chairman of the Board shall be provided with a copy of the draft minutes of each Meeting of the Audit Committee once they have been vetted by the Chairman of the Audit Committee. Other Members of the Board of Directors shall also have access to the minutes. The Chairman of the Audit Committee shall report on major items of the Committee's deliberations at the following Board Meeting.

5. Responsibilities

The Audit Committee shall carry out the following responsibilities:

Financial Statements

(i) review the implementation of key accounting policies and financial reporting in conformity with principles applicable to central banks and international best practices; and

(ii) review the budget of the Bank.

Internal Audit

(i) consider the scope of work and review and approve the annual audit plan;

(ii) review and approve the audit reports; and

(iii) ensure that findings and recommendations communicated by Internal Audit Division and Management's proposed responses are received, discussed and appropriately addressed.

External Audit

(i) review the "Terms of Engagement" of the external auditor;

(ii) review the "Report on the annual audit of the financial statements of the Bank";

(iii) review from time to time with the external auditor the appropriateness of the accounting policies applied in the Bank's financial reports; and

(iv) ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately addressed.

Compliance

Review the effectiveness of the Bank's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non-compliance.

Other Responsibilities

(i) review the effectiveness of the Bank's internal control system and recommend improvements where necessary;

(ii) review and assess the adequacy of the Audit Committee Charter periodically, request Board approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation;

(iii) require every Member to disclose his/her interest in any matter being discussed by the Committee; and

(iv) request the Head - Internal Audit Division/ Officer-in-Charge or the External Auditor to conduct any inquiry on an issue falling within the scope of its responsibilities.

6. Access to Personnel/Information

In discharge of its responsibilities under the Charter, the Audit Committee has unrestricted access to information pertaining to members of staff, except for the Governor and the Deputy Governors.

During 2014-15, the Audit Committee met on three occasions. They met with the Head – Internal Audit Division to review the Audit Work Plan and the internal controls in place at the Bank. The Audit Committee also reviewed the Budget of the Bank for the financial year ending 30 June 2016 in line with the Audit Committee Charter and submitted its report at the Board's meeting of 03 June 2015.

MONETARY POLICY COMMITTEE

The Monetary Policy Committee (MPC)[1] formulates and determines monetary policy to achieve price stability while taking into account orderly and balanced economic development. The Committee determines the appropriate monetary policy stance through changes in the Key Repo Rate. In the decision-making process, MPC members assess the balance of risks between economic growth and inflation by considering a wide range of domestic and international economic data.

The MPC announces its decision through a Communiqué which is posted on the Bank's website at latest by 18.00 hours on the day of the MPC meeting. A comprehensive minutes of the meeting is released two weeks after the

[1] *Section 55 of the Bank of Mauritius Act 2004.*

meeting is held, outlining the assessment of prevailing conditions, forecasts for inflation and real GDP growth. The Governor, as Chairperson of the MPC, holds a press conference on the day of the MPC meeting to explain the monetary policy decision.

The MPC meets on a quarterly basis, but stands ready to meet in between its regular meetings, if the need arises. During the year ended June 2015, only three meetings were held.

Table 2.2 provides details on the MPC meetings held during 2014-15, attendance, remuneration of members and other associated costs incurred, as well as decisions on the Key Repo Rate.

Composition of the MPC

The MPC comprises the Governor (Chairperson), the two Deputy Governors, two members appointed by the Prime Minister and three members appointed by the Minister of Finance and Economic Development. As at 30 June 2015, the members of the MPC were:

- Mr Rameswurlall Basant Roi, GCSK, Governor and Chairperson of the MPC;
- Mr Yandraduth Googoolye, First Deputy Governor;
- Mr Mahendra Vikramdass Punchoo, Second Deputy Governor;
- Mr Mohammad Mushtaq Namdarkhan, appointed by the Prime Minister;
- Mr Guy Wong So, appointed by the Prime Minister;
- Mr Nishan Degnarain, Consultant, appointed by the Finance Minister;
- Mr Pierre Dinan, CSK, GOSK, Consultant, appointed by the Finance Minister; and
- Dr Streevarsen Narrainen, Senior Economic Adviser, Ministry of Finance and Economic Development, appointed by the Finance Minister.

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

Table 2.2 **Monetary Policy Committee Meetings**

		Meetings attended	14.07.14 Quarterly meeting	27.10.14 Quarterly meeting	06.04.15 Quarterly meeting	Total fees Rs	Other associated costs[5] Rs
Mr Rundheersing Bheenick[1]	Governor, Chairperson	2	✓	✓		0	0
Mr Rameswurlall Basant Roi[1]	Governor, Chairperson	1			✓	0	0
Mr Yandraduth Googoolye	First Deputy Governor	3	✓	✓	✓	0	0
Mr Mohamad Issa Soormally[2]	Second Deputy Governor	2	✓	✓		0	0
Mr Mahendra Vikramdass Punchoo[2]	Second Deputy Governor	1			✓	0	0
Professor Jeffrey Frankel[3]	External Member	2	T	T		402,045	0
Mr Hemraz Oopuddhye Jankee[3]	External Member	2	✓	✓		240,000	0
Mr Nishan Degnarain[4]	External Member	2	✓	✓		360,000*	380,621
Mr Pierre Dinan[4]	External Member	3	✓	✓	✓	360,000*	0
Professor Silvana Tenreyro[4]	External Member	2	T	T		402,045	0
Mr Mohammad Mushtaq Namdarkhan[3]	External Member	1			✓	120,000*	0
Mr Guy Wong So[3]	External Member	1			✓	120,000*	0
Dr Streevarsen P. Narrainen[4]	External Member	1			✓	120,000*	0
Dr Streevarsen P. Narrainen	Observer	2	✓	✓		0	0
Mr Neetyanand Kowlessur	Observer	2	✓	✓		0	0
Decision on the Key Repo Rate			Unchanged	Unchanged	Unchanged		
Key Repo Rate *(per cent per annum)*			4.65	4.65	4.65		

[1] The contract of Mr Bheenick was terminated on 26 December 2014. Mr Basant Roi, GCSK, was appointed Governor with effect from 30 December 2014.
[2] The contract of Mr Soormally was terminated on 26 December 2014. Mr Punchoo was appointed Second Deputy Governor with effect from 30 December 2014.
[3] Appointed by the Prime Minister.
[4] Appointed by the Minister of Finance and Economic Development.
[5] Other associated costs comprise travel and accommodation expenses.

✓ *Attended.* *T: Attended via video-conference*
* *Mauritian external MPC members receive a monthly fee.*

3 Organisational Overview

As at 30 June 2015, the Bank employed a total of 223 staff members, out of which 193 were on the permanent and pensionable establishment and 30 were on contractual basis. During the year under review, 27 employees left the services of the Bank, either through voluntary retirement or whose contract had expired and were not renewed.

HUMAN RESOURCES

Restructuring Exercise: Moving towards a Performance-Based Culture

In April 2015, the Bank embarked on a restructuring exercise with a view to creating optimal working conditions that aim to improve the workflow and enhance productivity. Each Department is answerable to a Director. The main objective is to support the long term strategic vision of the Bank. The Bank recruited a Director-Supervision and a Director-Economic Research. Two Chiefs-Information Technology were also recruited to assist the Director-Information Technology.

The Bank continued to focus on a performance-based culture. In this context, a series of training and communication sessions were organised for staff members. A part time Human Resource (HR) Consultant, with a wide experience in the field of HR, was appointed to review the performance management system of the Bank.

Graduate Employment Scheme

The Bank launched a Graduate Employment Scheme (GES) in December 2013. The aim of the GES was to identify interns with a high potential and to develop a talent pool for future recruitment. In this connection, 11 graduate trainees from various backgrounds were selected to participate in this scheme.

CORPORATE SOCIAL RESPONSIBILITY

Sponsorship of Sports Activities

Since 2007, the Bank has been sponsoring the annual Inter-Club Athletics National Youth Championship both in Mauritius and Rodrigues. The Championship in Rodrigues was held at Camp du Roi Stadium, on 8 November 2014, while in Mauritius it was held at Maryse Justin Stadium, Reduit on 29 and 30 November. Several banks co-sponsored the events. The 15 best athletes from Rodrigues were invited to participate in the National athletics competition in Mauritius.

Safety and Health

Safety and health in Mauritius is governed by the Occupational Safety and Health Act (OSHA) 2005. The Bank has, as far as is reasonably practicable, to ensure safety, health and welfare at work of all its employees. The Bank, thus, provides and maintains a working environment that is safe and without risks to health.

Training and awareness campaigns were conducted during the year under review to enhance a safety and health culture at work. A training program was conducted on 3 July 2014 for attendants and officers working in the vault of the bank to ensure an effective handling of crates containing notes and coins. Refresher training for first-aiders and fire wardens are carried out on a regular basis at the Bank.

Training on the use of defibrillators

According to latest statistics released by the World Health Organisation, deaths resulting from coronary heart disease in Mauritius account for around 17.84 per cent of total deaths. Given the high prevalence of coronary heart disease, the Bank has reacted promptly by acquiring defibrillators, also known as life saving devices. These defibrillators will be used as a preliminary medical aid to assist any staff in case of sudden heart attack. Five staff members have been trained to provide the required assistance in this field.

Follow-up Risk Assessment

Risk assessment is a legal requirement, under the Occupational Safety and Health Act 2005 as it helps to identify hazards in order to take appropriate actions either to eliminate or diminish the impact of these hazards. At the Bank, a constant follow-up on risk assessment is carried out.

Safety and Health Awareness

The World Day on Safety and Health at Work is celebrated each year on 28 April by the International Labour Organization to promote the prevention of occupational accidents and diseases globally. Staff members are sensitized towards promoting a safe working environment through valuable information on ergonomic, fire safety and related safety and health issues that are regularly posted on the Bank's intranet.

FACILITIES MANAGEMENT

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

Refurbishment of the Old Bank of Mauritius Building

The Bank has started the complete refurbishment of the old Bank of Mauritius building comprising a gross floor area of about 3,000 square meters. Renovation work on the site has started in June 2015 and is expected to last until May 2016.

New Office Building and Staff Quarters in Rodrigues

The proposed project for the construction of a new office building and staff quarters in Rodrigues has been cancelled.

IT SUPPORT AND FACILITIES

The financial year ended June 2015 was characterised by a number of changes that were brought to the Information Technology (IT) Division, both in terms of organisational structure and technological changes. The lack of investment in IT infrastructure in recent years has exposed the Bank to the risk of outages and failures in critical systems. In March 2015, a crash of the IT system of the Bank caused a major disruption to its IT infrastructure. Consequent to the crash, the Bank injected financial resources in IT infrastructure, which considerably mitigated the risks.

Infrastructural Changes

During the first half of the financial year, the primary objectives of the Division were to:

- improve services and support for internal users at the Bank;
- cater for future growth and increase the scale of delivery of real-time services;
- shift to automation of processes and green IT with a reduction of execution time and paper dependent processing; and
- enhance IT as a pillar for the Bank's operations.

Under the new Organisation Chart, the IT Division falls under the purview of the First Deputy Governor. Additional strategies have been defined for the Division to ensure:

- reliable and resilient services to financial institutions in the country; and
- business continuity for IT systems.

Technological Change

The Bank's IT infrastructure, server and network, dating between 2008 and 2011, needed replacement. On the back of the obsolete infrastructure, the provision of IT services was marred with several incidents. One such incident, encountered in March 2015, resulted in the unavailability of the Payment Systems, corporate e-mail facilities and user computing infrastructure. Management responded quickly and approved the acquisition of a new server-storage-backup infrastructure, for both the Bank's production site and disaster recovery site, to prevent any further occurrence of such disruptive events. Given the recurrent problems encountered by users with the remote desktop architecture, an open source solution was implemented. It drastically improved the connection to the remote desktop system for users.

Major achievements

The major projects undertaken during the year were:

- **Retail Savings Bonds System**

The Retail Savings Bonds System, a web-based application, was launched on 23 July 2014. This system enables the sales of retail savings bonds directly by banks, acting as agents, on behalf of Bank of Mauritius. Previously, sales of Government Securities were carried out over-the-counter at the Bank of Mauritius only.

- **Higher bandwidth connectivity between the Bank's Head Office and its Disaster Recovery Site**

The Bank acquired a highly secured and high bandwidth capacity network to link the Head Office with its Disaster Recovery Site. In this connection, the Bank opted for fibre optic as it is more reliable and secure.

- **Enhanced Security**

The Bank purchased two new firewalls, which became operational in August 2014. The firewall implementation required a cross-divisional collaboration. The aim of having new firewalls at the Bank was to increase the security level of the IT infrastructure, which hosts systems and services utilized by both internal and external users.

- **Data Centre Management**

Following IT and Health & Safety audits that were carried out in the IT Division, several flaws were identified in the server room. These were resolved by transforming the server room into a well-managed data centre. Data centre management remains the cornerstone for effective server rooms. Effective data centre management has great benefits in terms of administration as it ensures smooth running and sharing of information.

- **IT Helpdesk**

A helpdesk has been put in place in the IT Division to receive and track requests from users. These requests are subsequently channelled to IT staff for either service delivery or service restoration in case of incidents. Requests are recorded and tracked via a ticketing system.

- **Rodrigues interconnectivity**

The connectivity between Bank's Head Office its Rodrigues Branch operated on a low bandwidth link. Users at the Rodrigues Branch reported the excessive response time when accessing systems hosted at the Head Office. The bandwidth was increased following negotiations between the Bank and the service provider.

- **Thomson Reuters Market Tracker**

The Division contributed to the successful implementation of the Market Tracker product from Thomson Reuters. This system allows the Bank to monitor real-time foreign exchange transactions undertaken by fifteen domestic banks when dealing via the Thomson Reuters platform.

- **Replication of Critical Payment Systems**

The Bank acquired dedicated server-storage-backup infrastructures for its production and disaster recovery platforms to host its Payment Systems. Real-time replication was implemented between these two platforms and in case of breakdown, the impact to the Payment Systems will be very low in terms of data loss. Moreover, the implementation was carried out in compliance with licensing requirements from systems and software vendors.

- **New Server-Storage-Backup Infrastructure**

New server-storage-backup infrastructure was implemented at the Bank and its Disaster Recovery Site. The new infrastructure is used to host the Bank's internal systems for its day-to-day operations and the Bank's website.

- **Upgrade of e-mail to new server**

The Bank's email solution was upgraded to a new server version. This upgrade brings along new email features such as connectivity from non-Blackberry mobile devices and a user-friendly web interface.

- **Fibre Optic Network**

The main data centres of banks are connected to the Bank of Mauritius via a private network implemented using wireless technology. Owing to the high risks associated with wireless communication, it was vital to replace the current network by fibre optic. The implementation of the new network, launched in May 2015, was expected to be completed by mid-August 2015. Based on the new network, connectivity will be extended to the disaster recovery data centres of banks.

On-going projects

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

Phases 1 and 2 of the XBRL-Based Automated Reporting System have been completed. Financial institutions namely, banks and money changers, will be using this platform to submit data to the Bank. The project is expected to be completed by October 2015.

- **Business Continuity Management**

In line with the Bank's business continuity plan, infrastructural changes have been initiated at the Bank's Disaster Recovery site. Replication of key internal systems is being implemented. Procedural manuals for resuming services from the Disaster Recovery Site will also be provided.

Going Forward

- **Replacement of data network and PABX infrastructure**

The existing data network and PABX infrastructure would be replaced to reflect greater resiliency and scalability as well as include post implementation maintenance and support of the new infrastructure.

- **Redesign and Implementation of a new website**

The Bank has invited bids for the redesign and implementation of a new website in March 2015 in order to provide users with an interactive website. A Content Management System (CMS) will be used for web authoring, enabling the Bank to quickly update content on the fly. The new website will respond to any device on which it is viewed, including smartphones and tablets.

COMMUNICATION

Central banks need to have a good communication strategy with their stakeholders and the public in general. This helps to enhance transparency which improves the effectiveness of monetary policy, underpins central banks' accountability and reinforces their credibility.

- The Bank normally releases banking and other related data through its various reports such as monthly statistical bulletins, Inflation Reports, Financial Stabilty Reports, communiqués, MPC minutes and End-of-Year letter to stakeholders.

- The Governor, as Chairperson of the Banking Committee, holds quarterly meeting with the Chief Executives of banks and the Mauritius Bankers' Association. This forum serves as a platform for interaction on broad issues relating to monetary and financial sector policies of the Bank. Matters relating to the regulation of the banking system and the development of capital and money markets are also discussed. In between each quarterly Banking Committee meeting, officers of the Bank of Mauritius and Compliance Officers of banks also meet.

- The Annual Report of the Bank, which contains its audited accounts as at end-June, is tabled at the National Assembly by the Minister of Finance. In accordance with the provisions of the Bank of Mauritius Act 2004, the Bank also publishes twice a year, a statement on price stability and a statement on the stability and soundness of the financial system. The Monthly Statistical Bulletin, covering mainly economic, banking, balance of payments and monetary statistics, is released on the Bank's website on the 20th of each month.

- The Bank publishes its monetary policy decisions through a communiqué issued on the same day of the MPC meeting. The Governor, as Chairperson of the MPC, holds a press conference following the meeting to explain the decision of the MPC. Minutes of the meeting, providing greater details of the MPC assessment together with the voting patterns, are published two weeks after the meeting.

- The Governor has been issuing an End-of-Year Letter to Stakeholders, which sets out the economic and financial developments during the year and also the actions taken by the Bank, as part of its functions, to achieve its objectives.

- The Bank continues to impart financial knowledge to students and the public in general, through talks that are delivered in schools and on radios and television by staff members.

Rodrigues Office

The Bank's Office in Rodrigues offers central banking services and maintains accounts for Government, banks and staff members. In addition, the Office conducts over-the counter sales of Government of Mauritius Treasury Bills and Treasury Notes to individuals and non-financial corporations. It has the responsibility for supplying banknotes and coins that are of good quality to meet the local demand in Rodrigues.

4 Review of The Economy: 2014-15[2]

The pace of global growth remained moderate during 2014-15, with tepid growth and divergences persisting among major economies. The global economy continues to face pervasive weak demand. Growth is projected to be stronger in 2015 relative to 2014 in advanced economies, but weaker in emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporting countries.

In its July 2015 World Economic Outlook Update, the IMF predicted that growth momentum would increase during 2016. However, downside risks to growth prospects include a hike in interest rate by the Fed and slower growth in major emerging economies including China. In addition risks from Greece, Ukraine and the oil market cannot be overlooked. Global inflation has largely remained low, partly reflecting stable and low commodity prices and subdued domestic demand.

The domestic economy performed fairly well, despite the fragile global recovery. The economy is forecast to grow by 3.8 per cent in 2015 (Statistics Mauritius June 2015), up from 3.5 per cent in 2014. The expected growth rate, however, remains below the pre-crisis trend (prior to 2009) such that the domestic economy continues to operate with spare capacity. In 2014, the overall performance was weighed down by weak domestic investment. Nonetheless, all major economic sectors, except construction, registered positive growth rates in 2014. This will continue in 2015, with construction also projected to grow, following decline of four years in a row. However, in a domestic environment marked by moderate growth, a low national savings rate, low productivity, weak competitiveness of our main export sectors and declining investment rates, Mauritius faces the daunting challenges of climbing out of the 'middle-income trap' and graduating to a 'high-income economy'. In addition, the decline in fertility rate and an ageing population will decrease the available pool of labour for the economy. The unemployment rate stood at 7.8 per cent in 2014, down from 8.0 per cent in 2013, but is projected to revert to 8.0 per cent in 2015.

Inflationary pressures remained subdued as a result of muted domestic demand conditions, low inflation in major trading partners, lower international commodity prices and anchored inflation expectations in the domestic economy.

Headline inflation declined from 4.0 per cent in June 2014 to 1.7 per cent in June 2015, the lowest since June 2010. At the same time, y-o-y inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, reached its lowest value in almost six years, declining from 3.3 per cent in June 2014 to 0.4 per cent in June 2015. Y-o-y inflation went up from 0.2 per cent in December 2014 to 2.0 per cent in February 2015, as a result of bad weather conditions in early 2015 which led to a substantial increase in the price of vegetables. Notwithstanding a broad-based appreciation of the US dollar, falling commodity prices contributed to the low inflation rate registered during the fiscal year 2014-15.

The budget deficit is projected at Rs15,405 million for 2015/16, representing around 3.5 per cent of GDP. However, the higher budget deficit for the first semester of 2015 compared to the corresponding period of the previous

[2] The analysis and trends pertaining to this chapter refer to official data up to end-June 2015. Latest national accounts data released by Statistics Mauritius on 30 September 2015 forecast that the economy will grow by 3.6 per cent in 2015.

year is mainly attributed to the increase in social benefits, on account of a considerable increase in old age pensions. The public sector debt is projected at 63.4 per cent of GDP by end-June 2015. Monetary policy continued to remain accommodative throughout the period under review on the back of relatively weak domestic growth. The MPC held three regular meetings during 2014-15 and the Key Repo Rate was kept unchanged at 4.65 per cent.

The current account deficit to GDP ratio is estimated at around 5.8 per cent in 2014-15 compared to 5.4 per cent in 2013-14. This would reflect a widening merchandise trade deficit coupled with higher deficit in the current transfers account, which would more than offset the higher surplus expected in the services and income accounts. This surplus mirrored mainly higher travel receipts and exports of *'other services'* compared to the previous year. The external current account deficit continued to be financed by direct investment and portfolio inflows. The gross official international reserves of the country (GOIR), which comprise the gross foreign assets of the Bank, foreign assets of Government and the country's reserve position in the IMF, increased significantly during the period under review, from an equivalent of 6.1 months of imports of goods and services as at end-June 2014 to 7.0 months of imports by end-June 2015.

During the year under review, the Bank continued to implement monetary policy through open market operations and also monitored developments in the money and foreign exchange markets to ensure that they operate efficiently. In an effort to mop up the excess liquidity and restore the transmission channel of monetary policy, the Bank intervened on the domestic money market through the issue of Bank of Mauritius instruments. The Bank also started conducting sterilized intervention as from January 2015. The Bank intervened on the domestic foreign exchange market to smooth out volatility in the rupee exchange rate. With a view to encouraging savings in the economy and mopping the excess liquidity, the Bank, acting as agent for Government, issued retail instruments during the course of the year.

The exchange rate of the rupee reflected both international exchange rate movements and demand and supply conditions in the domestic foreign exchange market. Between end-June 2014 and end-June 2015, on a point-to-point basis, the weighted average daily dealt ask rates of the rupee depreciated against the US dollar and the Pound sterling but appreciated vis-à-vis the euro. In nominal and real effective terms, the rupee appreciated between mid-2014 and February 2015 on account of the nominal appreciation of the rupee against the US dollar. Thereafter, the rupee depreciated significantly against currencies of its major trading partners. However, by the close of the fiscal year, reflecting the movements in international markets, the rupee appreciated slightly.

During the financial year 2014-15, the banking sector in Mauritius remained sound, profitable and well capitalised. The banking sector grew at a faster pace during 2014-15 than in the preceding fiscal year. The Bank issued a number of new guidelines during 2014-15, and improved on existing ones to enhance the soundness of the banking sector. In addition, the Bank fostered its supervisory cooperation with foreign regulators. In order to address potential risk arising from asset price bubble in the property market that could become a source of vulnerability for the financial system, the Bank introduced a set of macroprudential policy measures in 2014.

A review of the domestic economic and financial developments during 2014-15 is outlined in greater details in the subsequent sections, which cover the analysis and trends using official data up to end-June 2015.

STATEMENT ON PRICE STABILITY

Section 4(1) of the Bank of Mauritius Act 2004 stipulates that the primary object of the Bank is to maintain price stability and to promote orderly and balanced economic development. In the attainment of its objects, the Bank is required to conduct monetary policy and manage the exchange rate of the rupee, taking into account the orderly and balanced economic development of Mauritius. To this effect, monetary policy is set by the Bank's Monetary Policy Committee (MPC), which meets on a quarterly basis and in between, if need be. Section 33 of the Act requires the Bank to publish a statement on price stability twice a year. This statement provides an assessment of the factors underpinning the monetary policy decisions.

Price stability is not an end in itself; rather it is a means to an end, which is sustainable economic growth. The need to weigh real sector issues adequately in monetary policy decisions cannot therefore be overemphasised.

Since the beginning of the year, two MPC meetings have been held and the MPC has unanimously left the Key Repo Rate (KRR) unchanged at 4.65 per cent. The decision of the MPC was motivated after a careful examination of domestic and global economic and financial developments. The uncertain and uneven global economic recovery; muted global inflation; low commodity prices and developments in the economic performance of major trading partner countries were among the main factors considered by the MPC on the external front. In the domestic economy, inflationary pressures remained subdued amidst low imported inflation; slack in the economy and well contained inflation expectations. Headline inflation declined systematically from 4.0 per cent in June 2014 to 3.2 per cent in December 2014 and further to 1.7 per cent in June 2015. Reflecting the inherent dynamics in the CPI, year-on-year inflation showed some variation, mainly on account of the impact of climatic conditions affecting the prices of fresh vegetables in the first quarter of 2015. Y-o-y inflation fell in the second quarter of 2015 as the temporary price shock faded. Y-o-y inflation fell from 3.3 per cent in June 2014 to 0.4 per cent in June 2015, its lowest level during the past six years. CORE1 inflation recorded historically low and negative inflation rate in January 2015 but then settled at 0.4 per cent in June 2015.

The impact of the depreciation of the rupee exchange rate on inflation, had been contained so far by low global commodity prices. In addition, cost-push pressures in the economy have been muted up to now, although some monitoring is warranted. MPC members viewed that inflation would not pose any serious risks and that, in the absence of any major shock, headline inflation would remain on a downward path till the end of 2015. Conditional on a set of assumptions, the Bank's staff have estimated headline inflation at around 1.5 per cent in 2015 and around 3.0 per cent in 2016, while year-on-year inflation has been forecast at around 2.0 per cent and 4.4 per cent for 2015 and 2016, respectively.

The MPC also noted that the domestic economy continued to operate below its potential, reflecting underutilisation of resources. An overall assessment of the state of the real economy indicated that the negative output gap prevailed as a result of adverse shocks from domestic and external demand, which outweighed accommodative monetary conditions. However, domestic economic activity was projected to strengthen further, supported by the budgetary measures and their positive impact on investment and business confidence, which were expected to give a fillip to economic growth.

The main downside risks to the growth outlook would reflect the weak private investment and low savings rates, which were seen to have impacted on the current account deficit, and any adverse developments in our main export markets. Bank's staff projected growth of 3.7 per cent for 2015 and 4.6 per cent for 2016. The improvement in domestic economic growth would result from the continued accommodative monetary policy, projected pick-up in economic activity in our main trading-partner countries and the successful implementation of the 2015/16 budgetary measures.

The MPC had also concerns about the prevailing high excess liquidity in the banking system, but the Bank's effective liquidity management operations as from May 2015 reduced banks' excess reserves. The Bank also carried out an effective sterilised intervention policy since January 2015. The MPC also commended the proposal for a new monetary policy framework, which would steer money market interest rates around the policy rate and enable an effective transmission of monetary policy.

DOMESTIC DEVELOPMENTS

Real Sector

The domestic economy registered a slightly better performance in 2014, with a growth rate of 3.5 per cent, compared to 3.2 per cent in 2013. GDP at market prices rose, in nominal terms, by 5.4 per cent to Rs386,059 million in 2014 compared to a growth of 6.5 per cent in 2013. Per capita GNI at market prices went up by 2.6 per cent to Rs298,897 in 2014, from Rs291,188 in 2013.

During 2014, growth of the Mauritian economy was still below potential, given the fragile global recovery and contraction of domestic investment. Demand for domestic exports was affected by the weak growth outlook for the euro area and its persistently high unemployment. Although there was a higher growth of commodity imports in 2014, the trade deficit (as a percentage of GDP) went down compared to 2013. Final consumption expenditure went up by 2.9 per cent in 2014, from 2.3 per cent in 2013, to reach 88.5 per cent of GDP. Growth in household consumption expenditure, which accounted for 83.6 per cent of total consumption expenditure, remained unchanged at 2.6 per cent in 2014. Government consumption expenditure increased by a higher rate of 4.3 per cent in 2014 compared to 0.7 per cent in 2013. Final consumption expenditure is projected to expand by 3.2 per cent in 2015, on account of pro-consumption measures announced in the budget.

Weak domestic investment dampened the growth momentum of the Mauritian economy. Investment further declined by 6.0 per cent in 2014, following a contraction of 3.3 per cent in 2013. Private investment as a share of GDP fell from 16.2 per cent in 2013 to 14.3 per cent in 2014. It is forecast to drop further to 13.7 per cent in 2015. Private investment will continue to be affected by:

- the high level of corporate indebtedness that might limit businesses' ability to invest;
- the weak demand for business construction projects;
- the slow recovery in our main export markets; and
- the inability to develop new growth pillars.

Nonetheless, business confidence has started to improve as from end-2014, which should impact positively on private investment. Public investment as a proportion of GDP fell marginally from 5.0 per cent in 2013 to 4.9 per cent in 2014. It is expected to rise to 5.7 per cent in 2015, mainly due to the following projects:

- berth extension and strengthening at Mauritius Container Terminal;
- Bagatelle water treatment and associated works;
- road improvement and upgrading;
- land drainage and replacement of water pipes;
- acquisition of marine vessels by National Coast Guard and Mauritius Shipping Corporation; and
- upgrading of public bus fleet.

Both Gross Domestic Savings (GDS) as a percentage of GDP and Gross National Savings (GNS) as a share of Gross National Disposable Income (GNDI) fell in 2014. The ratio of GDS to GDP went down from 11.8 per cent in 2013 to 11.5 per cent in 2014, while the ratio of GNS to GNDI (including the activities of GBCs) dropped from 17.6 per cent in 2013 to 16.4 per cent in 2014. Although the two ratios are expected to increase in 2015, efforts must be taken to reverse the downward trend in the savings rate so as to put the Mauritian economy on a high-growth path.

Net exports of goods and services made a positive contribution to GDP growth in 2014. Exports of goods and services went up by 11.1 per cent in 2014, after a contraction of 6.2 per cent in 2013. Imports of goods and services grew by 8.8 per cent in 2014, following a decline of 0.5 per cent in 2013. Exports of goods and services are anticipated to register a lower growth in 2015. Table 4.1 shows the real growth rates of expenditure on GDP.

All major economic sectors, except construction, contributed positively to the 3.5 per cent growth rate recorded in 2014. The financial and insurance activities, manufacturing and wholesale and retail trade sectors made the highest contributions to GDP growth in 2014. This trend will continue in 2015. Chart 4.1 shows the contribution of selected economic sectors to GDP growth in 2014 and 2015.

The main economic sectors are expected to maintain their growth momentum in 2015, with improved performance projected in the accommodation and food service activities, transportation and storage, and information and communication sectors. Construction is forecast to recover, with a growth rate of 1.4 per cent in 2015, after four successive years of decline (Table 4.2). This positive performance is likely to result from ongoing private and public projects as well as new public projects announced in the budget. Nevertheless, although the construction sector is anticipated to register positive growth in 2014, it is not the level reached in 2010 (4.3 per cent), before the period of contraction.

Table 4.1 Expenditure on GDP – Real Growth Rates (y-o-y)

Per cent

	2012	2013[1]	2014[1]	2015[2]
1. Final consumption expenditure	**+2.8**	**+2.3**	**+2.9**	**+3.2**
Households	+2.7	+2.6	+2.6	+2.9
General Government	+2.9	+0.7	+4.3	+4.5
2. Gross domestic fixed capital formation	**-0.8**	**-3.3**	**-6.0**	**+5.2**
Private sector	-1.9	-2.8	-8.4	-0.1
Public sector	+2.9	-4.9	+1.8	+20.5
3. Gross domestic fixed capital formation *exclusive of aircraft and marine vessel*	**-0.8**	**-6.7**	**-5.3**	**+7.0**
Private sector	-1.9	-7.2	-4.2	-0.1
Public sector	+2.9	-5.0	-8.8	+30.4
4. Exports of goods & services	**+3.5**	**-6.2**	**+11.1**	**+9.5**
Goods (f.o.b)	+0.9	+4.6	+12.6	+10.3
Services	+5.4	-14.1	+9.6	+8.8
5. Less Imports of goods & services	**+1.3**	**-0.5**	**+8.8**	**+6.4**
Goods (f.o.b)	+2.5	+4.7	+8.0	+5.9
Services	-0.8	-11.0	+10.6	+7.4

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

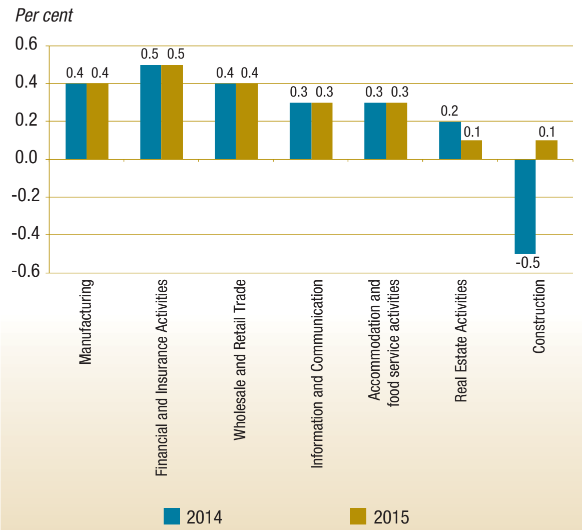
Table 4.2 Gross Domestic Product - Sectoral Real Growth Rates (y-o-y)

Per cent

	2012	2013	2014 [1]	2015 [2]
Agriculture, forestry and fishing	-0.2	+0.4	+3.9	+3.6
Manufacturing	+2.2	+4.4	+2.2	+1.9
of which: Textile	*-1.1*	*+2.6*	*+1.0*	*+1.0*
Construction	-3.0	-9.4	-8.5	+1.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	+3.9	+3.1	+3.2	+3.0
Transportation and storage	+2.1	+2.0	+2.5	+3.0
Accommodation and food service activities	+0.0	+2.5	+4.1	+5.4
Information and communication	+8.6	+6.9	+6.4	+7.0
Financial and insurance activities	+5.7	+5.4	+5.4	+5.3
Real estate activities	+2.8	+2.9	+2.7	+2.2
Gross Domestic Product at basic prices	**+3.4**	**+3.2**	**+3.5**	**+3.8**

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

Chart 4.1 Selected Economic Sectors: Contribution to GDP Growth in 2014 and 2015

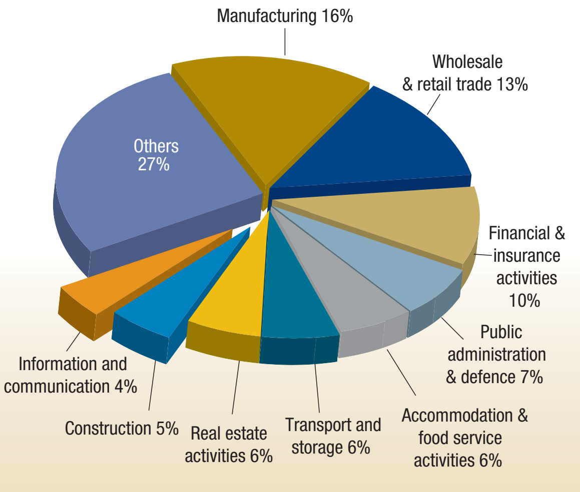


Source: Statistics Mauritius.

The Mauritian economy has undergone a major transformation during the last four decades. In the 1990s, it has developed from a low-income, agriculturally-based economy to a middle-income economy that rested on three pillars, namely, sugar, textiles and tourism. Over time, these three traditional sectors were, however, no longer able to sustain further wealth and job creation. Government therefore gave high priority to the development of the ICT sector. The financial services sector and the Freeport also played an increasingly important role in the economy. Chart 4.2 shows the share of main economic activities in Mauritius in 2014. The manufacturing sector, which represented 24 per cent of GDP in 1998, still remains the highest contributor to economic activity, with a share of 16 per cent, followed by 'wholesale and retail trade' (13 per cent) and 'financial and insurance activities' (10 per cent). However, some sectors of the economy, for instance 'manufacturing' and 'construction', are vulnerable due to a shortage of competitive labour.

The domestic growth outlook could improve with better prospects expected in the euro area that would increase exports to our main trading partners. The recovery in the euro area is broadening as growth in France and Italy has strengthened. In addition, the recent depreciation of the rupee vis-à-vis the US dollar and the euro should benefit the export sectors. However, the performance of the Mauritian economy will also depend on the extent to which the announced budgetary measures will stimulate public and private investment.

Chart 4.2 Share of Main Economic Activities - 2014

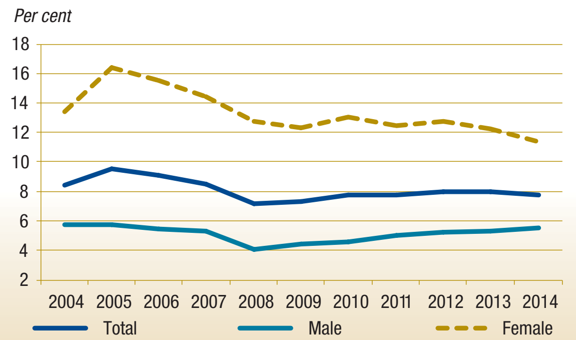


Source: Statistics Mauritius.

2014Q3. It thereafter rose sharply to 6.7 per cent in 2015Q1. The female unemployment rate stood at 11.7 per cent in 2015Q1, almost the same level as in 2014Q1. However, female unemployment was even more volatile from quarter-to-quarter during 2014.

The unemployment rate for persons aged between 16-24 years and 25-29 years stood at 29.8 per cent and 13.2 per cent, respectively, in 2015Q1. Chart 4.3 shows the unemployment rate from 2004 to 2014.

Chart 4.3 Unemployment Rate



Source: Statistics Mauritius.

LABOUR MARKET

The labour market in Mauritius showed a rather mixed picture in 2014 with the unemployment rate falling slightly from 8.0 per cent in 2013 to 7.8 per cent. The labour force increased from 568,500 in 2014Q1 to 579,400 in 2015Q1, while employment rose from 523,200 to 529,100 over the same period. The unemployment rate rose sharply to 8.7 per cent in 2015Q1 after declining steadily to 7.5 per cent in 2014Q4. The seasonally-adjusted rate gradually increased from 7.4 per cent in 2014Q2 to 8.3 per cent in 2014Q4 before declining slightly to 8.1 per cent in 2015Q1.

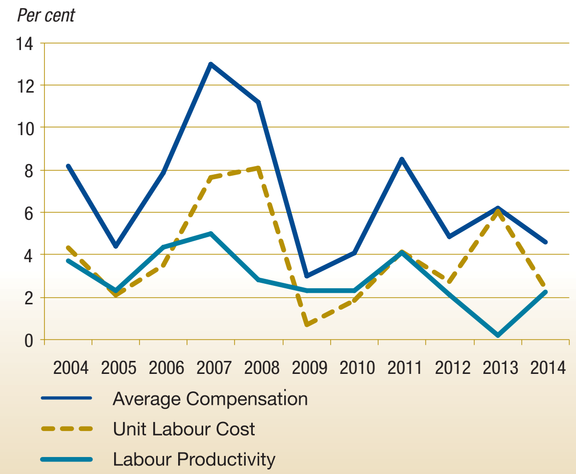
The male unemployment rate increased slightly from 5.5 per cent in 2014Q1 to 5.6 per cent in 2014Q2, before sliding to 5.2 per cent in

The labour market outlook in the short to medium-term would rest on the performance of the economy and its capacity to create employment. The mismatch between demand for and supply of labour continues to underpin the labour market. Youth and female unemployment are a growing concern, especially as the unemployment rates in these categories have increased significantly in early 2015.

Unit Labour Cost and Productivity

The growth of unit labour costs declined significantly in 2014. Unit labour costs rose by 2.4 per cent in 2014, markedly lower compared to 6.0 per cent in 2013. Labour productivity, defined as the ratio of real output to labour input, grew by 2.2 per cent in 2014, up from 0.2 per cent in 2013. At the same time, average compensation of employees rose at a lower rate of 4.6 per cent relative to the 6.2 per cent increase in 2013. Wage increases in excess of productivity gains could potentially pose upside risks to inflation going forward. Chart 4.4 shows the growth rates of average compensation, unit labour cost and labour productivity for the total economy for the years 2004 through 2014.

Chart 4.4 **Growth Rates of Average Compensation, Unit Labour Cost and Labour Productivity - Total Economy**



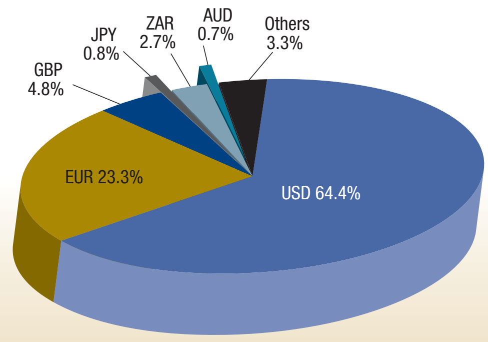
Source: Statistics Mauritius.

FINANCIAL MARKETS DEVELOPMENTS

Domestic Foreign Exchange Market

Total turnover in the foreign exchange market increased during the period under review, while the exchange rate of the rupee depreciated in nominal and real effective terms. Between July 2014 and June 2015, total turnover (including spot and forward dealt transactions, but excluding interbank transactions and interventions conducted by the Bank of Mauritius) increased by 0.6 per cent to an equivalent of US$8,809 million, from an equivalent of US$8,757 million in 2013-14. Transactions were mostly denominated in the two most liquid and largest reserve currencies, with 64.4 per cent in US dollars and 23.3 per cent in euros. Chart 4.5 shows the currency composition for dealt spot transactions in 2014-15.

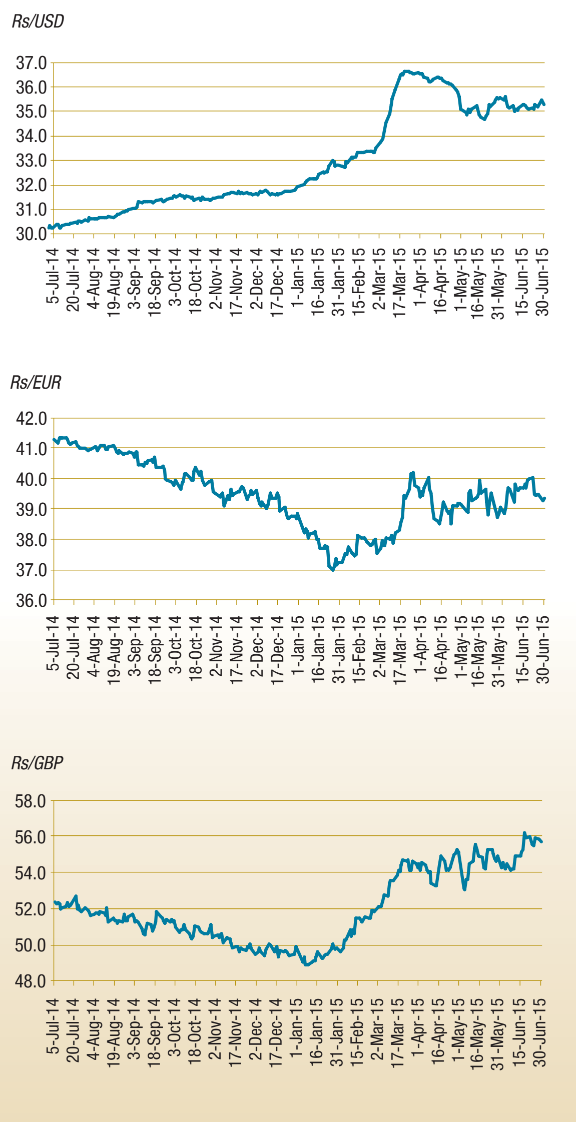
Chart 4.5 **Foreign Exchange Transactions by Banks: Turnover by Currency**



Source: Financial Markets Operations Division.

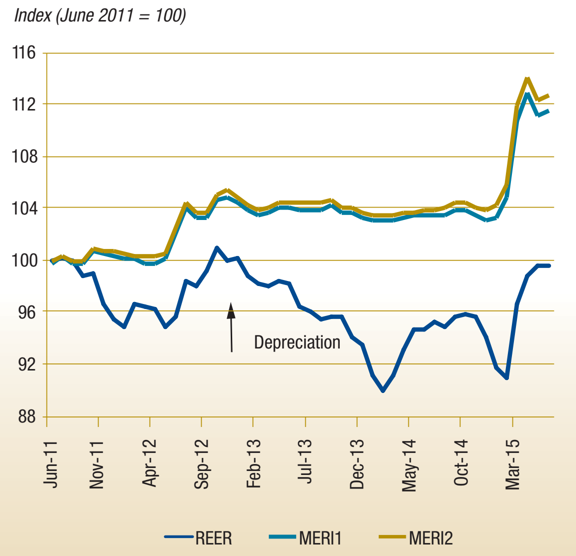
Between end-June 2014 and end-June 2015, on a point-to-point basis, the weighted average daily dealt ask rates of the rupee depreciated against the US dollar and the Pound sterling by 13.8 per cent and 7.2 per cent, respectively, but appreciated vis-à-vis the euro by 5.3 per cent. In nominal and real effective terms, the rupee appreciated between mid-2014 and February 2015 on account of the nominal appreciation of the rupee against the US dollar. Thereafter, the nominal and real effective exchange rate of the rupee depreciated significantly against currencies of its major trading partners. However, the rupee briefly appreciated towards the end of the fiscal year reflecting the movements in international markets. Chart 4.6 shows the evolution of the weighted average daily dealt ask rates of the rupee against major currencies in 2014-15 and Chart 4.7 shows the movements of MERI1, MERI2 and REER.

Chart 4.6 Weighted Average Daily Dealt Ask Rates of the Rupee against Major Currencies



Source: Financial Markets Operations Division.

Chart 4.7 Evolution of MERI1, MERI2 and REER



Source: Financial Markets Operations Division.

Domestic Stock Market

The number of domestic listed companies on the Official Market totalled 48 as at end-June 2015, compared to 46 as at end-June 2014. Of these, 47 were local equities. On the Development and Enterprise Market (DEM), the number of companies listed decreased from 46 a year earlier to 44.

The domestic stock market retreated during 2014-15 and lost ground in line with international markets developments. The SEMDEX which stood at 1980.9 as at 30 June 2015, lost nearly two years of gains after reaching a new high of 2,170.7 in October 2014. Market capitalisation on the Official Market stood at Rs220.2 billion as at end-June 2015, compared to Rs229.2 billion as at end-June 2014. The aggregate value of transactions in 2014-15 amounted to Rs19.3 billion for a volume of 4,098.3 million shares traded, up from an aggregate value of Rs13.8 billion for a volume of 2,287.0 million shares traded in 2013-14.

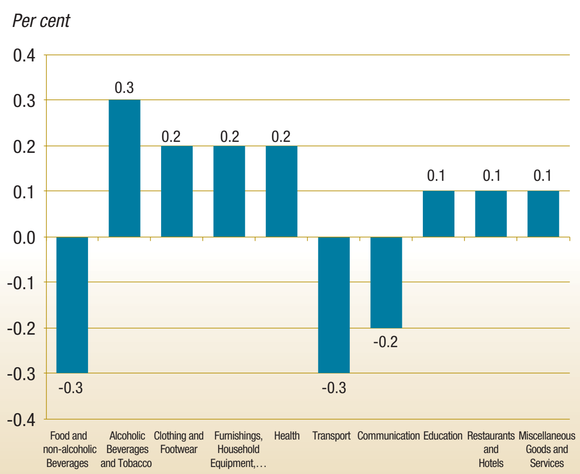
During 2014-15, net disinvestment by foreigners amounted to Rs4,672.7 million on the local stock market and was mostly related to the Official Market. The portfolio disinvestments were mostly from the Banking and Hotels companies. On the DEM, purchases and sales of shares by foreigners amounted to Rs109.1 million and Rs228.2 million, respectively, representing a net disinvestment of Rs119.1 million compared to an investment of Rs95.8 million in 2013-14.

PRICE DEVELOPMENTS

Subdued domestic demand conditions, low inflation in major trading partners and lower international commodity prices have kept domestic inflation at low levels. The softening bias was observed on both headline and year-on-year inflation. Notwithstanding a percentage increase in August 2014, headline inflation, as measured by the percentage change in the yearly average Consumer Price Index (CPI) in Mauritius, has been on a sustained downtrend. Headline inflation declined from 4.0 per cent in June 2014 to 1.7 per cent in June 2015, the lowest since June 2010. Y-o-y inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, reached its lowest value in almost six years, shifting from 3.3 per cent in June 2014 to 0.4 per cent in June 2015. On account of bad weather conditions in the early months of 2015, which led to a substantial increase in the price of vegetables, y-o-y inflation went up from 0.2 per cent in December 2014 to 2.0 per cent in February 2015. The price shock due to domestic food supply subsequently waned off, resulting to a decline of year-on-year inflation in the second quarter of 2015.

Overall, the CPI increased by 0.4 index point, from 106.8 in June 2014 to 107.2 in June 2015. Chart 4.8 shows the main contributors to the increase in CPI.

Chart 4.8 Contribution to the Change in CPI



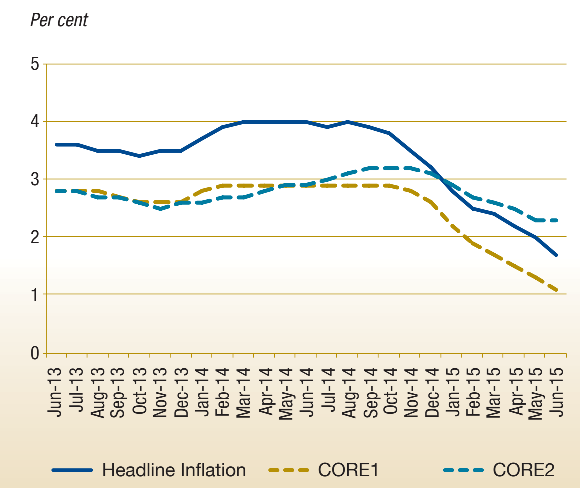
Sources: Statistics Mauritius and Statistics Division, Bank of Mauritius.

Core Inflation

Underlying inflation measures have not pointed to any upside price pressures, as shown in the evolution of the core measures of inflation. For the twelve-month period ended June 2015, CORE1 inflation and CORE2 inflation stood at 1.1 per cent and 2.3 per cent, respectively. In the year 2014-15, CORE1 and CORE2 inflation fluctuated within a range of 1.1 per cent and 3.2 per cent. On a y-o-y basis, CORE1 inflation reached a trough of -0.4 per cent in January 2015 before edging up to 0.6 per cent in June 2015, while CORE2 inflation decreased from 3.2 per cent to 0.8 per cent in January 2015 before rising to 2.1 per cent in June 2015.

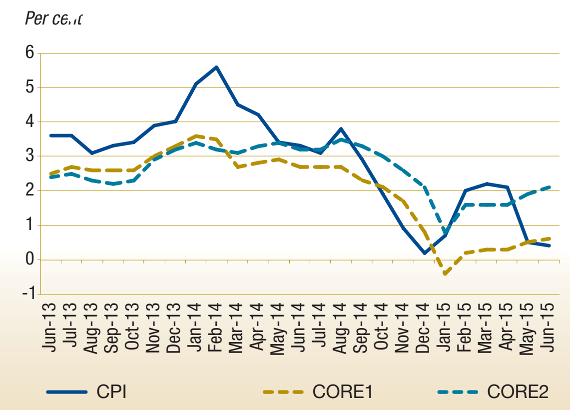
Chart 4.9 shows the movements of headline and core inflation over the period June 2013 through June 2015. Chart 4.10 shows the y-o-y movements of CPI and core inflation over the same period.

Chart 4.9 Headline and Core Inflation



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

Chart 4.10 CPI and Core Inflation based on Y-o-y Methodology



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

MONETARY AGGREGATES

Depository Corporations Survey

The Depository Corporations Survey (DCS) shows consolidated data derived from the balance sheets of the Bank of Mauritius and Other Depository Corporations (ODCs), which comprised 23 banks and 8 non-bank deposit-taking institutions as at end-June 2015. Net foreign assets (NFA) of depository corporations went up from Rs382,242 million as at end-June 2014 to Rs519,851 million as at end-June 2015 or by 36.0 per cent as against a contraction of 3.0 per cent in the corresponding period of 2014.

Domestic credit of depository corporations grew by 8.1 per cent in the year, from Rs426,481 million as at end-June 2014 to Rs460,965 million as at end-June 2015, compared to a rise of 7.7 per cent a year earlier. Net claims on Central Government expanded by 34.7 per cent from Rs34,504 million as at end-June 2014 to Rs46,468 million as at end-June 2015, compared to a growth of 40.9 per cent registered in the corresponding period of 2014. Claims on other sectors increased by 5.7 per cent as at end-June 2015 compared to a growth of 5.5 per cent as at end-June 2014.

Broad Money Liabilities (BML) went up by 10.6 per cent, from Rs378,456 million as at end-June 2014 to Rs418,402 million as at end-June 2015, compared to an increase of 7.7 per cent in the preceding financial year. Among the components of BML, currency with public went up by 10.8 per cent in 2014-15, higher than the increase of 5.7 per cent registered in 2013-14; transferable deposits recorded an increase of 20.3 per cent compared to an increase of 14.7 per cent in 2013-14; savings deposits increased by 11.8 per cent, higher than the growth of 9.7 per cent registered in the preceding year; and time deposits went up by 2.5 per cent as compared to a rise of 2.4 per cent in 2013-14. Securities other than shares included in broad money went up by Rs206 million, from Rs3,227 million as at end-June 2014 to Rs3,434 million as at end-June 2015. Table 4.3 shows the Depository Corporations Survey as at end-June 2013, 2014 and 2015.

Central Bank Survey

The Central Bank Survey (CBS) 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 15.2 per cent, from Rs62,137 million as at end-June 2014 to Rs71,594 million as at end-June 2015, compared to an increase of 17.0 per cent in 2013-14. Of the major components of the monetary base, currency in circulation rose by 7.8 per cent, marginally lower than the rise of 7.9 per cent recorded in 2013-14, while banks' deposits with the Bank of Mauritius increased by 21.1 per cent compared to an increase of 25.1 per cent in 2013-14.

On the sources side of the monetary base, net foreign assets of the Bank expanded by 15.9 per cent, from Rs119,620 million as at end-June 2014 to Rs138,628 million as at end-June 2015, compared to an increase of 15.5 per cent in the previous year. Domestic claims of the Bank went up by 2.2 per cent compared to a growth of 0.2 per cent in 2013-14. Net

Table 4.3 Depository Corporations Survey[1]

	Jun-13 (1)	Jun-14 (2)	Jun-15 (3)	Change Between (1) and (2)		Change Between (2) and (3)	
	(Rs million)	*(Rs million)*	*(Rs million)*	*(Rs million)*	*(Per cent)*	*(Rs million)*	*(Per cent)*
1. Net Foreign Assets	**394,122**	**382,242**	**519,851**	**-11,880**	**-3.0**	**137,610**	**36.0**
Claims on Non-residents	938,844	828,604	927,862	-110,240	-11.7	99,258	12.0
Liabilities to Non-residents	-544,722	-446,363	-408,011	98,360	-18.1	38,352	-8.6
2. Domestic Claims	**395,942**	**426,481**	**460,965**	**30,539**	**7.7**	**34,483**	**8.1**
A. Net Claims on Central Government	***24,490***	***34,504***	***46,468***	***10,014***	***40.9***	***11,964***	***34.7***
Claims on Central Government	63,203	74,355	79,660	11,151	17.6	5,306	7.1
Liabilities to Central Government	-38,713	-39,851	-33,192	-1,138	2.9	6,658	-16.7
B. Claims on other Sectors	***371,452***	***391,977***	***414,497***	***20,525***	***5.5***	***22,520***	***5.7***
3. ASSETS = LIABILITIES	**790,064**	**808,723**	**980,816**	**18,658**	**2.4**	**172,093**	**21.3**
4. Broad Money Liabilities	**351,376**	**378,456**	**418,402**	**27,080**	**7.7**	**39,946**	**10.6**
A. Currency outside Depository Corporations	*20,523*	*21,685*	*24,018*	*1,162*	*5.7*	*2,333*	*10.8*
B. Transferable Deposits	*74,121*	*85,000*	*102,270*	*10,879*	*14.7*	*17,270*	*20.3*
C. Savings Deposits	*132,413*	*145,274*	*162,368*	*12,862*	*9.7*	*17,093*	*11.8*
D. Time Deposits	*120,353*	*123,269*	*126,313*	*2,916*	*2.4*	*3,044*	*2.5*
E. Securities other than Shares	*3,966*	*3,227*	*3,434*	*-738*	*-18.6*	*206*	*6.4*
5. Other	**438,688**	**430,266**	**562,414**	**-8,422**	**-1.9**	**132,147**	**30.7**

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.

claims on Central Government declined by 14.8 per cent, reflecting mainly a fall in holdings of Government securities by the Bank. Claims on other depository corporations went down by 16.0 per cent, from Rs2,414 million at end-June 2014 to reach Rs2,028 million at end-June 2015. Table 4.4 shows the Central Bank Survey as at end-June 2013 through end-June 2015.

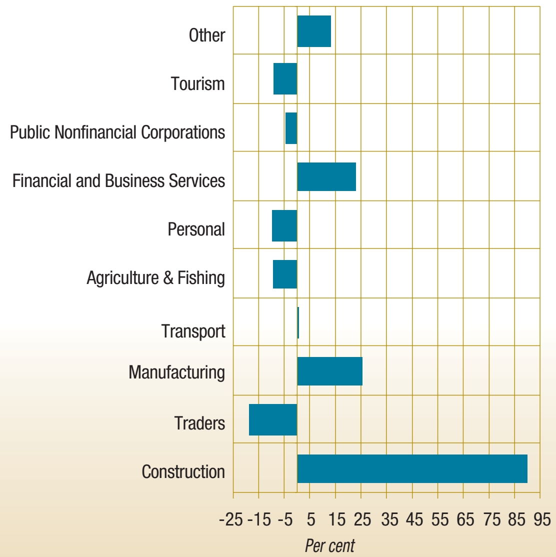
Sector-wise Distribution of Banks' Credit

Credit extended by banks to the private sector grew by 2.7 per cent, from Rs268,045 million as at end-June 2014 to Rs275,266 million as at end-June 2015, compared to an increase of 3.6 per cent registered over the corresponding period of the preceding year. The additional credit was mainly directed towards Construction, Manufacturing and Financial and Business Services sectors, which accounted for 89.9 per cent, 25.5 per cent and 22.8 per cent of the rise in credit in 2014-15, respectively. Chart 4.11 shows the sector-wise contribution to the increase in credit to the private sector by banks in 2014-15.

Maintenance of Cash Reserve Ratio

The minimum Cash Reserve Ratio (CRR) requirement remained unchanged during the year under review. The latest change in CRR was effected in May 2014 when the fortnightly average CRR and the daily minimum CRR on rupee deposits were raised from 8.0 per cent and 5.5 per cent to 9.0 per cent and 6.5 per cent, respectively.

Chart 4.11 Distribution of the Increase in Bank Credit to the Private Sector - end-June 2014 to end-June 2015



Source: Statistics Division.

The average excess reserves held by banks were in a higher range of Rs5.2-16.5 billion in 2014-15 compared to the range of Rs2.5-11.6 billion in 2013-14, reflecting the excess liquidity in the system. The average cash ratio fluctuated between 10.0-13.2 per cent in 2014-15 compared to 8.4-12.0 per cent in the corresponding period of the preceding year.

Interest Rates

During 2014-15, the Key Repo Rate (KRR) was kept unchanged at 4.65 per cent. The last change was effected in June 2013, when the KRR was reduced by 25 basis points, from 4.90 per cent to 4.65 per cent.

For the period ended June 2015, the Savings Deposits Rate and Prime Lending Rate were within a range of 2.00-4.00 per cent and 6.25-

Table 4.4 Central Bank Survey

	Jun-13 (1) (Rs million)	Jun-14 (2) (Rs million)	Jun-15 (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	**103,579.9**	**119,619.6**	**138,628.5**	**16,039.7**	**15.5**	**19,008.9**	**15.9**
Claims on Non-residents	103,679.9	119,944.7	138,736.4	16,264.7	15.7	18,791.7	15.7
less: Liabilities to Non-residents	100.0	325.0	107.9	225.0	224.9	-217.2	-66.8
2. Domestic Claims	**-16,367.8**	**-16,338.4**	**-15,983.2**	**29.5**	**0.2**	**355.1**	**2.2**
A. Net Claims on Central Government	-18,112.1	-18,912.3	-21,714.8	-800.2	-4.4	-2,802.5	-14.8
B. Claims on Other Sectors	198.1	159.6	3,704.0	-38.5	-19.4	3,544.4	2,220.9
C. Claims on Other Depository Corporations	1,546.1	2,414.3	2,027.6	868.2	56.2	-386.7	-16.0
3. ASSETS = LIABILITIES	**87,212.0**	**103,281.2**	**122,645.3**	**16,069.2**	**18.4**	**19,364.0**	**18.7**
4. Monetary Base	**53,094.0**	**62,137.0**	**71,594.1**	**9,043.0**	**17.0**	**9,457.1**	**15.2**
A. Currency in Circulation	24,405.0	26,344.9	28,401.2	1,939.9	7.9	2,056.3	7.8
B. Liabilities to Other Depository Corporations	28,377.5	35,505.5	42,987.3	7,128.0	25.1	7,481.7	21.1
C. Liabilities to Other Sectors	311.5	286.6	205.7	-24.9	-8.0	-80.9	-28.2
5. Other Liabilities to Other Depository Corporations	**10,207.0**	**17,166.0**	**24,624.0**	**6,959.1**	**68.2**	**7,457.9**	**43.4**
6. Other	**23,911.1**	**22,012.9**	**24,373.3**	**-1,898.1**	**-7.9**	**2,360.4**	**10.7**

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

8.50 per cent, respectively, compared to 2.40-3.40 per cent and 6.25-8.50 per cent for the corresponding period in 2014. Several banks lowered their savings deposit and prime lending rates, despite an unchanged KRR.

Banks' weighted average lending rate, which stood at 8.04 per cent in June 2014, declined to 7.68 per cent in June 2015. Table 4.5 shows the movements of interest rates during 2014-15.

EXTERNAL TRADE AND BALANCE OF PAYMENTS

The current account deficit to GDP ratio has been estimated at around 5.8 per cent in 2014-15 compared to 5.4 per cent in 2013-14, reflecting widening merchandise trade deficit coupled with higher deficit in the current transfers account which more than offset the surplus registered in the services and income accounts. In absolute terms, the current account deficit, inclusive of cross-border transactions of GBC1s, widened from Rs20.2 billion in 2013-14 to Rs23.2 billion in 2014-15. The worsening merchandise trade deficit hinged upon a higher absolute increase in imports relative to the absolute rise in exports. Year-on-year, exports of goods grew by 8.7 per cent during 2014-15 compared to 9.3 per cent in 2013-14, while imports (*f.o.b.)* witnessed a growth rate of 5.2 per cent compared to 4.7 per cent in 2013-14. The growth in exports was primarily led by the performance of the *'Re-exports'* sector. *'Domestic exports'* eased by 1.5 per cent in 2014-15, reflecting to a large extent the sub-par growth in our main exports markets.

The higher import bill stemmed mainly from increases in imports of *'machinery and transport equipment'* (+29.6 per cent), *'chemicals and related products'* (+5.7 per cent), *'manufactured goods classified chiefly by material'* (+5.3 per cent) and *'food and live animals'* (+2.9 per cent), that outweighed the considerable decline noted

Table 4.5 **Banks' Interest Rate Structure**

(Per cent per annum)

		Prime Lending Rate	Interest Rate on Rupee Savings Deposits with Banks	Interest Rate on Rupee Term Deposits with Banks	Interest Rate on Rupee Loans and Advances by Banks	Weighted Average Rupee Deposits Rate of Banks	Weighted Average Rupee Lending Rate of Banks
2014							
	Jul	6.25-8.50	2.40-3.40	1.15-12.00	2.00-19.50	3.30	7.98
	Aug	6.25-8.50	2.40-3.40	0.40-12.00	2.00-19.72	3.29	7.98
	Sep	6.25-8.50	2.40-3.40	0.40-12.00	2.00-19.71	3.27	7.95
	Oct	6.25-8.50	2.40-3.40	0.40-11.00	2.00-19.62	3.27	7.94
	Nov	6.25-8.50	2.40-3.40	0.40-11.00	2.00-19.55	3.24	7.83
	Dec	6.25-8.50	2.40-4.00	0.10-11.00	2.00-19.65	3.20	7.79
2015							
	Jan	6.25-8.50	2.00-4.00	0.25-11.00	2.00-19.72	3.18	7.72
	Feb	6.25-8.50	2.00-4.00	0.25-11.00	2.00-19.90	3.20	7.75
	Mar	6.25-8.50	2.00-4.00	0.25-11.00	2.00-19.62	3.17	7.81
	Apr	6.25-8.50	2.00-4.00	0.40-11.00	2.00-19.40	3.05	7.75
	May	6.25-8.50	2.00-4.00	0.40-11.00	1.96-19.25	2.84	7.70
	Jun	6.25-8.50	2.00-4.00	0.15-11.00	2.00-19.25	2.82	7.68

Source: Statistics Division.

in imports of *'mineral fuels, lubricants and related products'* (-12.6 per cent). The largest increase was recorded in imports of *'telecommunications and sound recording, and reproducing apparatus and equipment'* (+105.4 per cent) that were mainly meant for re-exports. Imports of *'machinery and transport equipment'* excluding *'telecommunications and sound recording, and reproducing apparatus and equipment'* increased by a much lower 5.4 per cent.

Services, Income and Current Transfers

The surplus on the services account increased to Rs18.1 billion in 2014-15 from Rs17.3 billion in 2013-14. The higher surplus reflected mainly higher travel receipts and exports of *'other services'* compared to the previous year. Gross tourism earnings reached Rs43.5 billion in 2014-15, higher than Rs41.1 billion registered in 2013-14. In recent years, the exports of services have grown by an annual average of 5.5 per cent, deepening the service-based economy. The income account, inclusive of cross-border transactions of GBC1s, posted a net surplus of Rs33.8 billion. Excluding cross-border transactions of GBC1s, the income account posted a deficit of Rs3.9 billion in 2014-15 as against a surplus of Rs0.9 billion in 2013-14. The deficit on the current transfers account increased to Rs6.7 billion in 2014-15, from Rs4.6 billion in 2013-14.

Capital and Financial Account

The capital and financial account, inclusive of reserve assets, posted lower net inflows of Rs16.0 billion in 2014-15 compared to Rs19.4 billion recorded in the previous year. Direct investment in Mauritius recorded net inflows of Rs51.6 billion, *of which GBC1s' net direct investment flows amounted to net inflows of Rs45.4 billion* in 2014-15 as against net outflows of Rs2.9 billion, *of which GBC1s' net direct investment flows amounted to net outflows of Rs10.5 billion,* in 2013-14. Excluding cross-border transactions of GBC1s, non-residents' direct investment in Mauritius net of repatriation flows amounted to Rs8.7 billion in 2014-15 compared to Rs11.6 billion in 2013-14 while direct investment abroad net of repatriation flows decreased to Rs2.5 billion in 2014-15 compared to Rs3.9 billion in 2013-14.

On a gross basis, excluding direct investment in GBC1s, Mauritius attracted Rs11.0 billion by way of foreign direct investment in 2014-15. Foreign direct investment into real estate activities in Mauritius amounting to Rs7.0 billion, continued to represent around half of the direct investment flows into the economy. The on-going dominant position of the real estate sector in direct investment flows is accounted for by the IRS/RES/IHS sub-sector to the tune of Rs5.2 billion. The share of direct investment in the Accommodation and food service activities sector peaked with the acquisitions of some hotel resorts in Mauritius by non-residents, reflecting growing interest in the tourism sector of the country.

The portfolio investment account, inclusive of GBC1s cross-border transactions, posted higher net outflows of Rs24.7 billion in 2014-15 compared to net outflows of Rs6.4 billion registered in 2013-14. Portfolio assets, excluding GBC1s cross-border transactions, recorded net outflows of Rs4.9 billion compared to net outflows of Rs3.2 billion in the previous fiscal year. Portfolio liabilities, excluding GBC1s cross-border transactions, registered net outflows of Rs2.0 billion in 2014-15 as against net inflows of Rs7.5 billion in the previous fiscal year.

The 'Other investment' account, inclusive of GBC1s cross-border transactions, recorded lower net inflows of Rs4.4 billion in 2014-15 compared to net inflows of Rs44.7 billion in 2013-14. The Government sector registered net inflows of Rs133 million in 2014-15 on account of long-term external loan disbursements of Rs3.1 billion that were partly offset by capital repayments of Rs3.0 billion. *'Private long-term capital'*, inclusive of GBC1s cross-border transactions, recorded net inflows of Rs79.6 billion in 2014-15 compared to net inflows of Rs0.6 billion during the preceding fiscal year.

Table 4.6 Balance of Payments Summary

	2010 -11	2011-12	2012 -13	2013 -14	2014-15 [1]
			(Rs million)		
Current Account	**-34,405**	**-36,021**	**-29,698**	**-20,212**	**-23,203**
Goods	**-62,339**	**-72,118**	**-68,586**	**-67,994**	**-68,378**
Exports f.o.b.	72,444	77,165	83,359	91,093	99,019
Imports f.o.b.	134,783	149,283	151,945	159,087	167,397
Imports c.i.f.	141,621	156,021	159,993	166,791	176,243
Services	**23,089**	**27,484**	**24,113**	**17,338**	**18,090**
Income	**-1,745**	**5,332**	**14,788**	**35,060**	**33,768**
o/w global business	*-7,542*	*2,142*	*12,094*	*34,126*	*37,619*
Current Transfers	**6,590**	**3,281**	**-12**	**-4,616**	**-6,683**
Capital and Financial Account	**57,740**	**58,786**	**12,610**	**19,401**	**15,952**
Capital Account	**-58**	**-141**	**-183**	**-111**	**-186**
Financial Account	**57,798**	**58,927**	**12,793**	**19,512**	**16,138**
Direct Investment	316,481	17,990	108,797	-2,875	51,565
o/w global business	*307,762*	*10,416*	*98,411*	*-10,536*	*45,353*
Portfolio Investment	-81,767	164,022	14,363	-6,379	-24,673
o/w global business	*-75,954*	*158,831*	*9,706*	*-10,724*	*-17,826*
Other Investment	-168,517	-120,394	-90,033	44,705	4,351
o/w global business	*-124,814*	*-189,627*	*-82,390*	*1,758*	*81,951*
Reserve Assets	-8,399	-2,692	-20,335	-15,939	-15,105
Net Errors and Omissions	**-23,335**	**-22,765**	**17,089**	**811**	**7,251**
			(USD million)		
Current Account	**-1,164**	**-1,240**	**-965**	**-665**	**-708**
Goods	**-2,109**	**-2,483**	**-2,229**	**-2,238**	**-2,086**
Exports f.o.b.	2,451	2,657	2,709	2,998	3,020
Imports f.o.b.	4,561	5,140	4,937	5,236	5,106
Imports c.i.f.	4,792	5,372	5,199	5,490	5,375
Services	**781**	**946**	**784**	**571**	**552**
Income	**-59**	**184**	**480**	**1,154**	**1,030**
o/w global business	*-255*	*74*	*393*	*1,123*	*1,147*
Current Transfers	**223**	**113**	**0**	**-152**	**-204**
Capital and Financial Account	**1,954**	**2,024**	**410**	**639**	**487**
Capital Account	**-2**	**-5**	**-6**	**-4**	**-6**
Financial Account	**1,956**	**2,029**	**416**	**642**	**492**
Direct Investment	10,709	619	3,535	-95	1,573
o/w global business	*10,414*	*359*	*3,198*	*-347*	*1,383*
Portfolio Investment	-2,767	5,647	467	-210	-753
o/w global business	*-2,570*	*5,468*	*315*	*-353*	*-544*
Other Investment	-5,702	-4,145	-2,925	1,471	133
o/w global business	*-4,224*	*-6,529*	*-2,677*	*58*	*2,499*
Reserve Assets	-284	-93	-661	-525	-461
Net Errors and Omissions	**-790**	**-784**	**555**	**27**	**221**

[1] *Provisional.*

Note: (a) As from 2010-11, the balance of payments includes cross-border transactions of GBC1s.

(b) As from the year 2013, the income and current transfers accounts have been supplemented with improved GBC1 Survey results and are not strictly comparable with prior years data.

Source: Statistics Division.

Table 4.7 Gross Official International Reserves

End of Month	Gross Foreign Assets of Bank of Mauritius	Reserve Position in the IMF	Foreign Assets of the Government	Gross Official International Reserves	Gross Official International Reserves [1]
2014	(Rs million)				(US$ million)
July	121,043	1,789	0.1	122,832.1	4,033.5
August	123,218	1,802	0.0	125,020.0	4,051.9
September	120,717	1,787	0.1	122,504.1	3,910.1
October	119,549	1,782	0.0	121,331.0	3,872.8
November	117,680	1,777	0.1	119,457.1	3,795.9
December	122,576	1,768	0.2	124,344.2	3,919.1
2015					
January	119,887	1,775	0.1	121,662.1	3,727.0
February	125,815	1,805	0.1	127,620.1	3,837.3
March	138,778	1,611	0.1	140,389.1	3,856.5
April	137,255	1,597	0.3	138,852.3	3,921.8
May	137,874	1,581	0.2	139,455.2	3,943.5
June	138,304	1,590	0.1	139,894.1	3,979.5

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

The country recorded an overall Balance of Payments surplus of Rs15.1 billion in 2014-15, compared to an overall Balance of Payments surplus of Rs15.9 billion in 2013-14. Table 4.6 provides a summary of the balance of payments from 2010-11 to 2014-15.

Gross Official International Reserves

Reflecting recurrent overall balance of payments surplus, the gross official international reserves (GOIR) of the country increased significantly during the period under review. GOIR, comprising the gross foreign assets of the Bank of Mauritius, the foreign assets of Government and the country's reserve position in the IMF, increased from Rs121.4 billion as at end-June 2014 to an all-time high of Rs139.9 billion as at end-June 2015. The gross foreign assets of the Bank increased from Rs119.6 billion to Rs138.3 billion over the same period, while the reserve position in the Fund went down to Rs1.6 billion as at end-June 2015. Based on the value of imports of goods *f.o.b.* and non-factor services for calendar year 2014, the level of GOIR as at end-June 2015 represented 7.0 months of imports compared to 6.1 months as at end-June 2014.

Table 4.7 shows the monthly level of gross official international reserves of the country during 2014-15.

GOVERNMENT FINANCE

The Finance and Audit Act was amended with effect from 1 January 2015 to provide for the change in the definition of "financial year" from calendar year to a period of 12 months ending on 30 June. Thus, Budget 2015/16 provided two estimates; the first estimate covered the period January to June 2015 and the second estimate covered the 12 months period July 2015 to June 2016.

The overall fiscal deficit fell to 3.2 per cent of GDP in 2014, reflecting prudent macroeconomic management and fiscal consolidation. Deficit financing shifted from foreign to domestic sources, which accounted for around 68 per cent of total financing compared to 18 per cent in 2013. For the period January to June 2015, the budget deficit is estimated at Rs7,725 million, financed principally from domestic sources.

Government Revenue and Expense

Government revenue as a share of GDP fell from 21.4 per cent in 2013 to 20.6 per cent in 2014. Total Government revenue amounted to Rs79,674 million in 2014, 7.6 per cent lower than budget estimates. Recurrent revenue as a share of GDP remained stable and averaged 21.5 per cent over the period 2010-2014. Taxes, the main component of Government revenue, increased by 5.9 per cent to Rs71,992 million in 2014. Overall tax receipts were also stable at 18.6 per cent of GDP, although there have been movements within the various components of taxes. VAT receipts were the largest source of Government income, representing around 33.0 per cent of recurrent revenue. In 2014, VAT receipts declined to 6.7 per cent of GDP, from 7.1 per cent a year ago, reflecting the slower growth in domestic consumption expenditure. The remaining components of revenue were ‘other revenue’ (Rs5,992 million) and ‘social contributions’ (Rs1,284 million).

Government expenditure as a share of GDP was lower in 2014 than in 2013. Total government expenditure amounted to Rs92,226 million for the period January to December 2014, 6.7 per cent lower compared to budget estimates. It represented 23.9 per cent of GDP compared to 24.9 per cent in 2013. Compensation of employees accounted for the largest share of expense (26.1 per cent) and totalled Rs24,025 million. The second major component of expenditure was social benefits (Rs19,250 million) with a share of 20.9 per cent. Interest payments totalled Rs10,118 million, of which Rs9,475 million and Rs643 million represented interest on domestic and external debt, respectively.

For the period January to June 2015, according to government estimates, the budget deficit as a percentage of GDP is estimated at around 4.0 per cent for the six months ended January-June 2015 compared to a deficit of 2.1 per cent for the first six months of 2014. The shortfall on the primary balance for the six months ended June 2015 was estimated at Rs2,780 million as against a surplus of Rs1,022 million for the first semester of 2014. The higher budget deficit for the first semester of 2015 was mainly attributed to the increase in social benefits, which has increased by almost 30 per cent compared to the first semester of 2014, on account of a considerable increase in old age pensions, which became effective in January 2015.

Table 4.8 provides details about budgetary central Government operations for the years 2011 to 2015/16.

2015/16 Budget

The 2015/16 Budget focussed on major projects to off-take economic growth, create jobs and provide more space for entrepreneurship. The Budget announced employment-rich mega projects to boost the construction sector, largely viewed as a growth stabiliser. Emphasis was mainly laid on:

- supporting the SME sector to make it the backbone of our economy;
- improving port infrastructure and modernising the inland infrastructure;
- facilitating business and fast tracking investment; and
- opening Mauritius to the world.

Table 4.8 Statement of Budgetary Central Government Operations

(Rs million)

		2011	2012	2013	2014	Jan-Jun 2015 [1]	2015/16 [1]
		(Actual)	(Actual)	(Actual)	(Prov. Actual)	Estimates	Estimates
1.	**Revenue**	**69,223.2**	**73,793.7**	**78,224.2**	**79,674.1**	**40,366.0**	**90,800.0**
2.	**Expense**	**79,569.9**	**79,871.3**	**91,047.5**	**92,225.1**	**48,091.0**	**106,205.0**
	Current	70,937.5	70,255.3	79,886.4	80,725.6	43,229.0	93,633.0
	of which Interest	9,629.2	10,129.3	9,629.4	10,117.6	4,945.0	10,315.0
	Capital	8,632.5	9,616.0	11,161.1	11,499.5	4,862.0	12,572.0
3.	**Gross Operating Balance/Overall Balance (1-2)**	**-10,346.8**	**-6,077.6**	**-12,823.3**	**-12,551.0**	**-7,725.0**	**-15,405.0**
	Primary Balance	**-717.6**	**4,051.7**	**-3,193.9**	**-2,433.4**	**-2,780.0**	**-5,090.0**
	Financing	**10,346.8**	**6,077.6**	**12,823.3**	**12,551.0**	**7,725.0**	**15,405.0**
	Domestic	5,316.4	3,461.2	2,315.7	8,922.5	8,212.8	20,715.0
	Foreign	5,463.5	2,711.9	10,698.5	4,233.1	-246.8	-4,488.0
	Other*	**-433.1**	**-95.5**	**-190.9**	**-604.6**	**-241.0**	**-822.0**
				In Per cent of GDP			
1.	**Revenue**	**21.4**	**21.5**	**21.4**	**20.6**	**20.8**	**20.9**
2.	**Expense**	**24.6**	**23.2**	**24.9**	**23.9**	**24.8**	**24.4**
	Current	22.0	20.4	21.8	20.9	22.3	21.5
	of which Interest	3.0	2.9	2.6	2.6	2.5	2.4
	Capital	2.7	2.8	3.0	3.0	2.5	2.9
3.	**Gross Operating Balance/Overall Balance (1-2)**	*-3.2*	*-1.8*	*-3.5*	*-3.2*	*-4.0*	*-3.5*
	Primary Balance	-0.2	1.2	-0.9	-0.6	-1.4	-1.2
	Financing	3.2	1.8	3.5	3.2	4.0	3.5
	Domestic	1.6	1.0	0.6	2.3	4.2	4.7
	Foreign	1.7	0.8	2.9	1.1	-0.1	-1.0
	Other*	-0.1	0.0	-0.1	-0.2	-0.1	-0.2

** Refers to Monetary Gold and SDRs.*
[1] As per Statement of Government Operations.
Notes: (i) Figures have been compiled using the IMF's GFS Manual 2001.
(ii) Figures may not add up to totals due to rounding.
Sources: Ministry of Finance and Economic Development, Government of Mauritius and Bank of Mauritius calculations.

Provisions were made to support and accelerate growth in key sectors of the economy. The budget deficit is projected at Rs15,405 million for 2015/16, representing 3.5 per cent of GDP. Government borrowing requirements is estimated at Rs16,622 million and would be financed from domestic sources. The primary balance has been estimated at Rs5,090 million, or 1.2 per cent of GDP.

Public Sector Debt

Public sector debt increased by 9.9 per cent, from Rs228,881 million as at end-June 2014 to Rs251,607 million at the end-June 2015. As a percentage of GDP, total public sector debt increased by 2.7 percentage points to 63.4 per cent. However, it should be highlighted that the debt ratio would be lower if the outstanding Government securities amounting to Rs3.6 billion as at 30 June 2015, issued for mopping up excess liquidity in the banking system, were excluded from the debt figure. Moreover, the Government is targeting to reduce the debt ratio so that at 31 December 2018, it does not exceed 50 per cent. Table 4.9 provides details on public sector debt.

BUDGETARY CENTRAL GOVERNMENT DEBT

As at end-June 2015, total budgetary central Government debt stood at Rs226,619 million, representing an increase of 8.7 per cent from its end-June 2014 level. As a percentage of GDP at market prices, it increased from 55.3 per cent as at end-June 2014 to 57.1 per cent as at end-June 2015.

Budgetary central Government domestic debt increased by Rs14,931 million, or 9.5 per cent, from Rs156,977 million as at end-June 2014 to Rs171,908 million as at end-June 2015. The Government also issued Rs4.0 billion of Treasury bills over and above the Government borrowing requirements to absorb the excess liquidity in the banking system. Moreover, the Government issued three types of retail savings securities amounting to around Rs1.7 billion for boosting savings and mopping up excess liquidity. In that respect, Government of Mauritius Retail Savings Certificates, Notes and Bonds totalling Rs163.6 million, Rs607.9 million and Rs906.3 million, respectively, were issued.

Budgetary central government external debt stood at Rs54,711 million as at end-June 2015 compared to Rs51,456 million as at end-June 2014, reflecting the increased recourse by Government to external financing for its budget deficit. However, the Government made some early repayment in October/November 2014 of foreign currency loans to an equivalent of Rs898.7 million. As a percentage of GDP at market prices, external Government debt marginally increased from 13.7 per cent to 13.8 per cent over the same period.

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

The currency composition of Government external debt as at end-June 2015 remained dominated by the US dollar and Euro with respective shares of 41.2 per cent and 32.5 per cent.

Table 4.9 Public Sector Debt

(Rs million)

	Dec-13	Jun-14	Dec-14	Jun-15 *(Provisional)*
1. Short-term Domestic Obligations [1]	**27,497**	**22,984**	**26,750**	**25,915**
o/w: Treasury Bills	25,971	22,984	26,750	25,802
Advances from Bank of Mauritius	0	0	0	0
Advances from Banks	0	0	0	0
2. Medium-term Domestic Obligations [1]	**43,251**	**50,692**	**48,440**	**50,218**
o/w: Treasury Notes	43,251	50,692	48,440	50,218
3. Long-term Domestic Obligations [1]	**79,212**	**83,301**	**90,095**	**95,775**
o/w: MDLS/Government of Mauritius Bonds	46,062	49,079	53,307	59,627
Five-Year Government of Mauritius Bonds	33,150	34,222	36,788	36,148
4. Domestic Central Government Debt (1+2+3)	**149,960**	**156,976**	**165,286**	**171,908**
	(41.0)	*(41.6)*	*(42.8)*	*(43.3)*
5. External Central Government Debt	**47,163**	**51,456**	**51,429**	**54,711**
	(12.9)	*(13.7)*	*(13.3)*	*(13.8)*
(a) Foreign Loans	42,243	46,512	46,746	49,889
(b) Foreign Investment in Government Securities	427	418	234	46
(c) IMF SDR Allocations	4,493	4,525	4,449	4,775
6. Extra Budgetary Unit Domestic Debt	**24**	**24**	**24**	**24**
7. Extra Budgetary Unit External Debt	**160**	**149**	**137**	**136**
8. Local Government Domestic Debt	**0**	**0**	**0**	**0**
9. Public Enterprise Domestic Debt	**12,062**	**9,437**	**9,531**	**12,210**
10. Public Enterprise External Debt	**10,569**	**10,838**	**11,294**	**12,618**
11. Domestic Public Sector Debt	**162,046**	**166,438**	**174,840**	**184,142**
	(44.3)	*(44.2)*	*(45.3)*	*(46.4)*
12. External Public Sector Debt	**57,891**	**62,443**	**62,860**	**67,465**
	(15.8)	*(16.6)*	*(16.3)*	*(17.0)*
13. Total Public Sector Debt (11+12)	**219,937**	**228,881**	**237,700**	**251,607**
	(60.1)	(60.7)	(61.6)	(63.4)

[1] By original maturity.
Includes Government securities issued for mopping up excess liquidity amounting to some Rs 3.6 billion as of end June 2015.
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 and Ministry of Finance and Economic Development, Government of Mauritius.

Table 4.10 Government External Debt by Interest Rate Mix

(Per cent)

	Dec-13	Jun-14	Dec-14	Jun-15 *(Provisional)*
Fixed Rate	28.6	25.9	24.5	25.1
Floating Rate	68.3	71.4	72.8	72.2
Interest-Free	3.0	2.7	2.7	2.8

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

STATEMENT ON FINANCIAL STABILITY

Financial stability is the resilience of the financial system to respond to adverse shocks, while continuing to function smoothly and allowing economic agents to use their financial assets with confidence and safety. A sound and stable financial system contributes towards broader economic growth and raising living standards. Section 4(2)(b) of the Bank of Mauritius Act 2004 confers upon the Bank the mandate to ensure the stability and soundness of the financial system of the country. This Financial Stability Statement is issued in compliance with Section 33(2)(b) of the Act, and provides an assessment of the resilience of the domestic financial system for the period ended June 2015, unless otherwise stated.

Notwithstanding economic recovery during 2015H1, global growth remained uneven across advanced and emerging market economies. While the UK and US faced temporary setbacks in growth momentum during early 2015, economic activity remained tepid in the Eurozone and Japan. Among the BRICS countries, the economic outlook deteriorated markedly in Brazil and Russia, while China is projected to record lower growth in the wake of a build-up of household and corporate indebtedness and major outburst in its stock market. In its July 2015 World Economic Outlook Update, the IMF revised global growth down to 3.3 per cent for 2015, but forecasts growth of 3.8 per cent in 2016.

On the domestic front, the economy continued to perform relatively well, despite the downward revision in June 2015 of the 2015 real GDP growth by Statistics Mauritius from 4.1 per cent to 3.8 per cent. Growth is expected to gain support from the implementation of measures announced in Budget 2015-16. While public investment is projected to increase in 2015 in light of Government's endeavour to revisit and unlock several projects that had yet to be materialized, private investment still remains lacklustre. Concurrently, amid low global energy and food prices, y-o-y inflation dropped from 3.3 per cent in June 2014 to 0.4 per cent in June 2015, its lowest value in almost six years. The morose global economic outlook could possibly adversely impact on our exports sector although risks to inflation remain contained.

Reflecting international developments, the rupee depreciated against major currencies on nominal and real effective terms in the first half of 2015 but stabilised thereafter. The current account deficit as a percentage of GDP at market prices is estimated at around 5.7 per cent in 2014-15 compared to 5.4 per cent in 2013-14, reflecting widening deficits in both merchandise trade and current transfers accounts. Notwithstanding the persistently high current account deficit over the past years, accumulated foreign exchange reserves have hit record high levels and the country continued to attract Foreign Direct Investment.

The banking sector, in general, remained resilient during 2014-15, and banks are financially sound and adequately capitalized. Banks' total assets continued to grow, driven mainly by further expansion of the foreign assets portfolio held by both domestic-owned and subsidiaries of foreign-owned banks. All banks maintained capital over and above the minimum requirement of 10 per cent. Banks' overall capital adequacy ratio dropped marginally by 0.1 per cent to 17.2 per cent as at end-June 2015. The risk of loss from adverse movements in exchange rates has been assessed to be relatively low as banks' individual balance sheets exhibit fairly low currency mismatches and net exposure to foreign exchange risk. However, the ratio of non-performing loans (NPL) to total advances have increased from 3.9 per cent as at end June 2014 to 4.9 per cent as at end-June 2015, reflecting a deterioration of asset quality in both domestic credit and credit extended outside Mauritius. The coverage ratio declined from 46.1 per cent to 40.1 per cent, as the specific provisions for loan losses have not increased proportionately to the rising NPL; thus the importance for banks to build adequate buffers against potential credit losses.

Indebtedness of households, which maintained an upward trend in the second semester of 2014, declined in the first half of 2015. As a result of lower growth of credit extended to households, the annual growth rate of consumption credit declined since September 2014 and moved into negative territory as from February 2015 right through June 2015. The annual growth rate of credit extended for housing purposes stabilized at around 10 per cent. The household debt service ratio has remained on a rising trend despite lower interest rates in Mauritius such that the level of household indebtedness remains a cause for concern. NPL from household credit are being closely monitored to assess repayment capacity, while problem loans are scrutinised in view of detecting emerging pockets of vulnerabilities and early signs of default.

Total corporate debt as a share of GDP also declined over the year ended June 2015. Corporate credit-to-GDP gap, which maintained an uptrend till 2013 due to significant credit allocation, has subsequently declined, reflecting a lower demand for credit. Corporates are, however, still having high leverage ratios. The Bank is closely following specific sectors to which banks are highly exposed.

During the year ended June 2015, non-bank deposit-taking institutions also remained sound and stable, as these institutions were adequately capitalised and registered steady growth in total assets. According to the Financial Services Commission (FSC), the insurance sector performed well in 2014, with total assets rising by 8.3 per cent. However, given that insurance companies hold deposits and equity in local banks, the interlinkages between banks and insurance companies are gauged and monitored.

On 02 April 2015, the Bank revoked the banking licence of Bramer Banking Corporation Ltd (BBCL), under section 17 of the Banking Act 2004. The revocation was deemed necessary as the capital of BBCL was seriously impaired and the bank had failed to demonstrate its ability to address capital and liquidity issues to the satisfaction of the Bank[3]. In April 2015, in the insurance sector, BAI Co (Mtius) Ltd, a lead company providing life insurance cover was placed into conservatorship.

The payments system operated smoothly during the year under review, except for a collapse of the Bank's IT system on 25 March 2015, which resulted in a half-day unavailability of the major payment system infrastructure. Prompt remedial action was taken to shift the relevant infrastructure to the latest platforms, and all transactions were thereafter settled without considerable delay and without loss. Notwithstanding this single occurrence, the national payment system infrastructure remains robust to cater for the needs of the banking sector.

Overall, the Mauritian economy continues to advance despite the testing global economic environment. The Government is poised to ensure that the economy regains its momentum and has announced a series of projects destined to ensure job creation and achieving a high-income status in the near future. The Bank constantly ensures that its regulatory framework is up to international standards and monitors vulnerabilities in the banking sector.

[3] *For further details, please refer to the August 2015 issue of the Bank's Financial Stability Report.*

5 Regulation and Supervision

The banking sector continued to expand, with banks' total assets growing faster in 2014-15 than in the preceding year. The sector remained resilient and profitable, in spite of increasing non-performing loans that impacted on the return on asset and return on equity ratios.

Having regard to the potential vulnerability resulting from the complexity of structures of some banks commingling their financial and non-financial activities, the Bank has called upon these banks to restructure their operations with a view to ring-fencing their banking activities from other types of activities. Three banks are presently undertaking a restructuring of their operations with a view to segregating their banking activities from non-banking activities. This exercise aims at limiting the risk of contagion from non-banking business to their core banking business.

On 11 July 2014, the Bank launched the XBRL (eXtensible Business Reporting Language) project. The XBRL project has been designed to provide the banking sector with an optimal automated data management system. The system which uses a state-of-the-art technology to collect, store and process data, has, *inter alia*, an advanced on-line reporting platform, a data warehouse and a Business Intelligence platform for internal users. The Bank has been working closely with banks to ensure a smooth transition from the current system of data collection to the new platform.

On 2 April 2015, the Bank of Mauritius revoked the banking licence of Bramer Banking Corporation Ltd under section 17 of the Banking Act 2004. A new banking licence was issued to National Commercial Bank Ltd on 10 April 2015 and the assets of ex-Bramer Banking Corporation Ltd were transferred to the new bank.

Memorandum of Understanding

The Bank fostered its supervisory cooperation with foreign regulators during the period under review. Memoranda of Understanding (MoUs) were signed with the Reserve Bank of Zimbabwe and the Central Bank of Nigeria in November and December 2014, respectively. A further milestone was achieved through the signature of an MoU with the Commission de Supervision Bancaire et Financière de Madagascar in May 2015 given that three banks operating in Mauritius hold subsidiaries in Madagascar. As of 30 June 2015, 16 MoUs have been signed with foreign regulators.

BOX I: POLICY GUIDELINES ISSUED IN 2014-15

Guideline on Related Party Transactions

The *Guideline on Related Party Transactions* was revised in June 2015 in order to provide clarification regarding exemptions for related party credit exposures that represent less than 2 per cent of a financial institution's Tier 1 capital.

Guideline on Corporate Governance

The *Guideline on Corporate Governance* was revised in August 2014 in line with international best governance practices in the aftermath of the global financial crisis. Accordingly, the composition of the board sub committees has been reviewed, and the Guideline provides additional guidance relating to the independence of directors.

Guideline on Credit Concentration Risk

The *Guideline on Credit Concentration Risk* was amended in January 2015 following the removal of sectoral credit concentration limits on the tourism sector, personal sector and commercial, residential and land parcelling sector.

Guideline for the Setting up of Representative Offices in Mauritius

Effective 1 November 2014, a *Guideline for the Setting up of Representative Offices* in Mauritius was issued by the Bank outlining the minimum standards and requirements for the setting up of a representative office in Mauritius by a foreign bank. The permissible activities of a representative office, as set out in the Guideline, are mainly to establish contacts with companies incorporated in Mauritius to promote the services of the foreign bank, to arrange meetings with clients in Mauritius, to serve as a point of contact for customers and collect information to conduct market research activities on behalf of the foreign bank. However, a representative office is not permitted to conduct any form of banking business.

Guideline on Mobile Banking and Mobile Payment Systems

The *Guideline on Mobile Banking and Mobile Payment Systems* was revised in May 2015 to allow service providers to authorise transfers exceeding Rs10,000 per day to third party accounts, subject to the Bank's approval and under such terms and conditions as the Bank may determine.

PERFORMANCE OF THE BANKING SECTOR

As at end-June 2015, 23 banks were licensed to carry out banking business in Mauritius, of which 8 were subsidiaries of foreign-owned banks and 4 were branches of international banks. Two banks were involved in private banking business and one bank conducted Islamic banking exclusively.

The banking sector comprised 223 branches in Mauritius including 4 in Rodrigues, 9 counters, 1 mobile van and 460 Automated Teller Machines (ATMs). As at 30 June 2015, the banking sector employed 7,790 persons, of which 108 were expatriates. Besides traditional banking facilities, 16 banks offered card-based payment services such as credit and debit cards and 17 banks provided internet banking facilities. Three banks offered facilities for mobile banking payments in Mauritius.

The financial soundness of banks is intrinsically linked to their asset quality and is generally reflected in liquidity, profitability and overall financial strength of a bank. Poor asset quality can jeopardise the safety and soundness of a bank while good asset quality is the foundation of a sound financial system. Total assets of banks went up from Rs1,014 billion as at end-June 2014 to Rs1,183 billion as at end-June 2015, or by 16.7 per cent. During the year 2014-15, 5 banks registered declines in their total assets, ranging from 3.1 per cent to 27.8 per cent, while 16 banks recorded growth ranging from 3.3 per cent to 99.6 per cent. The y-o-y changes in assets of individual banks do not include data pertaining to two banks that were licensed in April 2014.

Acceptances, guarantees and documentary credits, which form part of off-balance sheet assets, dropped by 19.0 per cent in 2014-15 as against an increase of 18.9 per cent in the previous year. Deposits grew by 23.3 per cent during the year under review, mainly due to increases of 38.0 per cent and 7.5 per cent recorded in Segment B and Segment A deposits, respectively.

Capital Adequacy

The capital adequacy ratio measures the adequacy of a bank's capital resources in relation to its risk-weighted assets. The on- and off-balance sheet exposures are weighted based on 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. Following a phased implementation of the Basel III capital standards in Mauritius since July 2014, banks have been called on strengthening their capital framework.

In Mauritius, banks are required to maintain, at all times, a minimum capital adequacy ratio of 10 per cent. Branches of foreign-owned banks are, however, exempt from this requirement for operations that they conduct outside Mauritius. Over the period end-June 2014 to end-June 2015, banks' aggregate capital base (net of adjustment and capital deductions) increased by 9.7 per cent to Rs117,917 million. Tier 1 capital rose by 10.4 per cent to Rs101,276 million, which represented 85.9 per cent of capital base. The increase in Tier 1 capital is largely explained by undistributed balance in profit and loss account created by appropriation of retained earnings. Tier 2 capital increased by 6.1 per cent from Rs15,683 million as at end-June 2014 to Rs16,641 million as at end-June 2015, with its share to the capital base falling to 11.4 per cent.

Table 5.1 shows the risk-weighted capital adequacy ratio maintained by banks from end-June 2014 through end-June 2015, together with components of the capital base and risk-weighted assets. The fall in the risk-weighted capital adequacy ratio as at end-June 2015 is due to risk-weighted assets increasing at a relatively higher rate.

Table 5.1 Risk-Weighted Capital Adequacy Ratio

					(Rs million)
As at end of period	**Jun-14**	**Sep-14**	**Dec-14**	**Mar-15**	**Jun-15**
Tier 1 capital	91,767	95,109	98,372	106,728	101,276
Tier 2 capital	15,683	15,919	13,466	13,991	16,641
Capital Base (A)	**107,450**	**111,028**	**111,838**	**120,719**	**117,917**
Total Risk-Weighted Assets (B)	**621,301**	**653,417**	**676,875**	**728,884**	**686,826**
Total on-balance sheet risk-weighted credit exposures	*521,327*	*556,284*	*573,592*	*621,704*	*591,678*
Total non-market-related off-balance sheet risk-weighted credit exposures	*52,055*	*49,841*	*54,422*	*52,406*	*43,251*
Total market-related off-balance sheet risk-weighted credit exposures	*2,233*	*2,127*	*2,170*	*4,281*	*2,950*
Total risk-weighted assets for operational risk	*42,864*	*43,248*	*43,739*	*46,215*	*45,844*
Total foreign currency exposures	*2,823*	*1,918*	*2,565*	*4,081*	*3,071*
Capital charge for trading book position exceeding 5% or more of its total assets			*387*	*197*	*32*
Capital Adequacy Ratio (A/B)	**17.3%**	**17.0%**	**16.5%**	**16.6%**	**17.2%**

Source: Supervision Division.

Risk Profile of On- and Off-Balance Sheet Assets

Total on-balance sheet assets of banks increased by 18.6 per cent, from Rs952,698 million as at end-June 2014 to Rs1,129,728 million as at end-June 2015. The corresponding total risk-weighted on-balance sheet assets grew by 13.5 per cent to Rs591,678 million over the same period.

The risk profile of on-balance sheet assets indicate that 39.2 per cent of the total assets were allocated in the 100 per cent risk-weight bucket while 20.9 per cent and 14.9 per cent were in the 0 per cent and 20 per cent risk-weight buckets respectively. Table 5.2 compares banks' risk buckets as at end-June 2014 with end-June 2015. Following the implementation of the Basel III capital framework, additional buckets of 125 per cent, 250 per cent and 1250 per cent have been incorporated in the risk weights.

The average combined risk weighted ratio dropped from 42.8 per cent as at end-June 2014 to 38.4 per cent as at end-June 2015 on account of a higher growth of 23.1 per cent in on- and off-balance sheet assets relative to the growth of 10.5 per cent in total risk-weighted assets.

Table 5.3 compares the total on- and off-balance sheet assets of banks with corresponding risk-weighted values and average combined risk weighting as at end-June 2014 and end-June 2015.

Advances

Total advances, including debentures and fixed-dated securities, rose by 7.8 per cent in 2014-15 to Rs679,678 million, compared to an increase of 2.5 per cent in the preceding financial year. As at end-June 2015, total advances represented 78.2 per cent and 57.4 per cent of total deposits and total assets, respectively, compared to 89.4 per cent and 62.2 per cent as at end-June 2014.

Table 5.2 **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-14		Jun-15	
0	175,424	18.4	236,167	20.9
20	112,469	11.8	168,633	14.9
35	36,377	3.8	43,847	3.9
50	143,091	15.0	166,738	14.8
75	42,795	4.5	33,352	3.0
100	433,697	45.5	442,705	39.1
125	-	-	21,979	1.9
150	8,845	0.9	14,398	1.3
250	-	-	1,908	0.2
1250	-	-	-	-
	952,698	**100**	**1,129,728**	**100**

Source: Supervision Division.

Table 5.3 **Combined Risk-Weights of Banks' Assets**

		End-June 2014	End-June 2015
A	Total On-Balance Sheet Assets *(Rs million)*	952,698	1,129,728
B	Total Off-Balance Sheet Assets *(Rs million)*	498,610	656,819
C	Total On and Off-Balance Sheet Assets (A + B) *(Rs million)*	1,451,308	1,786,547
D	Total Risk-Weighted Assets *(Rs million)*	621,301	686,827
E	Average Combined Risk-Weighted Ratio (D/C) *(Per cent)*	42.8	38.4

Source: Supervision Division.

Loans and overdrafts in Mauritian rupees amounted to Rs220,284 million, or 32.4 per cent of total advances, while loans and other financing in foreign currencies in Mauritius amounted to Rs86,957 million, or 12.8 per cent of total advances. Loans and other financing in foreign currencies outside Mauritius stood at Rs287,105 million as at end-June 2015, representing 42.2 per cent of total advances. The remaining facilities consisted of local and foreign bills purchased and discounted, bills receivable and other fixed-dated securities.

Concentration of Risks

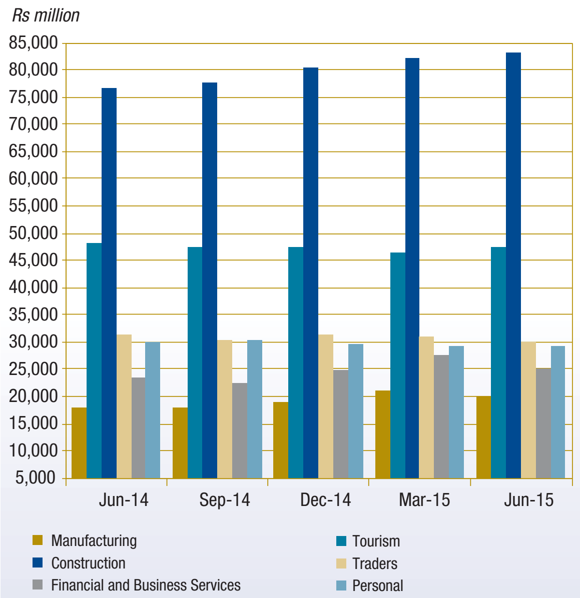
Credit concentration risk refers to the risk of loss arising from a bank's exposure to different sectors of the economy and/or different entities. Large exposures in the banking sector, that is, exposures above 15 per cent of an institution's capital base, amounted to Rs259,377 million, representing 34.2 per cent of the total fund and non-fund based facilities extended as at end-June 2015. Aggregate large exposures to borrowers represented 220.0 per cent of the capital base of banks as at end-June 2015 compared to 211.5 per cent as at end-June 2014.

Sectorwise Distribution of Credit to the Private Sector in Mauritius

During the year 2014-15, bank credit to the private sector (including the GBL sector) increased by 4.7 per cent, though at a much slower pace than 6.3 per cent recorded in 2013-14. As at end-June 2015, the share of credit to the tourism, traders and personal sectors declined to 15.0 per cent, 9.5 per cent and 9.3 per cent, respectively compared to 15.9 per cent, 10.4 per cent and 9.9 per cent reported at end-June 2014. The share of credit to *'Manufacturing', 'Construction'* and

'Financial and Business Services' rose from 6.0 per cent, 25.4 per cent and 7.7 per cent, respectively, as at end-June 2014 to 6.3 per cent, 26.3 per cent and 7.9 per cent, respectively, as at end-June 2015. Chart 5.1 shows the sectorwise distribution of credit to the private sector from June 2014 through June 2015.

Chart 5.1 Sectorwise Distribution of Credit to Private Sector



Source: Supervision Division.

Non-Performing Advances and Provisioning

Total non-performing advances of banks rose by 36.0 per cent, from Rs24,641 million as at end-June 2014 to Rs33,505 million as at end-June 2015. Consequently, the ratio of non-performing advances to total advances deteriorated from 3.9 per cent to 4.9 per cent. Impaired credit on facilities extended in Mauritius went up by 32.7 per cent to Rs24,825 million. Concurrently impaired credit extended outside Mauritius expanded by 46.4 per cent to Rs8,680 million in 2014-15.

Specific provisions for loan losses made by banks increased by 18.1 per cent, from Rs11,353 million as at end-June 2014 to Rs13,412 million as at end-June 2015. Specific provisions made on impaired credits in Mauritius increased by Rs1,832 million or 20.7 per cent while specific provisions on impaired credit outside Mauritius increased by Rs227 million or 9.1 per cent. The coverage ratio, that is, the ratio of specific provisions to non-performing advances deteriorated from 46.1 per cent at end-June 2014 to 40.0 per cent as at end-June 2015.

Deposits

Deposits remained the principal source of funding and accounted for the highest share in banks' total liabilities. The share of deposits in total liabilities went up from 69.5 per cent as at end-June 2014 to 73.5 per cent at end-June 2015. Total deposits increased by 23.3 per cent to Rs869,461 million as at end-June 2015, up from Rs705,041 million at end-June 2014. The rise in the deposit base of the banking sector reflected an expansion of 7.5 per cent in Segment A deposits and 38.0 per cent in Segment B deposits.

The share of foreign currency deposits to total deposits was 63.3 per cent as at end-June 2015, up from 57.9 per cent as at end-June 2014. Demand, savings and time deposits accounted for 43.1 per cent, 22.2 per cent and 34.7 per cent of total deposits, respectively, compared to 40.2 per cent, 24.6 per cent and 35.2 per cent as at end-June 2014.

The advances-to-deposits ratio, which indicates the extent to which funds mobilised by way of deposits have been utilised to finance lending activities, decreased from 89.4 per cent as at end-June 2014 to 78.2 per cent as at end-June 2015. This ratio stood at 74.9 per cent for Segment A activities and 80.5 per cent for Segment B activities as at end-June 2015 compared to 78.6 per cent and 99.5 per cent, respectively, as at end-June 2014.

Profitability

During 2014-15, banks operating in Mauritius realised profit after tax, with the exception of three banks which incurred losses. Two of the banks recorded high operating costs while the third bank reported a significant increase in impairment charges. Aggregate pre-tax profit of banks fell to Rs15,427 million in 2014-15, from Rs16,561 million in 2013-14. Table 5.4 shows the consolidated income statements of the banking sector for the past three years, based on the audited results of banks. The data cover financial years ended 30 June, 31 December and 31 March.

Table 5.4 Consolidated Income Statements of Banks

(Rs million)

	2012-13	2013-14	2014-15
Interest Income	**37,283**	**40,474**	**38,178**
Interest on Advances	*26,372*	*30,327*	*28,094*
Interest on Securities	*8,243*	*7,516*	*7,113*
Interest on Placements and Loans to banks	*2,411*	*2,207*	*2,390*
Other Interest Income	*257*	*424*	*581*
Interest Expense	**17,466**	**17,429**	**15,723**
Interest on Deposits	*11,582*	*12,328*	*10,439*
Interest on Borrowings from banks	*4,879*	*4,214*	*4,066*
Other Interest Expenses	*1,005*	*887*	*1,218*
Net Interest Income	**19,817**	**23,045**	**22,455**
Non-Interest Income	**9,760**	**10,341**	**15,604**
Net Fee Income and Commission	*4,846*	*5,733*	*5,496*
Profit from Dealings in Foreign Currencies	*1,259*	*2,441*	*2,970*
Other Non-Interest Income	*3,655*	*2,167*	*7,138*
Operating Income	**29,577**	**33,386**	**38,059**
Non-Interest Expense	**11,847**	**13,705**	**14,537**
Staff Costs	*6,158*	*7,468*	*7,404*
Operating Expenses	*5,689*	*6,237*	*7,133*
Operating Profit before Provisions	**17,730**	**19,681**	**23,522**
Provision and Adjustments to Income from Credit Losses	*3,140*	*3,120*	*8,095*
Profit before Tax	**14,590**	**16,561**	**15,427**
Provision for Income Taxes	*1,583*	*2,062*	*2,157*
Profit after Tax	**13,007**	**14,499**	**13,270**

Source: Supervision Division.

Components of Income

Total income of banks increased by Rs2,967 million or 5.8 per cent, from Rs50,815 million in 2013-14 to Rs53,782 million in 2014-15, mainly driven by an increase of Rs5,263 million in other income that was partly offset by a decline of Rs2,296 million in interest income. Chart 5.2 shows the movements in components of total income of banks from 2012-13 through 2014-15.

Interest Income

Interest income fell by 5.7 per cent to Rs38,178 million in 2014-15 as against an increase of 8.6 per cent in 2013-14. Interest earned from advances, representing 73.6 per cent of total interest income, decreased by 7.4 per cent to Rs28,094 million in 2014-15. Interest received from placements and loans to banks and other interest income rose by 12.9 per cent to Rs2,971 million while interest earned on securities declined by 5.4 per cent to Rs7,113 million in 2014-15.

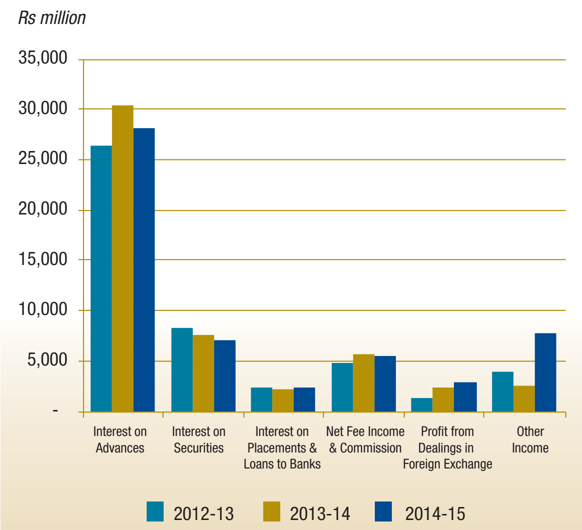
Non-Interest Income

Non-interest income, which constitutes an important source of revenue for banks, increased by Rs5,263 million, from Rs10,341 million in 2013-14 to Rs15,604 million in 2014-15. During the year under review, other non-interest income rose by Rs4,971 million on account of fair value gains registered by one bank. Fee-related income contracted by 4.1 per cent while profit arising from dealings in foreign currencies grew by 21.7 per cent. Together, they accounted for 54.3 per cent of total non-interest income in 2014-15 compared to 79.0 per cent in 2013-14.

Components of Expense

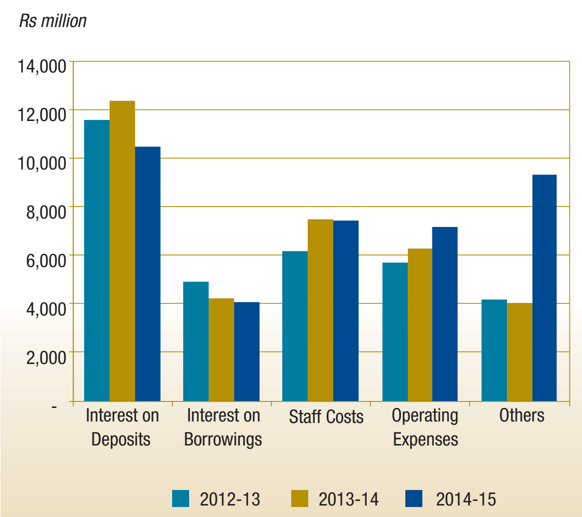
Total expenses of banks increased by Rs4,101 million or 12.0 per cent, from Rs34,254 million in 2013-14 to Rs38,355 million in 2014-15, mainly driven by an increase in non-interest expenses of Rs832 million and credit impairment losses of Rs4,975 million but partly offset by a decrease in interest expense of Rs1,706 million. Chart 5.3 shows the evolution of the components of expense of banks from 2012-13 through 2014-15.

Chart 5.2 Components of Income of Banks



Source: Supervision Division.

Chart 5.3 Components of Expense of Banks



Source: Supervision Division.

Interest Expense

Total interest expense decreased from Rs17,429 million in 2013-14 to Rs15,723 million in 2014-2015. This reflected a fall of Rs1,889 million or 15.3 per cent in interest paid on deposits, that was offset by an increase of Rs331 million in other interest expenses.

Non-Interest Expense

Non-interest expense, comprising staff costs and other operating expenses, rose by 6.1 per cent to Rs14,537 million in 2014-15 compared to an increase of 15.7 per cent a year earlier. This was mainly driven by an increase of 14.4 per cent in other operating expenses. Loan impairment charges rose significantly, from Rs3,120 million in 2013-14 to Rs8,095 million in 2014-2015 partly due to the increase in non-performing loans and higher portfolio provisioning in some sectors. Overall, the cost-to-income ratio for the banking sector stood at 38.2 per cent in 2013-14, compared to 41.1 per cent in 2014-15.

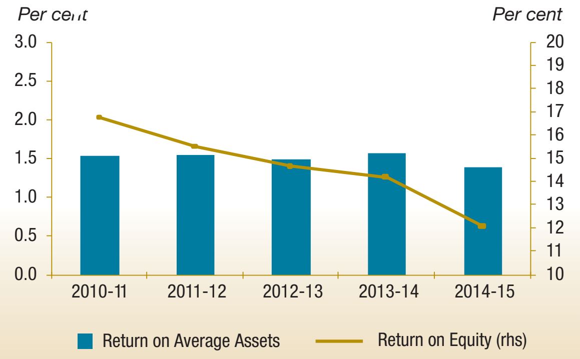
Operating Profit

Banks' operating profit before provision for credit losses increased from Rs19,681 million in 2013-14 to Rs23,522 million in 2014-15. However, post-tax profits fell by 8.5 per cent to Rs13,270 million in 2014-15 as against a rise of 11.5 per cent recorded in the preceding year.

Return on Average Assets and Equity

The pre-tax return on average assets for the banking sector decreased from 1.57 per cent in 2013-14 to 1.39 per cent in 2014-15. It ranged between negative 22.5 per cent and positive 4.6 per cent for individual banks. The post-tax return on equity for the banking sector declined from 14.2 per cent in 2013-14 and to 12.1 per cent in 2014-15. It ranged from negative 31.6 per cent to positive 29.9 per cent in 2014-15 for individual banks. Chart 5.4 depicts the return on average assets and equity of banks from 2010-11 through 2014-15.

Chart 5.4 Return on Average Assets and Equity of Banks



Source: Supervision Division.

Interest Rate Spread

Interest rate spread - the difference between interest earned on Rs100 of advances as against interest paid on Rs100 of deposits - dropped from Rs3.09 in 2013-14 to Rs2.85 in 2014-15. Interest earned per Rs100 of advances fell from Rs4.96 to Rs4.26, while the cost per Rs100 of deposits decreased from Rs1.87 to Rs1.41. Table 5.5 shows the interest rate spread for 2012-13 through 2014-15.

Table 5.5 Interest Rate Spread of Banks

(Rupees)

	2012-13	2013-14	2014-15
Interest Earned on Rs100 of Advances	4.60	4.96	4.33
Cost per Rs100 of Deposits	1.77	1.87	1.43
Interest Rate Spread	2.83	3.09	2.90

Source: Supervision Division.

Electronic Banking

As at end-June 2015, sixteen banks were providing electronic banking facilities and card services. The monthly average number of transactions for the quarter ended June 2015 decreased to 5.4 million compared to 5.5 million in corresponding period of 2014, although the number of credit, debit and other cards in circulation rose from 1,524,779 to 1,605,014.

The number of ATMs in operation in Mauritius and Rodrigues increased from 454 as at end-June 2014 to 460 at end-June 2015. The monthly average value of credit, debit and other cards transactions at ATMs and Merchant Points of Sale increased by 0.8 per cent to Rs11,339 million for the quarter ended June 2015 compared to the corresponding period of 2014. Outstanding advances granted on credit cards stood at Rs2,239 million as at end-June 2015, with a monthly average credit of Rs8,378 per card in 2014-15 compared to an average of Rs8,631 in 2013-14. Table 5.6 summarises electronic banking transactions during the period under review.

Internet Banking

The number of Internet banking users increased from 260,171 as at end-June 2014 to 278,541 as at end-June 2015 and users benefitted from a wide range of Internet banking services provided by banks. Consequently, the number of Internet banking transactions increased from 420,177 in June 2014 to 533,719 in June 2015 while the monthly average value of Internet banking transactions increased significantly from Rs117,896 million for the first six months of 2014 to Rs215,969 million for the corresponding period in 2015.

Mobile Banking

Currently three banks offer mobile banking facilities to customers. Two of them have moved a step ahead and are offering mobile payment facilities by enabling subscribers to carry out transactions through appointed agents. As at end-June 2015, 627,481 subscribers had conducted 398,362 transactions worth Rs98 million with registered agents.

Table 5.6 **Electronic Banking Transactions**

	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Number of ATMs in operation at end of quarter	454	453	455	459	460
Monthly average number of transactions for the quarter	5,503,820	5,341,692	6,052,879	5,591,308	5,414,196
Monthly average value of transactions[1] for the quarter (Rs million)	11,253	10,972	13,331	11,906	11,339
Number of Credit Cards in circulation at end of quarter	253,033	252,682	250,726	266,642	267,241
Number of Debit & other Cards in circulation at end of quarter	1,271,746	1,303,518	1,311,014	1,317,885	1,336,773
Total number of cards in circulation at end of quarter	1,524,779	1,556,200	1,561,740	1,584,527	1,605,014
Outstanding advances on credit cards at end of quarter (Rs million)	2,184	2,503	2,290	2,217	2,239

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

PERFORMANCE OF NON-BANK DEPOSIT-TAKING INSTITUTIONS

Eight non-bank deposit-taking institutions (NBDTIs) were in operation in Mauritius as at end-June 2015. Four of the NBDTIs were subsidiaries or related companies of banking institutions or insurance companies. All NBDTIs are required to meet 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 Guidelines issued by the Bank of Mauritius, as applicable to NBDTIs.

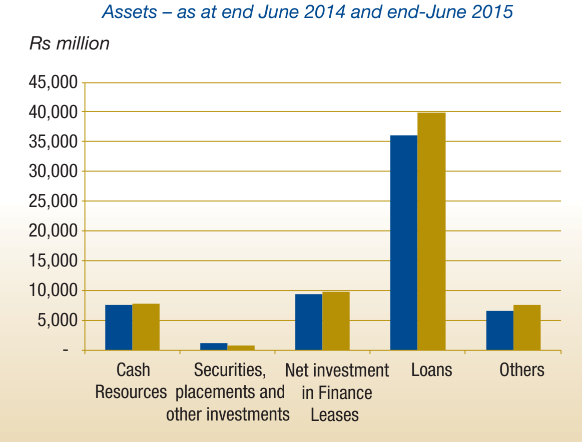
Balance Sheet Structure

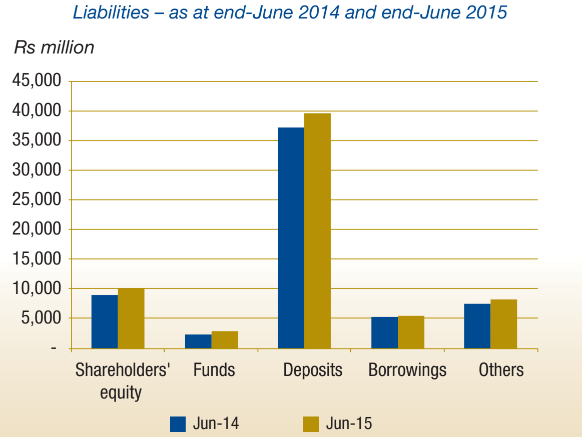
Total assets of NBDTIs increased by 8.5 per cent from Rs61,459 million as at end-June 2014 to Rs66,659 million as at end-June 2015. The share of loans in total assets increased from 59.0 per cent to 60.1 per cent, whereas the share of investment in finance leases to total assets decreased from 15.4 per cent to 15.0 per cent over the same period.

Deposits remained the major source of funding, accounting for 59.5 per cent of NBDTI's liabilities as at end-June 2015. During the year under review, deposits went up by 6.5 per cent to Rs39,689 million as at June 2015. Chart 5.5 illustrates the composition of assets and liabilities of NBDTIs at end-June 2014 and end-June 2015.

The advances-to-deposits ratio increased from 122.6 per cent as at end-June 2014 to 126.1 per cent as at end-June 2015. Leases-to-deposits ratio (based on deposits held by leasing companies only) went up from 75.1 per cent as at end-June 2014 to 76.4 per cent as at end-June 2015.

Chart 5.5 Balance Sheet Structure of NBDTIs





Source: Supervision Division.

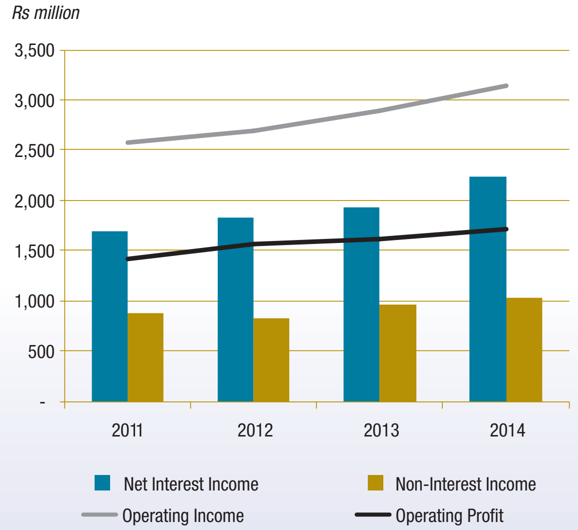
Capital Adequacy

The capital adequacy ratio of NBDTIs improved from 24.5 per cent as at end-June 2014 to 25.9 per cent as at end-June 2015, as a result of a relatively higher increase of 12.6 per cent in the aggregate capital base compared to a rise of 6.3 per cent in the total risk-weighted assets. As at end-June 2015, the capital adequacy ratio maintained by individual NBDTIs ranged from 10.4 per cent to 68.5 per cent, much higher than the minimum requirement of 10 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 2014. In 2014, NBDTIs' aggregate profit before tax rose by 9.1 per cent to Rs1,759 million. Both interest earned on Rs100 of loans/leases and interest paid on Rs100 of deposits decreased by Rs1.02. Thus, the interest spread remained unchanged at Rs2.67 during the year under review. Table 5.7 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 2011 to 2014.

Chart 5.6 Profitability of NBDTIs



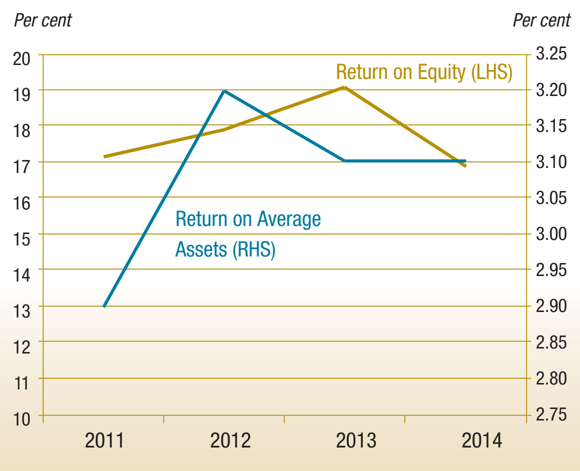
Source: Supervision Division.

Table 5.7 Consolidated Income Statements of NBDTIs

			(Rs million)
	2012	**2013**	**2014**
Interest Income	4,283	4,486	4,906
Interest Expense	2,442	2,540	2,664
Net Interest Income	1,841	1,947	2,242
Non-Interest Income	838	965	1,051
Operating Income	2,679	2,912	3,293
Non-Interest Expense	1,121	1,274	1,423
Operating Profit	1,558	1,638	1,870
Other Non-Operating Profit	11		
Profit before Provision & Adjustment for credit losses	**1,569**	**1,638**	**1,870**
Provision & Adjustment for credit losses	*72*	*28*	*111*
Profit before tax	**1,497**	**1,610**	**1,759**
Income Tax Expense	*82*	*87*	*76*
Profit after tax	**1,415**	**1,523**	**1,683**

Source: Supervision Division.

Chart 5.7 Return on Average Assets and Equity of NBDTIs



Source: Supervision Division.

Return on Average Assets and Equity

The pre-tax return on average assets remained unchanged at 3.1 per cent in 2014. Individual NBDTIs posted pre-tax return on average assets in the range of -0.4 per cent to 4.8 per cent in 2014. The post-tax return on equity maintained a similar declining trend and dropped from 19.1 per cent in 2013 to 17.2 per cent in 2014. Chart 5.7 shows the return on average assets and equity of NBDTIs over the years 2011 to 2014.

Liquidity

NBDTIs are required to maintain liquid assets representing a minimum of 10 per cent of their deposit liabilities. As at 30 June 2015, liquid assets held by NBDTIs amounted to Rs8,060 million, or 20.3 per cent of their deposits.

CASH DEALERS

As at 30 June 2015, there were 10 money changers and 5 foreign exchange dealers, collectively known as cash dealers, in operation. Unlike money changers, who deal principally in the exchange of foreign currency notes, foreign exchange dealers are authorised to carry out other activities in addition to the money-changing business. A non-negligible part of their business comprises the provision of remittance facilities and the conduct of forward foreign currency transactions.

Total assets of cash dealers amounted to Rs757 million as at 30 June 2015, with assets of foreign exchange dealers totalling Rs654 million. The bulk of assets of these institutions consisted of cash in hand and at bank (39 per cent), receivables (21 per cent), investment in Treasury Bills/Government Securities (12 per cent), and stock of foreign currencies (11 per cent). During the year ended 30 June 2015, cash dealers sold foreign currencies for a total amount of Rs18,690 million, while the cost of sales amounted to Rs18,422 million. Operating expenses incurred by cash dealers amounted to Rs220 million during the period under review, of which staff costs accounted for Rs106 million.

BOX II: THE FINANCE (MISCELLANEOUS PROVISIONS) ACT 2015

The Finance (Miscellaneous Provisions) Act 2015 which was enacted on 14 May 2015, brought amendment to, *inter-alia*, the Bank of Mauritius Act 2004 and the Banking Act 2004 as follows:

(1) BANK OF MAURITIUS ACT 2004

Section 6 – *Powers of the Bank*

Section 6(1) has been amended in Paragraph (ea) to allow the Bank to purchase and sell Government securities irrespective of whether the securities are being traded on the Stock Exchange of Mauritius.

Paragraph (f) has been amended so that the Bank may purchase and sell gold coins, gold bullions, gold or shares or units in gold funds.

Section 11 – *General Reserve Fund and other Reserve Funds*

A new subsection (3A) has been added to Section 11 that enables the Bank, with the approval of the Board, to create out of its net profits, reserves for monetary policy purposes or such other specific purposes as the Bank may determine in conformity with accounting principles applicable to central banks and best international practices.

A new subsection (7) has been added to enable the Bank at the end of the financial year, to meet any loss incurred by it in that year from the General Reserve Fund.

Section 21 – *Meetings of the Board*

Section 21 has been amended to allow the Board of the Bank to meet at least once every two months instead of meeting on a monthly basis.

Section 47 – *Special Reserve Fund*

Section 47 has been amended to allow the Bank to use funds available in the Special Reserve Fund for monetary policy purposes, in addition to raising the paid up capital of the Bank.

Section 48A – *Licensing and overseeing of financial market infrastructure and payment scheme providers*

The new Section 48A has been inserted in the Act and provides for the licensing and overseeing of the financial market infrastructure and payment scheme providers. The section vests on the Bank the responsibility for the regulation, licensing, registration and overseeing of payment systems, clearing houses and the issuance and quality of payment instruments. The Bank may, by regulation (i) require the registration or licensing of any payment, clearing or securities settlement system or the operator of such system or any payment scheme provider and to observe such conditions and requirements as the Bank may determine; (ii) require any payment, clearing and settlement system or the operator of any such system or a payment scheme provider to pay to the Bank such non-refundable processing fee and annual licence fee as may be prescribed in regulations made by the Bank with the approval of the Minister.

The Bank may also examine the books and records of payment or clearing systems, their operator and participants, as well as payment scheme providers.

Section 50 – *Power to issue instructions*

Subsection (3B) of Section 50, which provided that instructions or guidelines issued by the Bank are not applicable to a loan taken by a person which is guaranteed wholly or partly by Government, has been repealed.

Section 54 – *Monetary Policy Committee*

Two new subsections (2D) and (2E) have been added to Section 54 to

(i) require every member of the Monetary Policy Committee other than the Governor and the Deputy Governors to take an oath of confidentiality set out in the new Fifth Schedule which has been inserted to the Act; and

(ii) provide that a decision of the Monetary Policy Committee shall be taken by a simple majority of the members present and voting except that in the event of an equality of votes, the Chairperson of the Monetary Policy Committee shall have and exercise a second or casting vote.

(2) BANKING ACT 2004

Section 2 - *Interpretation*

The section has been extended to provide for a definition of *"place of business". "place of business"* in relation to a bank, includes its head or main office, a branch, an agency, a representative office, a mobile branch, an office established and maintained for a limited period and any other place used by the bank for the dispensing or acceptance of money on account or for the conduct of other banking business;

The definitions of "specialised financial institution" and *"specialised financial institution licence" have also been added in* light of new section 11B empowering the Bank to licence *specialised financial institutions*.

Section 4 – *Restriction on use of word "bank"*

The section has been amended to allow a specialised financial institution to make use of the word "bank" in its name.

Section 7 – Grant or refusal to grant banking licence

In line with the new definition of *"place of business"*, the words *"or office"* in section 7(7) have been replaced by the words *"office or place of business".*

Section 8 – *Licence Fees*

Section 8 has been amended by deleting the word "banking" such that the section now provides that the holder of a licence (instead of a banking licence, as was formerly the case), shall pay to the Bank such annual licence fee as may be determined by the central bank by regulations made by the central bank, with the approval of the Minister.

Section 9 – *Display of banking licence*

Section 9 has been amended to allow a bank to display at its principal place of business an authenticated copy of its licence in such form and manner as the central bank may approve.

Section 11B – *Licensing of specialised financial institution*

A new section 11B has been added to the Banking Act 2004 to provide for the licensing of specialised financial institutions, i.e. a body corporate set up for the purpose of facilitating the economic development of Mauritius.

Section 14D – Licensing of moneylenders

A new subsection (4A) has been included in section 14D to provide that the persons specified in the Fourth Schedule to the Banking Act 2004, are exempt from applying for a moneylender licence.

Section 32A – *Transfer of Undertaking by bank*

Amendments have been brought to section 32A and the Third Schedule to the Banking Act to allow a bank to transfer its undertaking to another financial institution or a specialised financial institution. Prior thereto, the transfer of undertaking was limited to companies forming part of the same group.

Section 34 – Financial statements

A new subsection (6B) has been added to section 34 which provides that a financial institution may, with the approval of the Bank, display at its principal place of business, branch or office, an authenticated copy of its duly audited latest financial statements in such form and manner as may be approved by the Bank.

Section 57 – Bank's obligations towards customers

Section 57(7) has been amended to allow a financial institution to display the rates of the fees or charges in respect of services provided by it in such form and manner as may be determined by the Bank.

Section 63 – Bank holidays

Section 63(1) has been amended to enable the Bank to declare, not only any day, but also part of a day, as a bank holiday.

Section 64 – Confidentiality

Section 64(16) has been amended to include the provisions of section 124 of the Income Tax Act to prevail in case of any conflict or inconsistency with any provision of section 64 of the Banking Act 2004.

Section 79 – *Powers of the central bank under this Part [i.e Compulsory liquidation]*

Section 79(3) has been amended to enable the Bank to grant a licence for the operation of a temporary financial institution for such period as the Bank may determine.

Section 82 – Further powers of receiver

Section 82(1) has been amended by adding two paragraphs thereto, which empower a receiver of a financial institution to (i) suspend or reduce the right of creditors of the financial institution to claim or receive interest on any money owing to them by that financial institution; and (ii) cancel any agreement between the financial institution and any other party to advance moneys or extend existing facilities if, among others, the financial institution lacks the necessary funds to meet its obligations.

Section 100 – Guidelines or instructions

Section 100(3A) previously provided that guidelines or instructions issued by the Bank of Mauritius shall not apply to a loan taken by a person where it was guaranteed wholly or partly by Government. Subsection (3A) has now been repealed.

6 Review of Operations: 2014-15

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. The Bank intervenes on the domestic foreign exchange market to smooth out volatility in the rupee exchange rate.

Excess liquidity in the money market increased to a daily average of Rs11.1 billion in 2014-15, from a daily average of Rs7.5 billion in 2013-14. In an effort to mop up the excess liquidity and restore the transmission channel of monetary policy, the Bank intervened on the money market through the issue of Bank of Mauritius instruments. The Bank also started conducting sterilized intervention as from January 2015. The outstanding nominal amount on Bank of Mauritius instruments reached a peak of Rs26.9 billion as at end-June 2015, while the amount sterilised through Special Deposits held at the Bank amounted to Rs5.5 billion.

Issue of Government Securities

Government issues Treasury Bills, Treasury Notes and Government of Mauritius Bonds to finance its borrowing requirements. Government Securities are issued in accordance with the Government's Issuance Plan. Each security issued has an ISIN (International Securities Identification Number).

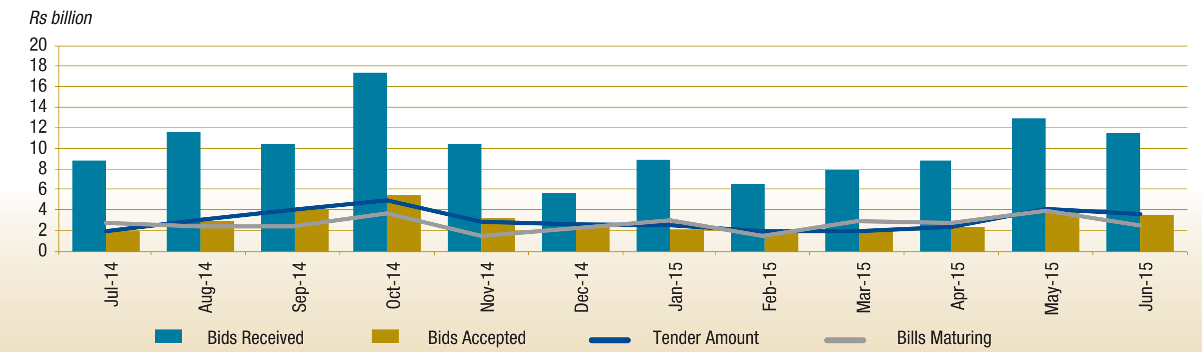
Treasury Bills

The Bank continued the smoothing exercise to mitigate volatility in the weekly amount of Government of Mauritius Treasury Bills put on tender. The market is informed of the range of weekly issues of Treasury Bills for the next two months before the start of each month. The market is also informed on a weekly basis of the actual amounts and tenors of Treasury Bills for the forthcoming two weeks. During 2014-15, the Bank issued Treasury Bills for an amount of Rs4.0 billion for liquidity management purposes in addition to those issued for cash flow management purposes.

During 2014-15, bids totalling Rs121,259 million were received in the 91-Day, 182-Day, 273-Day and 364-Day maturities against a tender amount of Rs36,100 million. The value of bids accepted amounted to Rs36,724 million compared to maturing Treasury Bills of Rs31,880 million. The bid-cover ratio varied between 1.16 and 5.08 in 2014-15 compared to a range of 0.82 to 5.25 in 2013-14. The total amount of bids accepted represented 101.7 per cent of the total tender amount and 30.3 per cent of the total value of bids received compared to 95.5 per cent and 35.0 per cent, respectively, in the preceding financial year.

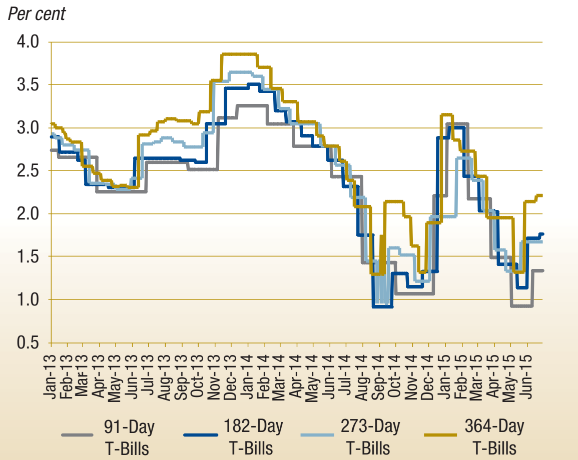
During 2014-15, the weighted average yields on Treasury Bills trended downward primarily as a result of excess liquidity in the banking system. The weighted average yields on the 91-Day, 182-Day, 273-Day and 364-Day tenors, declined from 2.43 per cent, 2.32 per cent, 2.56 per cent and 2.61 per cent at their issues in June 2014 to 1.34 per cent, 1.76 per cent, 1.67 per cent and 2.48 per cent, respectively, in June 2015. The overall weighted average yield dropped by 32 basis points, from 2.10 per cent in June 2014 to 1.78 per cent in June 2015.

Chart 6.1 Auctioning of Treasury Bills



Source: Financial Markets Operations Division.

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



Source: Financial Markets Operations Division.

Charts 6.1 and 6.2 provide information on the auctioning of Treasury Bills.

Treasury Notes

During 2014-2015, the Bank continued with the monthly issuance of Three-Year Treasury Notes. Three new benchmark issues and ten re-openings of previous issues were held with a view to providing ample liquidity in the instruments. The total amount put on tender amounted to Rs17,300 million; the amount accepted stood at Rs17,220 million; and a total of Rs18,298 million matured.

Table 6.1 provides information on the auctioning of Three-Year Government of Mauritius Treasury Notes during fiscal year 2014-15.

Long-Term Government of Mauritius Bonds

Between July 2014 and end-June 2015, the Government raised a total amount of Rs11,569 million through the net issue of long-term Government of Mauritius Bonds.

During 2014-15, seven auctions of Five-Year Government of Mauritius Bonds were carried out and a total nominal amount of Rs10,520 million was accepted. These included the issue of two New Benchmark Bonds and five re-openings aimed at creating adequate liquidity with a view to fostering the development of the secondary market trading of these Government securities.

Table 6.2 provides details on the seven auctions of Five-Year Government of Mauritius Bonds held in 2014-15.

During 2014-15, the Bank held three issues of Ten-Year Government of Mauritius Bonds, on 19 September 2014, 6 February 2015 and 15 May 2015, respectively. The total amount put on tender was Rs4,900 million nominal and total bids received amounted to Rs14,236.8 million. A total amount of Rs6,082.5 million was accepted.

Table 6.1 Auctions of Three-Year Treasury Notes

	Amount put on Tender	Value of Bids Reveived *(Rs million)*	Value of Bids Accepted *(Rs million)*	Coupon Rate *(Per cent per annum)*	Weighted Yield on Bids Accepted *(Per cent per annum)*
2014					
25-Jul	1,200	4,350.0	1,250.0	3.88	3.93
22-Aug	1,200	4,910.0	1,200.0	3.88	3.06
26-Sep	1,200	3,540.0	2,000.0	3.88	3.09
17-Oct	1,200	3,100.0	1,200.0	3.88	2.98
21-Nov	1,200	4,295.0	1,370.0	3.88	2.74
5-Dec	1,200	2,550.0	1,500.0	3.10	3.11
2015					
30-Jan	1,400	3,910.0	1,400.0	3.10	3.11
27-Feb	1,400	3,425.0	1,400.0	3.10	2.93
27-Mar	1,500	5,310.0	1,500.0	3.10	2.66
24-Apr	1,500	3,720.0	1,500.0	2.46	2.50
29-May	1,400	2,780.0	-	2.46	-
3-Jun	1,400	2,820.0	1,400.0	2.46	3.55
19-Jun	1,500	2,895.0	1,500.0	2.46	3.91
2014-15	**17,300.0**	**47,605.0**	**17,220.0**	**2.46-3.88**	**2.50-3.93**
2013-14	**16,500.0**	**33,891.2**	**17,145.0**	**3.52-4.50**	**3.88-4.96**

Source: Financial Markets Operations Division.

Table 6.2 Auctions of Five-Year Government of Mauritius Bonds

	Issue date						
	08-Aug-14	**24-Oct-14**	**14-Nov-14**	**19-Dec-14**	**20-Feb-15**	**10-Apr-15**	**4-Jun-15**
1. Amount of Bonds put on Tender *(Rs million)*	1,000.0	1,000.0	1,300.0	1,300.0	1,500.0	2,000.0	2,000.0
2. Value of Bids Received *(Rs million)*	4,887.0	4,555.0	4,650.0	2,655.0	4,355.0	5,160.0	5,040.0
3. Value of Bids Accepted *(Rs million)*	1,000.0	1,120.0	1,600.0	1,300.0	1,500.0	2,000.0	2,000.0
4. Interest Rate *(% p.a.)*	5.20	5.20	3.95	3.95	3.95	3.95	4.45
5. Highest Yield Accepted *(% p.a.)*	4.78	4.32	4.10	5.42	4.20	4.00	4.85
6. Weighted Average Yield on Bids Accepted *(% p.a.)*	4.68	4.30	4.01	4.68	4.11	3.91	4.73
7. Weighted Price of Bids Accepted *(%)*	102.169	103.796	99.731	96.831	99.314	100.164	98.766

Source: Financial Markets Operations Division.

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

The Bank conducted three issues of the Fifteen-Year Government of Mauritius Bonds during 2014-15. All the three auctions were oversubscribed, with a bid cover ratio of 3.9, 3.6 and 2.4, respectively.

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

Table 6.3 Auctions of Ten-Year Government of Mauritius Bonds

	Auction held on 17-09-2014[1]	Auction held on 04-02-2015[2]	Auction held on 13-05-2015[3]
1. Amount of Bonds put on Tender *(Rs million)*	1,000.0	1,400.0	2,500.0
2. Value of Bids Received *(Rs million)*	4,784.4	4,566.0	4,886.4
3. Value of Bids Accepted *(Rs million)*	2,182.5	1,400.0	2,500.0
4. Interest Rate *(% p.a.)*	5.90	5.96	5.87
5. Highest Yield Accepted *(% p.a.)*	6.70	6.18	6.05
6. Weighted Average Yield on Bids Accepted *(% p.a.)*	6.24	6.09	5.95
7. Weighted Price of Bids Accepted *(%)*	97.499	99.037	99.404

[1] Issue of 19 September 2014 due 19 September 2024.
[2] Issue of 06 February 2015 due 06 February 2025.
[3] Issue of 15 May 2015 due 15 May 2025.

Source: Financial Markets Operations Division.

Table 6.4 Auctions of Fifteen-Year Government of Mauritius Bonds

	Auction held on 29-10-2014[1]	Auction held on 18-03-2015[2]	Auction held on 10-06-2015[3]
1. Amount of Bonds put on Tender (Rs million)	1,400.0	1,500.0	1,800.0
2. Value of Bids Received (Rs million)	5,495.5	5,413.2	4,288.1
3. Value of Bids Accepted (Rs million)	2,003.0	1,500.0	1,800.0
4. Interest Rate (% p.a.)	6.90	6.23	6.50
5. Highest Yield Accepted (% p.a.)	7.03	6.74	6.80
6. Weighted Average Yield on Bids Accepted (% p.a.)	6.97	6.49	6.72
7. Weighted Price of Bids Accepted (%)	99.355	97.531	97.941

[1] Issue of 31 October 2014 due 31 October 2029. *[3] Issue of 12 June 2015 due 12 June 2030.*
[2] Issue of 20 March 2015 due 20 March 2030.

Source: Financial Markets Operations Division.

The Bank held two issues of Fifteen-Year Inflation-Indexed Government of Mauritius Bonds, on 4 July 2014 and 22 May 2015. The index-linked bonds were issued at the weighted bid margins of 2.30 per cent and 2.34 per cent plus the 12 month average inflation rate published by Statistics Mauritius as at end-May and end-April, respectively, of every year. Bids for a total nominal amount of Rs5,084.6 million was received and a total amount of Rs2,200 million was issued.

Details of the auctions of Fifteen-Year Inflation-Indexed Government of Mauritius Bonds are given in Table 6.5.

Table 6.5 Auctions of Fifteen-Year Inflation-Indexed Government of Mauritius Bonds

		Auction held on 02-07-14[1]	Auction held on 20-05-15[2]
1.	Amount of Bonds put on Tender *(Rs million)*	1,000.0	1,200.0
2.	Value of Bids Received *(Rs million)*	2,209.0	2,875.6
3.	Value of Bids Accepted *(Rs million)*	1,000.0	1,200.0
4.	Highest Bid Margin Accepted (% p.a.)	2.55	2.70
5.	Weighted Bid Margin Accepted (% p.a.)	2.30	2.34

[1] *Issue of 04 July 2014 due 04 July 2029.*
[2] *Issue of 22 May 2015 due 22 May 2030.*

Source: Financial Markets Operations Division.

Bank of Mauritius Securities

During 2014-15, the Bank continued to issue its own instruments to mop up the persistent excess liquidity prevailing in the banking sector. It issued Bank of Mauritius Bills of different maturities ranging up to one year, as well as Two-Year, Three-Year and Four-Year Bank of Mauritius Notes. Prior to 30 December 2014, Bank of Mauritius instruments were issued at the same weighted average yields obtained on bids accepted at the primary auctions of similar Government instruments. However, this year, the Bank has started conducting separate auctions of its instruments and bids were allocated at market-determined rates. With effect from 18 May 2015, the Bank embarked on an aggressive liquidity management programme in the banking system in order to steer short-term interest rates in the appropriate direction. Bank of Mauritius Bills for a maturity of one year and Two-Year, Three-Year and Four-Year Bank of Mauritius Notes for a total nominal amount of Rs10.9 billion have been issued through auctions held in May and June 2015.

In 2014-15, Bank of Mauritius securities for a total nominal amount of Rs19.1 billion were issued against a total nominal amount of Rs16.0 billion maturing. Bank of Mauritius securities outstanding as at 30 June 2015 stood at Rs26.9 billion.

PRIMARY DEALER SYSTEM AND SECONDARY MARKET TRADING

During the period under review, the Bank continued to strive towards the enhancement of the Primary Dealer System in Mauritius. In its effort to boost the development of a secondary market for Government securities with a view to deriving a reliable benchmark yield curve and improving liquidity in the money market, the Bank, in consultation with Primary Dealers, brought further enhancements to the Memorandum of Understanding governing the Primary Dealer System. The updated Memorandum, renamed as Terms and Conditions, led to an overhaul in the bidding process at the primary auctions of Government of Mauritius Treasury Bills. The establishment of procedures in respect of eligibility criteria as well as bidding commitment resulted in two more banks surrendering their primary dealer status. For the period ended 30 June 2015, nine banks held a primary dealer status.

In 2014-15, Primary Dealers carried out transactions of Treasury/Bank of Mauritius Bills for a total nominal amount of Rs11,811.2 million, compared to Rs7,236.9 million during 2013-14. Transactions carried out among primary dealer banks amounted to Rs6,901.6 million for the period 2014-15, representing 58.4 per cent of total amount transacted compared to 65.4 per cent during the preceding year. Deals conducted with corporates and pension funds accounted for 25.5 per cent of total transactions for the period under review, while transactions with non-primary dealer banks accounted for the remaining 16.1 per cent.

Most of the transactions were carried out between Band 5 to Band 8 (136 to 364 days to maturity) for a total amount of Rs7,871 million, representing 66.6 per cent of total transactions. Yields varied between 0.60 per cent and 3.04 per cent in 2014-15 compared to a range of 1.80 per cent to 3.85 per cent in 2013-14.

Issue of retail instruments

In order to encourage savings and to mop-up excess liquidity, the Bank acting as agent for Government, issued retail instruments during the course of the year. Four types of instruments were issued: 6 per cent Five Year Government of Mauritius Savings Bonds, Five Year Government of Mauritius Inflation Linked Savings Bonds, 5.25 per cent Three Year Government of Mauritius Savings Notes and 4.75 per cent One Year Savings Certificate. The issues were closed at the end of February 2015. A total nominal amount of Rs1.7 billion was issued for the four instruments.

Interbank Transactions

During 2014-15, total turnover on the interbank money market increased by 25.9 per cent to Rs334,714 million, thereby giving a daily average of Rs1,043 million compared to Rs799 million in 2013-14. Transactions were mainly carried out on the Call Money market for a total amount of Rs256,714 million, representing a rise of 64.0 per cent from the previous year. Daily average transactions amounted to Rs818 million compared to Rs482 million in 2013-14. The value of transactions at Short Notice decreased by 39.8 per cent to Rs59,120 million in 2014-15. The daily average amount of transactions was Rs455 million, down from Rs537 million in 2013-14. Transactions on the Term Money market also decreased, totalling Rs18,880 million in 2014-15, or a daily average of Rs233 million compared to an average of Rs272 million during 2013-14.

Interbank interest rates, which are mainly determined by liquidity conditions, fluctuated within a range of 0.60-5.00 per cent in 2014-15 compared to a range of 1.25-4.25 per cent in 2013-14. Rates on the Call Money market hovered in the range of 0.60-5.00 per cent compared to a range of 1.25-3.90 per cent in 2013-14. Interest rates on Money at Short Notice ranged between 0.70-4.00 per cent compared to a range of 1.60-4.25 per cent in 2013-14 while interest rates on Term transactions were in the range of 1.70-3.25 per cent compared to a range of 3.17-4.00 per cent in 2013-14. The overall weighted average interbank interest rate decreased by 136 basis points, from 2.69 per cent in 2013-14 to 1.33 per cent in 2014-15.

Interbank Foreign Exchange Market

Turnover on the domestic Interbank Foreign Exchange market decreased to US$1,352 million in 2014-15, from US$1,422 million in 2013-14. Purchases of US dollar against the rupee amounted to US$1,035 million in 2014-15, while purchases of US dollar against other currencies totalled US$147 million. Foreign exchange transactions were carried out at exchange rates ranging from Rs30.3550 to Rs36.6750 per US dollar in 2014-15.

Purchases and Sales of Foreign Currencies by Bank of Mauritius

During the period under review, the Bank's purchases of foreign currencies decreased from US$1,155.0 million to US$757.2 million, out of which a total amount of US$406.8 million were bought through intervention from banks and forex dealers. Sales of foreign currencies for the same period also decreased from US$486.0 million to US$347.5 million, out of which a total amount of US$307.5 million were sold to the State Trading Corporation (STC) to finance part of its import of foodstuff and petroleum products.The remaining amount of US$40.0 million went to consolidate the Bank's foreign currency reserves. Since February 2015, the Bank has been supplying only 50 per cent of the STC's monthly requirements.

As at end-June 2015, the gross official foreign currency reserves of the Bank stood at nearly Rs140 billion, representing 7.0 months of imports of goods and services, up from 6.0 months as at end-June 2014.

Reserves Management

During the financial year 2014-2015, the Bank has made considerable progress in the area of reserves management. Given the persistently low interest rate environment, the Bank initiated major changes to its reserves management strategy as from the beginning of 2015, with the objective of searching for higher yields whilst keeping into consideration the safety of the portfolio.

The Bank is in the process of formalising its long-term investment strategy for the international reserves portfolio under a Strategic Asset Allocation (SAA) framework, which is based on sound risk and return investment objectives. The SAA seeks to diversify the portfolio through investment in asset classes other than money market deposits. Major steps have been taken to review the currency composition of the reserves, so as to better match assets with liabilities.

To strengthen its infrastructure, the Bank appointed a Global Custodian for the safekeeping of part of its foreign assets. The Bank is also reviewing its structure for the clear separation of the front, middle and back offices, as is the norm internationally, and is revamping the technological infrastructure necessary for the management of reserves.

Given the changes that were brought to reserves management since the beginning of 2015, the performance of the reserves portfolio saw considerable improvement by end-June 2015.

CREDIT FALILITIES

In 2010, the Bank made available a Special Line of Credit to banks for on-lending to the Mauritius Sugar Syndicate (MSS) for the payment upfront of 80 per cent of sugar proceeds to small and medium planters for the crop year 2010. This line of credit was subsequently renewed for sugar crops 2011 through 2014 under the same terms and conditions, except that the amounts were reduced. These funds were loaned to banks at the rate of 3.0 per cent per annum for on-lending to small and medium planters at rates not exceeding 3.50 per cent per annum.

For the crop year 2015, given that domestic interest rates had declined significantly, the Bank advised that it would be in the best interests of planters to borrow from banks. Thus, the line of credit was not renewed.

In the context of the take-over of some of the assets and liabilities of the defunct Bramer Banking Corporations Ltd (BBCL) by the newly created National Commercial Bank Ltd (NCBL), the Bank of Mauritius made available a line of credit to the NCBL. Drawdowns made under the line of credit have been repaid in full in August 2015.

The Bank made available a bridging loan for an amount of Rs3.5 billion to the National Property Fund (NPFL) in order to enable it to fulfill its obligations.

The Bank introduced a Special Foreign Currency Line of Credit in June 2012 to support the export and tourism operators in addressing currency mismatches between their income streams and existing debt-servicing requirements. The line of credit which was initially for an amount of up to EUR600 million or its equivalent and which could be drawn in multiples of GBP50,000, EUR50,000 and USD50,000 was reduced to EUR100 million as from 1 March 2014. The outstanding balance as at 30 June 2015 was EUR29.59 million and USD0.31 million.

PAYMENT SYSTEMS AND MCIB

Robust and resilient Payment Systems play a major role towards the stability of the financial system. At the same time, payment schemes which are operated outside the purview of the regulator, instil legal and technology risks to the system. During the past year, the main payment infrastructure faced an extended outage of 6 hours on a single day of operation, thereby stretching the resilience of the system to the extreme. In addition, wary of the fact that several payment schemes operate outside the banking system, the Bank of Mauritius Act was amended to empower the Bank to regulate and oversee all financial market infrastructures of the country.

A new Section 48A has been added to the Bank of Mauritius Act to provide for the licensing and overseeing of the financial market infrastructure and payment scheme providers. This provision vests upon the Bank the responsibility for the regulation, licensing, registration and overseeing of payment systems, clearing houses and the issuance and quality of payment instruments.

With regards to technology risk, in March 2015, a crash of the IT system of the Bank caused the major payment system infrastructures to be unavailable for half a day. This crash brought up a number of technological risks associated with the system, which were left unattended so far. Immediate actions were taken to move all payment system infrastructures on latest platforms operating with real-time replication to the Bank's Disaster Recovery site. Stakeholders can rest assured that the payment system infrastructures are now housed on robust and secured platforms.

Mauritius Automated Clearing and Settlement System

The Bank operates the Mauritius Automated Clearing and Settlement System (MACSS), which is the only Real-Time Gross Settlement (RTGS) infrastructure for interbank funds transfers, settlements for money market instruments and Government securities in Mauritius. The MACSS is also used to settle cheque clearing positions of the Port-Louis Automated Clearing House (PLACH), the final settlements of the Contribution Network Project (CNP) to the accounts of the Mauritius Revenue Authority and settlements for the Central Depository System (CDS). CDS transactions operated by the Stock Exchange of Mauritius are settled daily upon instructions from CDS and participants whose accounts are debited and credited. MACSS, a multi-currency feature, settles transactions in Mauritian Rupee, US Dollar, euro, Swiss Franc and South African Rand.

Throughput on MACSS, which is measured in terms of volume and value of transactions through the system over the year, were both increased by 13.0 per cent. A total number of 664,349 transactions for a total value of Rs2.7 trillion were processed in 2014-15 compared to a total of 586,207 transactions for a total value of Rs2.4 trillion in 2013-14. The value of MACSS transactions processed during 2014-15 represented about 7 times the annual GDP of Mauritius.

The amount of foreign currencies processed on MACSS during 2014-15 was equivalent to US$2.9 billion, representing a decrease of 22.0 per cent compared to 2013-14, when the total amount processed was an equivalent of US$3.7 billion. Charts 6.3 and 6.4 depict the daily average number and value of MACSS transactions during 2013-14 and 2014-15.

Cheque Truncation and Bulk Clearing

The Bank operates the Bulk Clearing System (BCS), which allows for the clearing of cheques electronically through truncation and electronic fund transfers. Following the implementation of the Cheque Truncation System, dishonoured cheques are no longer returned to the holder. Instead, a document which contains an image of the cheque and reasons for dishonour, called Image Return Document (IRD), is given to the holder. The IRD was successfully implemented in October 2014, both in Mauritius and Rodrigues. The response of the public was positive as no complaints were registered and IRD had been accepted as normal cheques.

Other features of the BCS like high-value cheque, office cheque and online clearing have been tested and will be rolled-out soon.

The direct debit feature of the BCS will be extended to include players beyond the banking sector. Trusted bodies such as utility bodies, the Registrar General and Mauritius Revenue Authority will be admitted as originators of the scheme. The scheme will comprise both pre-authorised and non pre-authorised direct debits. The Direct Debit Scheme Rules which will govern the processing of direct debits through the BCS, will soon be issued as an annex to the PLACH Rules.

Transaction throughput through the BCS

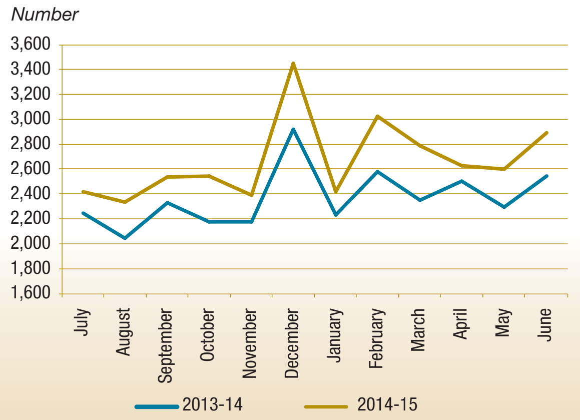
During the period under review, a daily average of 18,694 cheques for a total value of Rs1.0 billion were cleared compared to a daily average of 20,082 cheques for a value of Rs1.1 billion in 2013-14.

In 2014-15, a total number of 3,171,198 EFTs for a total value of Rs88.0 billion have been processed compared to a total number of 3,074,468 EFTs for a total value of Rs75.4 billion processed during 2013-14, representing an increase of 3.1 per cent and 16.7 per cent in terms of volume and value, respectively.

PLACH Rules

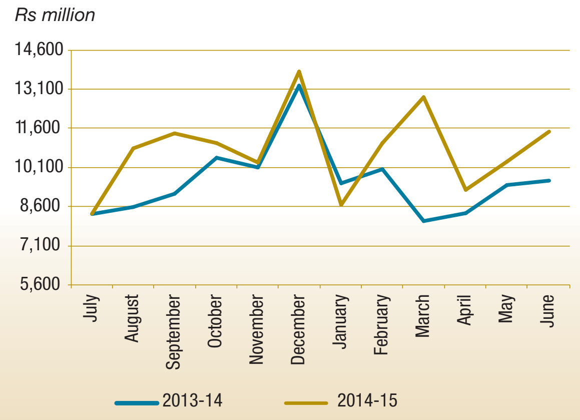
The Port Louis Automated Clearing House (PLACH) Rules govern the operations and the use of the BCS as well as the roles and responsibilities

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



Source: Payment Systems and MCIB Division.

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



Source: Payment Systems and MCIB Division.

of the participants and the Bank. In light of the changes in operation as well as the roles and responsibilities of participants of the PLACH and the Bank, the new PLACH Rules were reviewed by the PLACH Committee and became effective as from 5 August 2013. They were amended in June 2014 to cater for the Cheque Standardisation and Accreditation of Security Printers and MICR Encoders where all matters pertaining to standardisation of cheques and accreditation of security printers and MICR encoders have now been taken over by the Bank.

Moreover, Appendices I and II of the PLACH Rules were amended in July 2015. Appendix I was amended to include new participants notably Century Banking Corporation Ltd and National Commercial Bank Ltd and in Appendix II, the reasons for return of cheques were amended, to include two new reasons which refer to administrator and to receiver.

Mobile Banking and Mobile Payment Systems

In February 2013, the Bank issued the *Guideline on Mobile Banking and Mobile Payment Systems* to enable for a regulated framework for mobile payments. As the mobile payment area is highly dynamic, the Guideline was amended in May 2015 to cater for higher transaction limits. Paragraph 19.4.2 (iii) of the Guideline was amended and a new paragraph 19.4.3 was added to enable the Bank to authorize a service provider to allow daily transfers to third party accounts for amounts exceeding Rs10,000 under such terms and conditions as the Bank may determine.

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

The development of regional payment systems provides several advantages to countries of the region in terms of cost savings and reduced transaction time. Along these lines, the COMESA Regional Payment and Settlement System (REPSS) and SIRESS (SADC Integrated Regional Electronic Settlement System) have been put in place. REPSS started live operations on 30 October 2012. The REPSS is a cross-border fund transfer system for countries in the COMESA region with the objectives of enhancing intra-regional trade by reducing the cost of transfer and the time taken for effective transfer of funds from 5 days to same day. The Bank is the settlement bank in the REPSS setup. Accounts for all participants in euro and US$ have been opened for the 20 participating central banks. Ten out of twenty central banks have funded their settlement accounts: Banque Centrale du Congo, Central Bank of Kenya, Reserve Bank of Malawi, Bank of Mauritius, Banque Nationale du Rwanda, Central Bank of Swaziland, Central Bank of Sudan, Central Bank of Egypt, Bank of Uganda and Bank of Zambia. The Central Bank of Sudan has funded its account in euros only due to restrictions on US dollar.

Currently, REPSS has 8 participants, namely, Democratic Republic of the Congo, Kenya, Malawi, Mauritius, Rwanda, Swaziland, Uganda and Zambia. Egypt has already funded its account in early June 2015 and is expected to join the system shortly.

Since Kenya and Uganda started to utilise the REPSS, the volume of transactions has increased significantly. The volume and value of transactions settled on REPSS for the period October 2014 to June 2015 are shown in Table 6.6.

Given the negative interest rates applicable on EUR accounts, central banks have moved funds away from the EUR accounts.

In July 2013, the SIRESS went live in the Rand Common Monetary Area (CMA) consisting of South Africa, Namibia, Lesotho and Swaziland. SIRESS is a cross-border payment system dealing in Rand payments and operated by the South African Reserve Bank. It was then extended to non-CMA countries to effect transactions using the new platform on 15 September 2014. The inclusion of the non-CMA countries in SIRESS is done on a country-by-country basis. SIRESS team then conducts workshops which aim at facilitating commercial banks in joining SIRESS.

The SIRESS phase III intake of new participants and implementation of version II have been successfully completed. Five banks, which have participated in the SIRESS phase III joining process, were allowed to go live in SIRESS by the South African Reserve Bank, on 15 September

Table 6.6 Transactions on REPSS				
Month	Total USD	No. of USD transactions	Total Euro	No. of Euro transactions
October 2014	2,791.71	1	0	0
November 2014	23,005.00	3	3,035.00	1
December 2014	326,587.88	7	1,545.00	1
January 2015	117,197.30	5	1,666.66	1
February 2015	31,139.60	2	11,368.34	3
March 2015	181,781.10	7	6,000.00	1
April 2015	175,139.75	6	3,436.85	2
May 2015	323,506.41	18	39,651.86	3
June 2015	861,623.10	16	1,533.00	1
TOTAL	**2,042,771.85**	**65**	**68,236.71**	**13**

Source: Payment Systems & MCIB Division.

2014. Four banks, namely Barclays Bank Mauritius Limited, ex-Bramer Banking Corporation Ltd, Standard Bank (Mauritius) Limited and the Mauritius Commercial Bank Ltd, joined SIRESS in September 2014 after completing the testing phase.

Following the revocation of the banking licence of the Bramer Banking Corporation Ltd by the Bank on 2 April 2015, the SIRESS Operator, namely, the South African Reserve Bank has suspended the activities of the bank in SIRESS with effect from 7 April 2015.

Standard Chartered Bank (Mauritius) Limited completed SIRESS testing on 15 June 2015.

Mauritius Credit Information Bureau (MCIB)

Information sharing in credit markets improves their efficiency, access to finance and financial stability by reducing information asymmetry between borrowers and lenders.

The Mauritius Credit Information Bureau (MCIB) was designed to collect data from banks only. It started its operations in December 2005 with 11 banks. After nearly 10 years of existence, the participant base has increased four-fold with a wider coverage, well beyond the banking sector. Various changes were brought to accommodate participants from other sectors. The MCIB has 44 participants comprising 17 banks, the Bank of Mauritius, 9 leasing companies, 9 insurance companies, the Mauritius Housing Company Ltd, the Development Bank of Mauritius Ltd, the National Housing Development Co Ltd, The Employees Welfare Fund and the Mauritius Civil Service Mutual Aid Association Ltd and three utility bodies, namely, the Central Electricity Board, the Central Water Authority and the Wastewater Management Authority. The expansion of the MCIB coverage has unfolded a higher credit penetration. The number of reported entities has nearly doubled over the past five and half years, from 382,623 at end-December 2009 to 729,867 at end-June 2015. As at end-June 2015, the MCIB database contained 2,623,362 credit records on 686,212 individuals and 43,655 firms compared to 2,580,597 records and a total of 685,248 entities a year earlier.

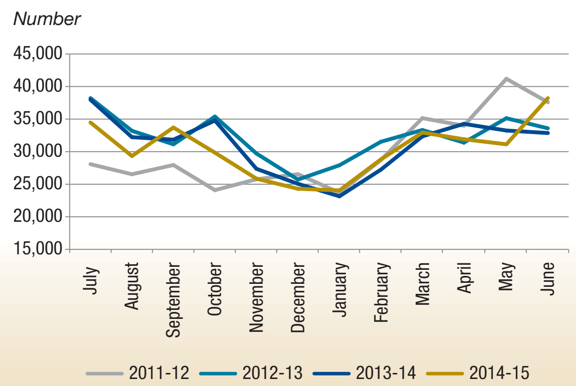
A well-defined legal framework is important to ensure that there are adequate measures to safeguard the confidentiality, security and integrity of sensitive borrower credit information and protect consumers' interests. The MCIB was set up and operates under the provisions of the Bank of Mauritius Act 2004. The responsibilities of the MCIB and its participants are laid out in the Terms and Conditions of the MCIB issued under the Bank of Mauritius Act. The legal framework as well as the Terms and Conditions are reviewed periodically for further development of the credit information system to better serve the requirements of lenders for more informed credit worthiness assessments and loan underwriting decisions.

Credit reporting systems play a key role in the stability of the financial sector. They have the dual capacity to mitigate lenders' adverse selection risks and to reduce borrowers' moral hazard. They enable lenders to better assess and manage risks. Lenders' obligation to consult the MCIB before approving credit facilities ensures that borrowers' existing liabilities are considered in the credit decision making process. Other important positive fallouts of credit reporting systems are that they help good borrowers to have access to finance at lesser costs and assist in controlling over indebtedness. The MCIB also contributes in nurturing a culture of responsible borrowing in the population.

According to Section 4.1 of the Terms and Conditions of the MCIB, Participants, including utility bodies, are required to report arrears after 30 days from the payment due date. However, effective from May 2015, the delay for submission of information on arrears by utility bodies has been extended to 180 days after the payment due date.

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 2014-15 was in general lower than in 2013-2014 except for the month of June 2015, which showed a hike of 16.5 per cent compared to June 2014. One reason that can explain this hike is the aggressive marketing carried out by some banks during this month. Chart 6.5 shows the monthly number of reports drawn during the past four financial years.

Chart 6.5 Monthly Credit Reports



Source: Payment Systems and MCIB Division.

ISSUE OF NOTES AND COINS

The Bank of Mauritius 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 2014-15, banknotes and coins deposited at and issued by the Bank amounted to Rs35,588 million and Rs37,635 million, respectively. The Bank examined 59.9 million banknotes equivalent to an amount of Rs29,487 million, of which 11.2 per cent for an amount of Rs1,779 million were found to be unfit for circulation and were destroyed.

During 2014-15, the value of banknotes in circulation rose by 7.8 per cent compared to 7.9 per cent in 2013-14, while the volume of banknotes rose by 8.0 per cent compared to 9.1 per cent in 2013-14.

Banknotes of Rs1,000 denomination represented 57.4 per cent of the total value of banknotes in circulation, followed by Rs2,000 denomination banknotes, which accounted for 19.1 per cent of the total. In volume terms, Rs1,000 denomination banknotes represented 25.7 per cent of all banknotes in circulation followed by Rs100 denomination banknotes with a share of 21.2 per cent. Chart 6.6 depicts the total value and volume of banknotes in circulation by denomination.

During 2014-15, the total value of coins in circulation increased by 4.8 per cent compared to 7.5 per cent in 2013-14. The volume of coins in circulation went up by 4.6 per cent in 2014-15 compared to 4.4 per cent in 2013-14.

Sale of Gold to Licensed Jewellers

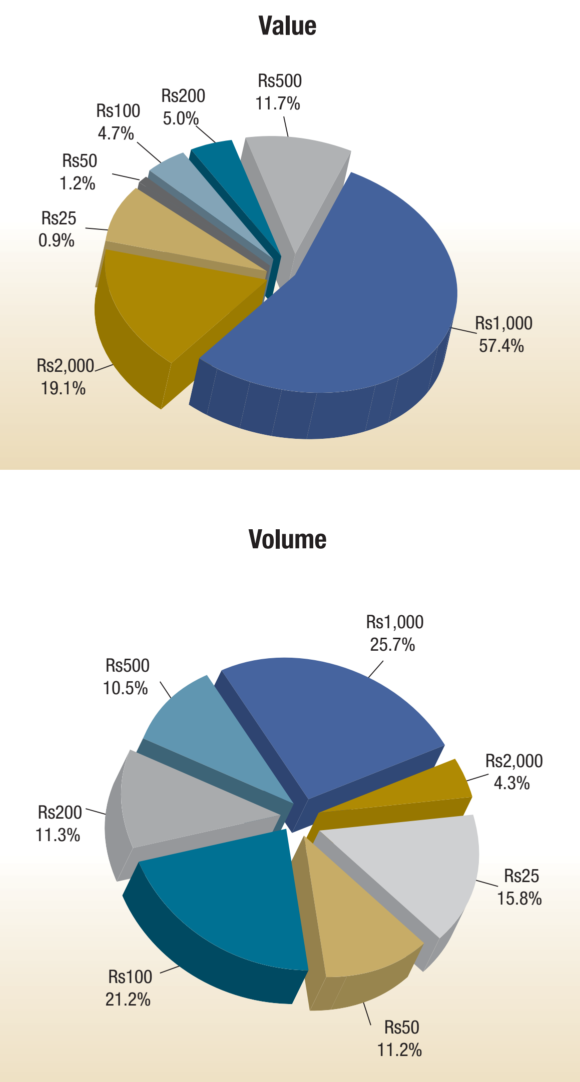
The Bank imports and sells gold of high quality, that is, 24 carats 999.9 assay in bar forms of 1000 grams, 500 grams and 100 grams as well as in grain forms to industrialists and licensed jewellers. The selling prices of industrial gold and gold bars are based on the prevailing international gold market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

Sale of Dodo Gold Coins

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

The Dodo Gold coins are on sale at the counter of the Bank of Mauritius, banks and the Mauritius Duty Free Paradise at the SSR International Airport. They are also marketed overseas by

Chart 6.6 Banknotes in Circulation as at 30 June 2015



Source: Banking and Currency Division.

the Royal Mint of the United Kingdom. The daily selling prices of the coins, based on their gold content and on international gold market prices, are also posted in the Bank's Banking Hall and website.

Sale of Commemorative Coins

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

1. Tenth Anniversary of the Independence of Mauritius

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

2. 1997 Golden Wedding Collector Coin

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

3. 'Father of the Nation' Platinum Coin Series

The Bank sells a complete set of the unique, exclusive and prestigious collection of the three Platinum Coin Series released in 2009, 2010 and 2011 in a presentation box. These coins were issued in the 'Father of the Nation' Platinum Series to pay tribute to Sir Seewoosagur Ramgoolam in laying the foundation stone of the Mauritian nation. The selling price of each platinum coin is computed daily based on the London Metal Exchange-Euro P.M Fixing. These coins are also available in separate individual presentation cases with a certificate of authenticity.

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

Clean Banknote Programme

The Clean Banknote Programme was launched by the Bank in April 2010. It revamped the programme in June 2014 with a view to improving the overall quality of banknotes in circulation and which is still on-going.

Coin Deposit Campaign

The Bank launched the Coin Deposit Campaign in July 2012 with the objective of encouraging members of the public to deposit excess coins in their possession with banks or to exchange them at the banking counter of the Bank of Mauritius. This Campaign is still being pursued.

7 Regional Cooperation

During the year under review, African countries, through their membership in regional blocs, organized various fora to advance the regional and continental integration agenda. Such gatherings included central banks, finance ministries and academia from member countries to give full consideration to economic, monetary, and financial stability dimensions of policy issues and challenges ahead. In this respect, the Bank of Mauritius participated in several regional fora on central banking issues, on account of its membership in the Association for African Central Banks (AACB), the Committee of Governors of Central Banks in the Common Market for Eastern and Southern Africa (COMESA), the Committee of Central Bank Governors of the Southern Africa Development Community (SADC), and the Financial Stability Board (FSB) Regional Consultative Group for Sub-Saharan Africa. The sections which follow provide an overview of policy issues raised by Ministers of Finance or central bankers at meetings held over the period July 2014 to June 2015.

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

Ordinary Meeting of the Bureau of the AACB, 26 February 2014, Dakar, Senegal

The AACB Bureau comprises the AACB Chairperson, the Vice-Chairperson and the Chairpersons of each of the five Sub-Regions[4]. The Bureau is responsible for the implementation of the decisions of the Assembly of Governors, the co-ordination of activities and preparations for the meetings of the AACB, and the supervision and control of both activities of the AACB Secretariat and the management of the accounts of the AACB. Following the 37th Assembly of Governors of the AACB in August 2013, the Bureau members were the National Bank of Rwanda, Central Bank of Nigeria, Central Bank of Lesotho, Banco Central de São Tomé e Príncipe, Central Bank of Tunisia, Banque des Etats de l'Afrique Centrale (the Vice-Chair), and Bank of Mauritius (Chair).

At its first Ordinary Meeting of 2014, the Bureau reviewed the implementation of the decisions taken at the Annual Meetings hosted by the Bank of Mauritius in August 2013. The Bureau welcomed the Banque Centrale de Madagascar to resume its participation in the activities of the AACB. The Bureau noted with satisfaction that, in 2013, African economies had shown resilience despite uncertainties prevailing in the global economy. More economies met the inflation target, partly due to prudent monetary policy and enhanced fiscal discipline. The Bureau urged all member countries to pursue efforts to meet the convergence criteria in Stage III of the African Monetary and Cooperation Programme.

Special Meeting of the Bureau, 4 December 2014, Port Louis, Mauritius

On 14 August 2014, the Bureau postponed the 38th Annual Meeting scheduled from 25-29 August 2014 in Malabo, Equatorial Guinea due to the Ebola virus epidemic. In order to handle urgent matters of the AACB, the Bureau met on 4 December 2014 at the Bank of Mauritius. The Bureau considered the 2015 work programme of AACB Secretariat and the corresponding budget and decided to circulate the document to AACB Governors for approval by 19 December 2014. The work programme and budget of the AACB

[4] *Northern, Eastern, Southern, Western and Central Africa.*

Secretariat for 2015 was subsequently approved and signed by the AACB Chairman. The Bureau noted that the next annual meetings would be held in August 2015 in Equatorial Guinea after which the Bank of Mauritius would pass over the AACB Chairmanship to Banque des Etats de l'Afrique Centrale (BEAC). It was also agreed that the AACB Secretariat would come up with amendments to the Articles of AACB Statutes, considering that the current AACB Statutes do not provide for situations whereby the Annual Meetings can be postponed due to unforeseen circumstances. The proposed amendments were circulated to all members of the AACB in May 2015.

The Bureau also took note of the activities undertaken by the Community of African Banking Supervisors (CABS) in 2014. It commended the conduct of a survey on member countries' needs in banking supervision and regulation, as well as the establishment of an intranet platform aimed at facilitating interaction among supervisors. The Bureau urged members to respond to the questionnaire and sign up for the intranet platform. The two Working Groups on *Crisis Management & Banking Resolution* and *Cross-Border Supervision* were encouraged to take necessary measures to expedite work. The Bureau authorised the implementation of the CABS work plan for 2015, including the organization of a seminar on Macroprudential Surveillance.

Continental Seminar, 13-15 May 2015, Nairobi, Kenya

The theme of the Continental Seminar held in May 2015 was *"Monetary Policy Frameworks in Africa in a Changing Financial Landscape".* It was observed that African countries, like other developing countries, continued to face consequences of the 2008 global financial crisis. Changes in the financial landscape were characterized by intensification of international capital flows and increased use of information and communication technologies. Going forward, the financial landscape was expected to evolve further, requiring central banks to continuously reform and adjust their monetary policy frameworks and strategies appropriately. The participants recommended that countries consider moving towards forward-looking monetary policy frameworks such as inflation-targeting, keeping in consideration country-specific conditions. It was emphasised that central bank independence, coordination between fiscal and monetary policy, financial market reforms, capacity building in data analysis, modeling and forecasting skills and banking soundness and financial stability would be prerequisites for the efficient conduct of monetary policy.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

COMESA Authority of Heads of State and Government, 30-31 March 2015, Addis Ababa, Ethiopia

The 18th Summit of Authority of COMESA was held under the theme *"Inclusive and Sustainable Industrialization".* The average GDP growth of COMESA economies was 5.5 per cent in 2014, and intra-COMESA trade rose from US$19.2 billion in 2013 to US$22.0 billion in 2014. The COMESA-EAC[5]-SADC Tripartite Free Trade Area[6], supported by the infrastructure and industrial pillars would mark a turning point in the region's collective quest to transform its economies structurally through the exploitation of minerals and industrialization. In 2014, COMESA

[5] *The East African Community (EAC) is the regional inter-governmental organisation of the Republics of Burundi, Kenya, Rwanda, the United Republic of Tanzania, and the Republic of Uganda, with its headquarters in Arusha, Tanzania.*

[6] *In 2008, the SADC, COMESA and EAC concluded a tripartite agreement, involving a free-trade area for their 26 member states, to overcome sub-regional and continental barriers to economic development. The initiative aims to boost intra-regional trade; attract investment for development; promote cross-regional infrastructure projects; and remove the costs of overlapping regional memberships by harmonising integration programmes.*

member states issued infrastructure bonds to the tune of US$12.4 billion. This was considered an important step forward in providing funding to support the much-needed infrastructure projects in the region.

The COMESA Authority commended central bank Governors and the COMESA Clearing House for putting in place the COMESA Regional Payment and Settlement System (REPSS), a home-grown solution to the region's payments requirements which is fully compliant with all Bank for International Settlements Core Principles. It also expressed appreciation to the Bank of Mauritius for hosting and running the system on its platform and acting as its Settlement Bank. The COMESA Authority urged central banks which had not yet signed the various agreements pertaining to REPSS and its operations but which met the prerequisites for joining the system, to do so by December 2015. Member states and their respective central banks were also urged to sensitise their stakeholders on the utilisation of the REPSS, through their respective bankers' associations, Chambers of Commerce and Industry, Exporters & Importers Associations.

COMESA Committee of Governors[7] of Central Banks, 27 November 2014, Kinshasa, Democratic Republic of the Congo

The main items discussed at the 20th Meeting of the COMESA Committee of Governors of Central Banks were:

- the status of implementation of decisions of the 19th Meeting of the COMESA Committee of Governors of Central Banks;
- the status report on the Implementation of the Regional Payment and Settlement System;
- the report on the Activities of the COMESA Monetary Institute; and
- the report by member countries towards achieving macroeconomic convergence in 2013.

The COMESA Monetary Institute was directed to produce a technical paper on how to harmonize the macroeconomic convergence criteria for three regional economic communities, namely, COMESA, EAC and SADC, given overlapping membership by member states. The COMESA Monetary Institute was also directed to undertake a study on the challenges of dollarization in selected countries of the region.

Governors concurred that the current monetary policy framework of COMESA members should be strengthened as it is premature to adopt an inflation-targeting framework unless the preconditions were met. It was noted that those countries already implementing some form of inflation-targeting need to continue addressing the challenges of underdeveloped domestic financial markets in order to improve the sensitivity of the interest rate channel. Governors agreed that:

- proper coordination between fiscal and monetary policies should be ensured in order to minimise the costs of sterilisation; and
- foreign exchange reserves buffer would need to be built to minimise exchange rate volatility.

Governors also agreed that the design of the appropriate institutional governance frameworks for the conduct of macroprudential policy should be completed in COMESA member states.

[7] *According to Article 13 of the COMESA Treaty, the Committee of Governors of Central Banks consists of the governors of the monetary authorities designated for that purpose by the member states. It is responsible for the development of programmes and action plans in the field of finance and monetary co-operation.*

This included the identification of Domestic Systemically Important Banks (DSIBs) and the design of appropriate policies to manage risks that could be posed by these institutions.

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

SADC Summit of Heads of State and Government, 17-18 August 2014, Harare, Zimbabwe

One of the items discussed at the SADC Summit was the way in which the Committee of Central Bank Governors' (CCBG)[8] work was tabled at the SADC Summit level. The SADC Council noted the proposed draft *"Revised Regional Indicative Strategic Development Plan 2015–20"* and directed the SADC Secretariat to its finalisation for SADC Council's consideration in April 2015[9]. The SADC Summit also mandated the SADC Ministerial Task Force on Regional Economic Integration to meet and agree on a strategy and roadmap for industrialisation of the SADC Region. At the August 2014 CCBG meeting, Governors noted that the actual review process of the SADC Macroeconomic Peer Review Panel of pilot countries (Lesotho and Malawi) would be done between September and December 2014, for review by the Peer Review Panel in 2015.

First Joint Meeting of the SADC Ministerial Task Force on Regional Integration and the CCBG, 18 July 2014, Gaborone, Botswana

The SADC Secretariat had invited the Governors to the Ministerial Task Force meeting to address their grievances on not being effectively involved in the SADC structures on regional integration. The review of macroeconomic indicators and economic performance of the SADC region in 2013 were also discussed. The Joint Meeting had approved the recommendation to revise the inflation target from the fixed target of 3 per cent to a fixed range of 3-7 per cent, and to maintain the current targets of 3 per cent (or lower) of GDP and 60 per cent (or lower) of GDP for both the fiscal deficit and the public debt, respectively, for the remaining period of the *"Revised Regional Indicative Strategic Development Plan 2015-20."*

39th Meeting of the Committee of Central Bank Governors (CCBG), 6 August 2014, Lusaka, Zambia

As a formal institution within SADC structures, the CCBG is committed to the principles and objectives as set out in the SADC Treaty. As outlined in its Terms of Reference, the CCBG should initiate programmes and propose projects for implementation and seek the approval of Ministers responsible for these actions, where appropriate. At the 39th meeting of the CCBG, Governors expressed their reservations about the Committee's position in the SADC framework, and agreed that it was crucial to discuss the CCBG's involvement in SADC structures with the SADC Executive Secretary.

Governors requested the ICT Subcommittee to examine the EAC multi-currency system and COMESA Clearing House to draw appropriate lessons. Governors noted that participants from the Democratic Republic of the Congo, Mauritius and Zambia, which were non-Common Monetary Area SADC countries, would join the SADC Integrated Regional Electronic Settlement System (SIRESS) by September 2014. A mandate was given to the Committee of Central Bank Officials (CCBO) Payment Systems Subcommittee to look into the possibility of converting the SIRESS to a multiple-currency system using the US dollar, the euro and the South African rand as settlement currencies.

[8] In August 1995 the SADC Council of Ministers approved the establishment of the Committee of Central Bank Governors (CCBG).
[9] At the Extraordinary Meeting of the SADC Council of Ministers on 27 April 2015 in Harare, Zimbabwe, the Council reviewed the Revised RISDP within the framework of the Mid-Term Review of the RISDP.

Strategy Planning Session, 8 December 2014, Pretoria, South Africa

Governors noted that the scope and purpose of the *"Revised Regional Indicative Strategic Development Plan 2015-20"* laid emphasis on re-aligning existing priorities with resources allocation in terms of their relative importance and greater impact on regional integration. The draft strategy framework for the CCBG, based on the strategic frameworks prepared by the different subcommittees, was presented to Governors at the planning session. Governors requested that the CCBG strategy be aligned to SADC structures. The draft strategy would also include a roadmap for financial integration, indicating the activities that needed to be carried out after taking into consideration the "*Revised Regional Indicative Strategic Development Plan 2015-20"* implementation period up to 2020. In addition, emphasis would be laid on the CCBG's initiatives over the next two years, specifying the region's commitments, the CCBG's contribution and deliverables, while keeping in mind central banks' ambit of responsibility.

Governors agreed that there was no ground to create a legal entity for the CCBG, as it was already a legal entity within SADC. In this respect, SADC central banks would continue to contribute to the operational costs of the CCBG Secretariat while exploring the option of cost-sharing. The CCBG Human Resources Development Subcommittee was mandated to explore a mechanism for secondment of staff by SADC central banks to the CCBG Secretariat.

The SADC Secretariat presented to Governors a paper on "*Effective Involvement of Central Bank Governors in Regional Integration"*. The paper discussed why SADC institutions should be reviewed to ensure that the CCBG was effectively involved in regional integration, and proposed the level at which the CCBG should be involved within the policy structures of SADC.

Governors approved the recommendation that the Ministerial Task Force be expanded to include the CCBG. Governors advised that, once approved by the SADC Summit, the SADC Secretariat should investigate a change in the name of the Ministerial Task Force, as the membership would go beyond ministers only.

40th Meeting of the Committee of Central Bank Governors, 16 May 2015, Maputo, Mozambique

At the CCBG meeting held on 16 May 2015 in Maputo, Mozambique, Governors took note of the deliberations of the various subcommittee meetings held from August 2014 to May 2015. It was noted that the proposed changes to the SIRESS legal agreements had been finalised by the CCBO Legal Steering Committee in March 2015. The CCBO Legal Steering Committee also discussed the Model Payment Systems and Bank Supervision Laws as well as reviewed the ownership and registration of SIRESS as a trademark, the SIRESS legal agreements and final amendments, its work programme; and the CCBO Legal Subcommittee strategy document. The Steering Committee, in collaboration with the CCBO Payment Systems Subcommittee, reviewed and finalised the amendments to the SIRESS legal agreements, taking into consideration the concerns of all member states. The CCBO Banking Supervision Subcommittee which met in Namibia on 11 and 12 February 2015, prepared a draft strategy and proposed the following strategic objectives for the period 2015-17, namely to promote, in each member state, an efficient and effective banking regulatory and supervisory system based on internationally accepted principles; to establish a regional banking regulatory and supervisory strategy; to promote the identification, measurement and management of banking risks, including systemic risks, and to promote harmonisation of banking regulatory and supervisory matters, policies, practices, rules and procedures across the region.

Governors took note that 12 member states have ratified the Finance and Investment Protocol (FIP), with Madagascar, Seychelles and Zimbabwe yet to ratify and accede to the FIP. It was noted that the pace of implementation of FIP commitments improved during 2014 since more member states had joined SIRESS and as more member states volunteered to be reviewed under the Peer Review Mechanism. The pilot countries were reviewed by SADC Review Team (composed of macroeconomic experts from Angola and Namibia) during November 2014 and the review reports were validated by the SADC Macroeconomic Subcommittee in March 2015 for submission to the Committee of Senior Officials (both treasuries and central banks) before presentation to the Peer Review Panel at its meeting scheduled in July 2015.

FINANCIAL STABILITY BOARD REGIONAL CONSULTATIVE GROUP FOR SUB-SAHARAN AFRICA

During the year ended 30 June 2015, the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa met on two occasions. Several important issues impacting Sub-Saharan Africa region were discussed including, *inter alia*, the balance between financial inclusion and anti-money laundering while devising a risk-based Know-Your-Customer requirement, the decline in correspondent banking services and the proposed revision to the standardized approach to credit risk. The FSB RCG for Sub-Saharan Africa also participated in two FSB Plenary meetings in September 2014 and March 2015.

Sub-Saharan Africa still lagged behind in terms of capacity development and exchange of information. In fact, only two countries from the region namely, Mauritius and South Africa have been assessed by the FSB on the extent of their adherence to the regulatory and supervisory standards on international cooperation and information exchange. The other countries in the region had not been assessed and much remained to be done on the continent for improving the exchange of information. Against this backdrop, members of the RCG decided to establish a Working Group on *Home-Host Cooperation and Information Sharing* since the RCG meeting in Nairobi in 2013. The composition of the working group was finalized during the last financial year and two meetings have been held so far. A questionnaire would be sent to all Sub-Saharan African countries to identify potential problems to information sharing. A report would then be issued with recommendations to improve the existing processes of information-sharing.

The term of co-chairmanship of Bank of Mauritius expired on 30 June 2015. The incoming co-Chair is Governor Emefiele of the Central Bank of Nigeria for the next two years.

8 Financial Statements

BANK OF MAURITIUS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

CONTENTS	PAGE

INTRODUCTION

Due to the persistent excess liquidity conditions prevailing in the domestic rupee market, the Bank had to conduct open market operations to mop up the excess liquidity and this had impacted negatively on the operating results of the Bank thus resulting in a net loss of Rs284.1 million for the financial year ended 30 June 2015, as determined by section 11(1) of the Bank of Mauritius Act 2004 (the ''Act"). Excluding the cost for conducting monetary policy, the Bank would have realized net profits of Rs446.6 million for the financial year ended 30 June 2015. The net loss as per the restated financial statements for the year ended 30 June 2014 was Rs218.3 million. Persistent low yield environment in the international markets continued to exert pressure on interest income from foreign assets. However, strategic investment decisions taken by the Bank yielded positive results.

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 30 September 2015 to consider the financial statements of the Bank for the financial year ended 30 June 2015 and determined the financial performance for the year then ended.

The financial statements of the Bank for FY 2012/13 and FY 2013/14 ought to have been adjusted with accumulated actuarial losses of Rs347.3 million and actuarial gains of Rs101.2 million, respectively, in order to comply with the provisions of revised IAS 19 – Employee Benefits which became effective from FY 2013/14. The Bank reported a net profit of Rs71.0 million in FY 2012/13 and a net loss of Rs320.6 million for FY 2013/14 in terms of section 11(1) of the Act. The then Management had decided to publish the financial statements of the Bank for FY 2013/14 without making provisions for actuarial gains/losses as required by revised IAS 19 – Employee Benefits. The figures for FY 2012/13 and FY 2013/14 have been restated in the financial statements of the Bank for the FY 2014/15 to reflect the under-provision for those years. Further details are provided in Note 35.

As a result of the restatement, the General Reserve Fund which stood at Rs3,247.5 million on 1 July 2013 was restated to Rs2,900.2 million and the balance as at 1 July 2014 was further reduced from Rs2,926.9 million to Rs2,681.9 million. Additional details are provided in the Statement of Changes in Equity on Page 100.

Assets

Foreign assets of the Bank increased mainly due to purchases of foreign exchange while domestic assets grew due to disbursements made under the Special Line of Credit.

Liabilities

Liabilities recorded an increase mainly due to the continued issue of Bank of Mauritius Securities and also due to an increase in banks' demand deposits.

Capital and Reserves

Total reserves increased due to gain on Revaluation of Foreign Currencies, Special Drawing Rights ("SDR"), Gold and portfolio investments, the whole amount of which was transferred to the Special Reserve Fund in accordance with sections 47(1) and 47(1A) of the Act.

The Bank of Mauritius Act 2004 was amended in May 2015 as under.

A new subsection 3A has been added to section 11 of the Act which allows the Bank, with the approval of the Board, to create, out of its net profits, reserves for such other specific purposes as the Bank may determine in conformity with accounting principles applicable to central banks and best international practices.

Further, section 47(5) of the Act has been amended to allow the Bank, in exceptional circumstances and with the approval of the Board, to use funds out of the Special Reserve Fund for monetary policy purposes in addition to increase in paid up capital of the Bank. As a result, an amount of Rs207.9 million representing part of the cost of open market operations was utilized from the Special Reserve Fund.

Details of the relevant changes brought to the Act in May 2015 are provided in Note 1.

Statement of Responsibilities

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

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

The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the affairs and business of the Bank as decided by the Board. Further, he is responsible for the general supervision of the Bank. In the discharge of his functions, the Governor 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 five other Directors. The Act provides for not less than five but not more than seven other Directors. The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

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

This report is made solely to the Board of Directors of Bank of Mauritius ("Bank"), as a body. Our audit work has been undertaken so that we might state to the Board of Directors of the Bank those matters we are required to state to them in an auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the Board of Directors of the Bank as a body, for our audit work, for this report, or for the opinion we have formed.

Report on the Financial Statements

We have audited the financial statements of the Bank set out on pages 98 to 142 which comprise the statement of financial position as at 30 June 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements which include summary of significant accounting policies and other explanatory information.

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 98 to 142 give a true and fair view of the financial position of the Bank as at 30 June 2015 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.

Other Matter

The financial statements for the year ended 30 June 2014 were audited by another auditor, who, on 25 September 2014 expressed an unqualified opinion on the financial statements.

Deloitte

Deloitte
Chartered Accountants

Twaleb BUTONKEE
Licensed by FRC

Date: 30 September 2015

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	2015 Rs	2014 Rs Restated	2013 Rs Restated
ASSETS				
Foreign Assets:				
Cash and Cash Equivalents	6	**54,485,340,629**	59,615,507,853	62,862,652,325
Other Balances and Placements	7	**83,514,388,323**	59,862,914,412	40,382,784,174
Interest receivable		**304,128,180**	152,221,498	179,138,050
Other Investments	8	**421,885,514**	227,397,412	223,455,138
		138,725,742,646	119,858,041,175	103,648,029,687
Domestic Assets:				
Loans and Advances	9	**5,420,026,158**	2,314,995,798	1,497,577,281
Investment in Government Securities	10	**3,456,734,753**	6,215,892,739	6,620,341,688
Computer Software	11	**3,810,308**	5,169,565	426,637
Property, Plant and Equipment	12	**1,643,437,603**	1,653,378,324	1,730,916,044
Other Assets	13	**524,988,063**	551,269,585	521,635,665
TOTAL ASSETS		**149,774,739,531**	130,598,747,186	114,018,927,002
LIABILITIES				
Currency in Circulation	14	**28,639,197,844**	26,583,439,329	24,644,007,420
Demand Deposits:				
Government		**15,339,826,479**	16,871,009,961	16,088,970,127
Banks		**42,987,276,963**	35,505,536,267	28,377,491,471
Other Financial Institutions		**311,390,585**	100,195,342	101,562,119
Others		**356,658,153**	379,412,551	176,694,394
		58,995,152,180	52,856,154,121	44,744,718,111
Bank of Mauritius Securities	15	**26,756,149,406**	23,676,009,722	17,857,231,334
Provisions	16	**100,000,000**	100,000,000	100,000,000
Employee Benefits	17	**615,611,721**	521,927,702	598,810,126
Other Liabilities	18	**10,949,654,570**	5,238,283,590	5,022,061,366
TOTAL LIABILITIES		**126,055,765,721**	108,975,814,464	92,966,828,357
CAPITAL AND RESERVES				
Stated and Paid up Capital	5	**2,000,000,000**	2,000,000,000	2,000,000,000
Reserves	5	**21,718,973,810**	19,622,932,722	19,052,098,645
TOTAL CAPITAL AND RESERVES		**23,718,973,810**	21,622,932,722	21,052,098,645
TOTAL LIABILITIES, CAPITAL AND RESERVES		**149,774,739,531**	130,598,747,186	114,018,927,002

A.K. Tohooloo
Assistant Secretary
Accounting and Budgeting

M.V. Punchoo
Second Deputy Governor

R. Basant Roi, GCSK
Governor

Date: 30 September 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		Rs	Rs
REVENUE			Restated
Income from Financial Assets			
Interest and Similar Income on Foreign Assets	19 (a)	**1,032,399,190**	691,195,117
Interest and Similar Income on Domestic Assets	19 (b)	**247,543,021**	275,896,501
Others	19 (c)	**1,444,787**	(1,057,220)
	19	**1,281,386,998**	966,034,398
Gain on Foreign Exchange Transactions, Revaluation of Foreign Currencies and SDR		**1,412,250,349**	231,184,086
Other Income	20	**93,765,231**	96,551,441
Gain on Financial Instruments at Fair Value Through Profit or Loss		**878,786,269**	642,938,951
TOTAL REVENUE		**3,666,188,847**	1,936,708,876
EXPENDITURE			
Interest Expense and Similar Charges	21	**17,536**	6,954
Staff Salaries and Other Benefits	22	**313,449,419**	356,181,952
General Expenditure		**205,718,666**	170,572,456
Fees Payable		**29,278,551**	38,202,360
Coin Issue Expenses		**25,763,676**	19,539,064
Note Issue Expenses		**32,768,859**	75,169,638
Depreciation and Amortisation		**111,618,332**	109,311,447
Directors' Remuneration	23	**19,477,224**	17,277,673
IMF Charges	32	**1,546,546**	3,161,724
Other Expenditure	24	**23,589,830**	21,642,028
TOTAL EXPENDITURE		**763,228,639**	811,065,296
OPEN MARKET OPERATIONS	25		
Interest on Bank of Mauritius Instruments		**730,704,565**	656,065,169
NET PROFIT FOR THE YEAR		**2,172,255,643**	469,578,411
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability		**(76,214,555)**	(1,019,270)
Understatement of remeasurement of defined benefit liability		**-**	102,274,936
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(76,214,555)**	101,255,666
TOTAL COMPREHENSIVE INCOME		**2,096,041,088**	570,834,077

STATEMENT OF DISTRIBUTION
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - AS PER IFRS		**2,096,041,088**	570,834,077
Transfer to Special Reserve Fund in terms of sections 47(1) and 47(1A) of the Bank of Mauritius Act 2004	5	**(2,380,180,789)**	(789,207,116)
NET LOSS FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004		**(284,139,701)**	(218,373,039)
Transfer from Special Reserve Fund in terms of section 47(5)(b) of the Bank of Mauritius Act 2004		**207,925,146**	-
Transfer from General Reserve Fund in terms of section 11(7) of the Bank of Mauritius Act 2004		**76,214,555**	218,373,039
BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004		**-**	-

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Stated and Paid Up Capital	General Reserve Fund Restated	Special Reserve Fund	Accumulated Profit	Total
	Rs	Rs	Rs	Rs	Rs
Balance at 01 July 2013 (As reported)	2,000,000,000	3,247,519,156	16,151,854,425	-	21,399,373,581
Prior Year Restatement (Note 35)	-	(347,274,936)	-	-	(347,274,936)
Balance at 01 July 2013 (As restated)	2,000,000,000	2,900,244,220	16,151,854,425	-	21,052,098,645
Net profit for the year	-	-	-	469,578,411	469,578,411
Other Comprehensive Income for the year	-	-	-	101,255,666	101,255,666
Total comprehensive Income	-	-	-	570,834,077	570,834,077
Transfer to Special Reserve Fund	-	-	789,207,116	(789,207,116)	-
Transfer from General Reserve Fund	-	(218,373,039)	-	218,373,039	-
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	-	-
Balance at 30 June 2014 (As restated)	2,000,000,000	2,681,871,181	16,941,061,541	-	21,622,932,722
Balance at 01 July 2014 (As previously reported)	**2,000,000,000**	**2,926,871,181**	**16,941,061,541**	**-**	**21,867,932,722**
Prior Year Restatement (Note 35)	-	(245,000,000)	-	-	(245,000,000)
Balance at 01 July 2014 (As restated)	2,000,000,000	2,681,871,181	16,941,061,541	-	**21,622,932,722**
Net profit for the year	-	-	-	**2,172,255,643**	**2,172,255,643**
Other Comprehensive loss for the year	-	-	-	**(76,214,555)**	**(76,214,555)**
Total comprehensive income	-	-	-	**2,096,041,088**	**2,096,041,088**
Transfer to Special Reserve Fund	-	-	**2,380,180,789**	**(2,380,180,789)**	-
Transfer from Special Reserve Fund	-	-	**(207,925,146)**	**207,925,146**	-
Transfer from General Reserve Fund		**(76,214,555)**		**76,214,555**	
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-	-	-	-
Balance at 30 June 2015	**2,000,000,000**	**2,605,656,626**	**19,113,317,184**	**-**	**23,718,973,810**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Rs	2014 Rs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Generated From Operating Activities	26	**13,686,212,260**	15,159,071,443
CASH FLOWS FROM INVESTING ACTIVITIES			
Movement in Other Balances and Placements		**(23,452,739,530)**	(19,147,411,842)
Movement in Investment in Government Securities		**2,758,810,182**	383,598,869
Additions to Computer Software	11	**(1,922,189)**	(7,552,937)
Acquisition of Property, Plant and Equipment	12	**(107,506,723)**	(30,230,635)
Proceeds from Sale of Property, Plant and Equipment		**20,470**	787,372
Change in Other Investments		**(98,198,994)**	4,265,472
Dividend Received		**-**	1,618,187
Net Cash Used In Investing Activities		**(20,901,536,784)**	(18,794,925,514)
CASH FLOWS FROM FINANCING ACTIVITIES			
Balance of net profits paid into the Consolidated Fund		**-**	(60,347,061)
Net decrease in Cash and Cash Equivalents		**(7,215,324,524)**	(3,696,201,132)
Cash and Cash Equivalents at start of the year		**59,615,507,853**	62,862,652,325
Effect of exchange rate fluctuations on Cash and Cash Equivalents		**2,085,157,300**	449,056,660
Cash and Cash Equivalents at end of the year	6	**54,485,340,629**	59,615,507,853

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. LEGAL FRAMEWORK

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

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

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

- conduct monetary policy and manage the exchange rate of the Mauritian Rupee, taking into account the orderly and balanced economic development of Mauritius;
- regulate and supervise financial institutions carrying on activities in, or from within, Mauritius;
- manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius;
- collect, compile, disseminate, on a timely basis, monetary and related financial statistics; and
- manage the foreign exchange reserves of Mauritius.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

Amendments to the Bank of Mauritius Act 2004

The following amendments, relevant to the financial statements, have been brought in May 2015 to the Bank of Mauritius Act 2004 through The Finance (Miscellaneous Provisions) Act 2015.

Section 11 – General Reserve Fund has been amended as follows

(i) in the heading by adding the words "and other Reserve Funds";

(ii) by inserting a new subsection (3A) after subsection (3) which enables the Bank, with the approval of the Board, to create, out of its net profits, reserves for monetary policy purposes or such other specific purposes as the Bank may determine in conformity with accounting principles applicable to central banks and best international practices;

(iii) by inserting a new subsection (7) which enables the Bank at the end of the financial year, to meet any loss incurred by it in that year from the General Reserve Fund.

Section 47 – Special Reserve Fund

Section 47(5) has been amended to allow the Bank, in exceptional circumstances and with the approval of the Board, to use funds available in the Special Reserve Fund for monetary policy purposes in addition to increase in paid up capital of the Bank.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

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

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

In the current year, the Bank has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Standards Interpretations Committee (“IFRS IC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 July 2014.

(i) Relevant Standards and Interpretations applied with no effect on the financial statements

The following relevant new and revised standards and Interpretations have been applied in these financial statements. Their application has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 16	Property, plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation on revaluation)
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non-financial assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables (Amendments to basis for conclusions only)
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)

(ii) New and Revised Standards and Interpretations in issue but not yet effective

As at 30 June 2015, the following Standards and Interpretation were effective. However, they did not have any impact on the Bank's financial statements.

IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative (effective 1 January 2016)
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation) (effective for annual periods beginning on or after 1 July 2014).
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
IAS 16	Property, Plant and Equipment - Amendments bringing bearer plants into the scope of (effective 1 January 2016)
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRS (effective 1 January 2016)
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective for annual periods beginning on or after 1 January 2018)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2016)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 amendments to transition disclosures (effective 1 January 2018)
IFRS 9	Financial Instruments - Classification and measurement of financial assets (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers - Applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017

Management anticipates that the application of the above Standards in future years will have no material impact on the financial statements of the Bank on their effective dates in future periods.

3. ACCOUNTING POLICIES

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

(a) Financial Instruments

(i) Initial Recognition

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

(ii) Classification and measurement

Financial assets and financial liabilities at *fair value through profit or loss* are initially recognised on the value date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss and subsequently measured at fair value. The Bank's Foreign Investments, Gold deposits, Other Investments and Investment in Government Securities fall under this category.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

(iii) Derecognition

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

(iv) Offsetting

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

(v) Fair Value Measurement Principles

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

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

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation wholly supported by observable market data or the transaction is closed out.

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

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

Gold Deposits

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

Government of Mauritius Treasury Bills

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

Other Government Securities

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

Gains and Losses on Subsequent Measurement

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

(vi) Bank of Mauritius Securities

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

(vii) Cash and Cash Equivalents

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

(viii) Other balances and placements

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(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

Recognition and Measurement

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

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

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

Subsequent costs

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

Depreciation

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

Depreciation is provided at the following annual percentage rates:

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 costs of minting coins are amortised over three years while that of printing banknotes are amortised over two years.

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

(f) Employee Benefits

Defined Benefit Pension Plan

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

The calculation of defined benefit obligations is performed annually by a qualified actuary. Currently, the Bank employs the State Insurance Company of Mauritius as its actuary. When the calculation results in a potential asset for the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

Termination Benefits

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

State Pension Plan

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

(g) Income and Expenditure Recognition

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

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

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

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

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

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis,

- Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in gain or loss from other financial instruments carried at fair value through profit or loss.

(h) Foreign Currencies

Transactions in foreign currencies are recorded in Mauritian Rupees using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupees using the rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are included in profit or

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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) Provisions

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

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

(k) Operating Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4. USES OF ESTIMATES AND JUDGEMENT

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

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

Determining Fair Values

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

Employee benefits

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

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

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

Key judgements

Determination of Functional Currency

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

	2015	2014
	Rs	Rs
Gain on revaluation of Foreign Currencies and SDR	**(1,501,394,520)**	(146,268,165)
Gain on Financial Instruments at Fair Value Through Profit or Loss	**(878,786,269)**	(642,938,951)
Transfer to Special Reserve Fund in terms of sections 47(1) and 47(1A) of the Bank of Mauritius Act 2004	**(2,380,180,789)**	(789,207,116)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6. CASH AND CASH EQUIVALENTS

	2015	2014
	Rs	Rs
Short Term Deposit Accounts	**3,747,021,041**	43,102,433,042
Special Drawing Rights (SDR)	**4,933,758,461**	4,667,987,768
Repurchase Agreement	**31,764,792,960**	4,717,268,400
Current Accounts	**2,218,576,128**	3,256,023,830
Foreign Currency Notes and Coins	**532,156**	3,279,019
Gold Deposits	**11,820,659,883**	3,802,889,925
Foreign Liquid Securities	**-**	65,625,869
	54,485,340,629	59,615,507,853

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

7. OTHER BALANCES AND PLACEMENTS

	2015	2014
	Rs	Rs
Foreign Investments	**83,475,684,209**	28,645,207,964
Long Term Deposit Accounts	**38,704,114**	30,019,632,443
Gold Deposits	**-**	1,198,074,005
	83,514,388,323	59,862,914,412

Foreign Investments represent funds outsourced to Fund Managers and comprise long term deposits, securities and bonds. It also includes investment in foreign currency denominated government securities. Gold deposits refer to gold bars held for long term investment purposes.

8. OTHER INVESTMENTS

	2015	2014
	Rs	Rs
Unquoted Investments	**421,885,514**	227,397,412

Unquoted Investments have been valued on the basis of the latest available data in respect of the investee entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9. LOANS AND ADVANCES

	2015	2014
	Rs	Rs
Special Line of Credit in Foreign Currency	**1,478,013,207**	2,302,416,940
Special Line of Credit in Local Currency	**3,900,000,000**	-
Others	**42,012,951**	12,578,858
	5,420,026,158	2,314,995,798

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

10. INVESTMENT IN GOVERNMENT SECURITIES

	2015	2014
	Rs	Rs
Government of Mauritius Treasury Bills	**99,923,500**	2,170,016,102
Other Government Securities	**3,356,811,253**	4,045,876,637
	3,456,734,753	6,215,892,739

11. COMPUTER SOFTWARE

	Rs
COST	
At 1 July 2013	123,199,930
Additions	7,552,937
At 30 June 2014	130,752,867
Additions	1,922,189
At 30 June 2015	**132,675,056**
AMORTISATION	
At 1 July 2013	122,773,293
Charge for the year	2,810,009
At 30 June 2014	125,583,302
Charge for the year	3,281,446
At 30 June 2015	**128,864,748**
NET BOOK VALUE	
At 30 June 2015	**3,810,308**
At 30 June 2014	5,169,565

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2013	1,613,618,507	8,700,315	692,966,067	103,327,123	27,846,887	2,446,458,899
Additions	17,702,711	2,759,425	2,521,641	6,474,205	772,653	30,230,635
Reclassification	-	-	(867,670)	-	-	(867,670)
Scrapped	-	-	(28,915,152)	-	-	(28,915,152)
Disposals	-	-	(790,326)	(1,169,679)	(583,530)	(2,543,535)
At 30 June 2014	1,631,321,218	11,459,740	664,914,560	108,631,649	28,036,010	2,444,363,177
Additions	3,029,420	93,430,399	3,133,114	5,723,790	2,190,000	107,506,723
Scrapped *	(12,573,570)	-	(926,138)	-	-	(13,499,708)
Disposals	-	-	(18,378)	(30,705)	-	(49,083)
At 30 June 2015	**1,621,777,068**	**104,890,139**	**667,103,158**	**114,324,734**	**30,226,010**	**2,538,321,108**
DEPRECIATION						
At 1 July 2013	176,647,556	-	427,742,628	92,003,554	19,149,117	715,542,855
Charge for the year	29,692,124	-	66,324,096	6,530,472	3,954,746	106,501,438
Reclassification	-	-	(86,767)	-	-	(86,767)
Scrapped	-	-	(28,915,152)	-	-	(28,915,152)
Disposals	-	-	(323,401)	(1,151,590)	(582,530)	(2,057,521)
At 30 June 2014	206,339,680	-	464,741,404	97,382,436	22,521,333	790,984,853
Charge for the year	29,501,241	-	66,698,868	7,464,541	4,672,216	108,336,886
Scrapped*	(3,725,094)	-	(684,509)	-	-	(4,409,603)
Disposals	-	-	(18,376)	(10,234)	-	(28,610)
At 30 June 2015	**232,115,827**		**530,737,387**	**104,836,743**	**27,193,549**	**894,883,505**
CARRYING AMOUNT						
At 30 June 2015	**1,389,661,241**	**104,890,139**	**136,365,771**	**9,487,991**	**3,032,461**	**1,643,437,603**
At 30 June 2014	1,424,981,538	11,459,740	200,173,156	11,249,213	5,514,677	1,653,378,324

* Relates to partitions and false ceilings of the Bank's Old Building which is being refurbished

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13. OTHER ASSETS

	2015 Rs	2014 Rs
Net balances due in clearing	**148,729,621**	111,219,105
Staff Loans	**89,305,436**	90,049,691
Prepayments	**37,873,981**	84,861,470
Industrial Gold and Dodo Gold Coins	**91,202,203**	93,853,302
Gold Bars	**88,358,535**	99,442,640
Interest Receivable on domestic assets	**65,025,013**	67,352,428
Others	**4,493,274**	4,490,949
	524,988,063	551,269,585

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

14. CURRENCY IN CIRCULATION

	2015 Rs	2014 Rs
Notes issued		
Face value		
2,000	**5,248,576,000**	4,531,968,000
1,000	**15,797,778,000**	15,064,127,000
500	**3,211,885,000**	2,870,911,500
200	**1,384,852,200**	1,282,888,400
100	**1,304,346,400**	1,236,647,200
50	**345,261,750**	314,396,800
25	**242,179,175**	218,479,825
Demonetised Notes	**215,709,845**	216,261,785
Total	**27,750,588,370**	25,735,680,510
Coins issued		
Face value		
20 rupees	**201,500,240**	200,999,760
10 rupees	**284,089,590**	266,089,100
5 rupees	**128,467,895**	119,363,575
1 rupee	**154,079,357**	145,387,776
50 cents	**34,323,810**	32,408,239
25 cents **	**6,330,061**	6,332,104
20 cents	**44,270,451**	42,151,481
10 cents **	**2,418,457**	2,419,590
5 cents	**10,340,647**	9,915,294
2 cents **	**330,358**	330,419
1 cent	**222,915**	222,728
Others***	**22,235,693**	22,138,753
Total	**888,609,474**	847,758,819
Total face value of Notes and Coins in Circulation	**28,639,197,844**	26,583,439,329

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15. BANK OF MAURITIUS SECURITIES

	2015	2014
	Rs	Rs
Bank of Mauritius Savings Bonds	**907,400**	907,400
Bank of Mauritius Bonds	**2,667,573,086**	2,665,967,927
Bank of Mauritius Notes	**17,617,842,749**	7,688,860,791
Bank of Mauritius Bills	**6,469,826,171**	13,320,273,604
	26,756,149,406	23,676,009,722

16. PROVISIONS

	2015	2014
	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:

	2015	2014	2013
	Rs	Rs	Rs
		Restated	Restated
Defined Benefit Plan (Note (a))	**520,051,024**	424,196,676	501,135,862
Short Term Employee Benefits (Note (b))	**95,560,697**	97,731,026	97,674,264
	615,611,721	521,927,702	598,810,126

(a) Defined Benefit Plan

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17. EMPLOYEE BENEFITS (CONT'D)

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

The report dated 9 July 2015 submitted by The State Insurance Company of Mauritius Ltd, who also acts as independent actuaries, is produced hereunder.

Amounts recognised in profit or loss:

	2015	2014
	Rs	Rs
		Restated
Current Service Cost	**14,542,138**	12,582,271
Employee Contributions	**(9,883,414)**	(11,098,066)
Fund Expenses	**693,351**	777,781
Net interest expense	**39,347,211**	50,072,394
Net Periodic Pension Cost included in Staff Salaries and other benefits	**44,699,286**	52,334,380
Remeasurement of defined benefit liability recognised in Other Comprehensive Income (OCI):		
Actuarial Loss/(gain)	**76,214,555**	(101,255,666)

(a) Defined Benefit Plan (Cont'd)

Movements in liability recognised in the Statement of Financial Position:

	2015	2014	2013
	Rs	Rs	Rs
		Restated	Restated
At start of the year	**424,196,676**	501,135,862	381,980,816
Total Expenses as per above	**44,699,286**	52,334,380	47,901,997
Actuarial Losses/(gain) recognised in OCI	**76,214,555**	(101,255,666)	95,751,933
Bank of Mauritius share of pension (topping-up)	**(275,357)**	(226,916)	(149,076)
Employer Contributions	**(24,784,136)**	(27,790,984)	(24,349,808)
At end of the year	**520,051,024**	424,196,676	501,135,862

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

17. EMPLOYEE BENEFITS (CONT'D)

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

	2015 Rs	2014 Rs Restated
At start of the year	**769,503,867**	874,011,682
Current Service Cost	**14,542,138**	12,582,271
Interest Cost	**69,255,349**	83,031,110
Actuarial loss/(gain)	**65,837,950**	(109,899,068)
Benefits Paid	**(60,238,646)**	(90,222,128)
At end of the year	**858,900,658**	769,503,867

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

	2015 Rs	2014 Rs Restated
At start of the year	**345,307,191**	372,875,820
Expected Return on Plan Assets	**29,908,138**	32,958,716
Actuarial Losses	**(10,376,605)**	(8,643,402)
Contributions from the Employer	**24,784,136**	27,790,984
Employee Contributions	**9,883,414**	11,098,066
Benefits Paid (Excluding BOM share of pension)	**(59,963,289)**	(89,995,212)
Fund Expenses	**(693,351)**	(777,781)
At end of the year	**338,849,634**	345,307,191

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

	30 June 2015 %	30 June 2014 %
Major categories of Plan Assets		
Local Equities	**19.7**	21.9
Overseas Equities and Bonds	**20.5**	13.4
Fixed Interest	**55.0**	59.1
Others	**4.8**	5.6
Expected return on Plan Assets	**8.8**	9.5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17. EMPLOYEE BENEFITS (CONT'D)

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

The actual return on plan assets was Rs18.1 million (2014: Rs25.4 million).

The history of experience adjustments is as follows:-

	2015	2014
	Rs	Rs
Experience (losses)/gains on plan liabilities	**(65,837,950)**	109,899,068
Experience (losses)/gains on plan assets	**(10,376,605)**	(8,643,402)
	(76,214,555)	101,255,666

The Bank expects to make a contribution of Rs25.9 million (2014: Rs25.5 million) to the defined benefit plans during the next financial year. This estimate may be amended by the Bank of Mauritius on the basis of availability of more accurate information.

Additional disclosure on assets issued or used by the reporting entity

	2015	2014
	%	%
Percentage of assets at end of year		
Assets held in the entity's own financial instruments	**0**	0
Property occupied by the entity	**0**	0
Other assets used by the entity	**0**	0

Weighted average duration of the defined benefit obligation (Calculated as a % change in PV of liabilities for a 1% change in discount rate)	**12 years**

The principal assumptions used for actuarial valuation were:

	2015	2014
Discount Rate	**9.0%**	9.5%
Expected Return on Plan Assets	**9.0%**	9.5%
Future Long-term Salary Increases	**4.0%**	4.0%
Post Retirement Mortality Tables Increases	**2.5%**	2.5%

Mortality before retirement	A 6770 Ultimate Tables
Mortality in retirement	PA (90) Tables (adjusted)
Retirement age	As per Statutory Bodies
	Pension Funds Act

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17. EMPLOYEE BENEFITS (CONT'D)

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

If the discount rate would be 100 basis points (one percent) higher (lower), the defined benefit obligation would decrease by Rs83.6 million (increase by Rs99.6 million) if all other assumptions were held unchanged.

If the expected salary growth would increase (decrease) by 1%, the defined benefit obligation would increase by Rs40.4 million (decrease by Rs35.9 million) if all assumptions were held unchanged.

If life expectancy would increase (decrease) by one year, the defined benefit obligation would increase by Rs20.0 million (decrease by Rs20.0 million) if all assumptions were held unchanged.

(b) Short Term Employee Benefits

	2015	2014	2013
	Rs	Rs	Rs
Provision for Annual and Sick Leaves	**55,671,515**	59,649,316	63,061,767
Provision for Passage Benefits	**39,889,182**	38,081,710	34,612,497
	95,560,697	97,731,026	97,674,264

(c) Employer Contribution Towards Pension Cost

	2015	2014
	Rs	Rs
Contributions Expensed (Note 22)	**25,422,821**	26,369,313

(d) State Pension Plan

	2015	2014
	Rs	Rs
National Pension Scheme Contributions (Note 22)	**1,828,666**	1,702,621

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18. OTHER LIABILITIES

	2015	2014
	Rs	Rs
Balance of net profits payable into the Consolidated Fund in terms of section 11(3) of the Bank of Mauritius Act 2004	-	-
Creditors	183,947,471	263,675,190
Abandoned Funds from Financial Institutions	1,105,584,813	962,060,107
Interests and Charges Payable	161,255,320	117,287,354
Foreign Bills sent for Collection	17,933	15,607
Interest accrued on Bank of Mauritius Savings Bonds	97,200	97,200
Special Drawing Rights (SDR) (Note 32)	3,999,089,739	3,784,386,042
Special Deposits from banks	5,499,643,967	110,743,967
Others	18,127	18,123
	10,949,654,570	5,238,283,590

19. INCOME FROM FINANCIAL ASSETS

(a) Interest and Similar Income on Foreign Assets

	2015	2014
	Rs	Rs
Deposit Accounts	611,063,820	664,644,714
Fixed Income	406,336,308	19,381,151
Special Drawing Rights	2,504,602	4,637,710
Repurchase Agreements	11,430,262	1,501,987
Current Accounts	1,064,198	1,029,555
	1,032,399,190	691,195,117

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(b) Interest and Similar Income on Domestic Assets

	2015 Rs	2014 Rs
Loans and Advances		
Special Line of Credit - Sugar Industry	**11,547,236**	21,367,472
Special Foreign Currency Line of Credit	**22,969,981**	28,525,793
Loans and Advances to Banks	**2,377,405**	102,136
	36,894,622	49,995,401
Government Securities	**204,271,373**	223,422,590
Other Loans	**6,377,026**	2,478,510
	247,543,021	275,896,501

(c) Others

	2015 Rs	2014 Rs
Dividend and other income	**-**	1,618,187
Gain/(Loss) on Sale/Revaluation of Industrial Gold and Dodo Gold Coins	**302,829**	(1,734,286)
Gain/(Loss) on Sale/Revaluation of Gold Bars	**935,515**	(1,110,366)
Profit on Issue of Mauritius Commemorative Coins	**206,443**	144,745
Profit on Sale of Coins	**-**	24,500
	1,444,787	(1,057,220)
Total Income from Financial Assets	**1,281,386,998**	966,034,398

20. OTHER INCOME

	2015 Rs	2014 Rs
Processing and Licence Fees	**43,398,699**	41,633,508
MACSS & MCIB Fees	**52,357,483**	30,195,081
Commissions	**767,940**	689,975
Rent	**-**	2,600
Profit on Sale of Property, Plant and Equipment	**-**	296,142
Scrapped Property, Plant and Equipment	**(9,090,107)**	-
Sponsorship income	**4,722,011**	14,764,700
Penalty	**269,768**	8,398,797
Sundry income	**1,339,437**	570,638
	93,765,231	96,551,441

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

21. INTEREST EXPENSE AND SIMILAR CHARGES

	2015	2014
	Rs	Rs
Government of Mauritius Accounts	**17,536**	6,954

22. STAFF SALARIES AND OTHER BENEFITS

	2015	2014
	Rs	Rs
Staff Salaries and Allowances	**276,304,859**	309,243,572
Employer Contribution Towards Pension Cost (Note 17(c))	**25,422,821**	26,369,313
Staff Family Protection Scheme	**9,092,137**	18,204,941
National Pension Fund (Note 17(d))	**1,828,666**	1,702,621
HRDC Levy	**800,936**	661,505
	313,449,419	356,181,952

The amount of Rs276,304,859 includes a decrease in the liability for short term employee benefits amounting to Rs2,170,321 (see Note 17(b)).

23. DIRECTORS' REMUNERATION

	2015	2014
	Rs	Rs
Governor	**8,831,137**	7,569,198
Deputy Governors (2)	**9,326,087**	8,628,475
Other Directors (5)	**1,320,000**	1,080,000
	19,477,224	17,277,673

Directors' remuneration for 2015 also includes emoluments paid/payable to former Governor and former Second Deputy Governor

Directors are paid a monthly fee of Rs30,000 (2014: Rs30,000)

24. OTHER EXPENDITURE

	2015	2014
	Rs	Rs
Stationery and Library	**3,558,167**	4,617,807
Communication Charges	**18,987,788**	16,146,332
Others	**1,043,875**	877,889
	23,589,830	21,642,028

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 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 and special deposits.

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

	2015	2014
	Rs	Rs
Net profit for the year	**2,172,255,643**	469,578,411
Adjustments for:		
Non-Cash Increase in Employee Benefits	**17,469,464**	24,373,243
Amortisation of Intangible Assets	**3,281,446**	2,810,009
Depreciation of Property, Plant and Equipment	**108,336,886**	106,501,438
Profit on Sale of Property, Plant and Equipment	**-**	(296,142)
Scrapped Property, Plant and Equipment	**9,090,107**	-
Dividend Received	**-**	(1,618,187)
Gain on Financial Instruments at Fair Value Through Profit or Loss	**(878,786,269)**	(642,938,951)
Gain on revaluation of foreign currencies and SDR	**(1,501,394,520)**	(146,268,165)
Gain on revaluation of Government Securities	**347,805**	20,850,080
Operating Profit Before Working Capital Changes	**(69,399,438)**	(167,008,264)
Change in Interest Receivable	**(151,906,682)**	26,916,552
Change in Loans and Advances	**(3,105,030,360)**	(817,418,517)
Change in Other Assets	**(26,281,522)**	(29,633,920)
Change in Notes and Coins in Circulation	**2,055,758,515**	1,939,431,909
Change in Government Demand Deposits	**(1,531,183,482)**	782,039,834
Change in Banks' Demand Deposits	**7,481,740,696**	7,128,044,796
Change in Other Financial Institutions' Demand Deposits	**211,195,243**	(1,366,777)
Change in Other Demand Deposits	**(22,754,398)**	202,718,157
Change in Bank of Mauritius Securities	**3,080,139,684**	5,818,778,388
Change in Other Financial Liabilities	**5,711,371,004**	276,569,285
Net Cash Generated From Operating Activities	**13,686,212,260**	15,159,071,443

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27. COMMITMENTS AND OTHER CONTINGENCIES

Commitment not otherwise provided for in the financial statements and which existed at 30 June 2015 is as follows:

The Bank has a commitment to pay on call USD2,118,000 for capital subscription in the African Export-Import Bank. This amount has not been accounted for as a liability in the financial statements.

Other capital commitments at reporting date amounted to Rs454 million.

There was no other contingent liability that existed at 30 June 2015.

28. OPERATING LEASE COMMITMENTS

	1 year Rs	1 - 5yrs Rs	Above 5 yrs Rs	Total Rs
Archiving - Plaine-Lauzun DBM	471,480	158,397	-	629,877
Fallback Site – Cyber Tower	979,722	-	-	979,722
Antenna – Cyber Tower	59,409	231,876	-	291,285
	1,510,611	**390,273**	**-**	**1,900,884**

An amount of Rs2,273,945 (2014: Rs2,223,362) has been expensed in profit or loss for the year.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) (i) Categories of financial instruments

	Carrying Amount 2015 Rs	Fair Value 2015 Rs	Carrying Amount 2014 Rs	Fair Value 2014 Rs
Financial Assets				
Fair value through profit or loss (FVTPL)				
Investment in Government Securities	**3,456,734,753**	**3,456,734,753**	6,215,892,739	6,215,892,739
Foreign Investment	**27,537,911,427**	**27,537,911,427**	28,645,207,964	28,645,207,964
Gold deposits	**11,820,659,883**	**11,820,659,883**	5,000,963,930	5,000,963,930
Other Investment	**421,885,514**	**421,885,514**	227,397,412	227,397,412
	43,237,191,577	**43,237,191,577**	40,089,462,045	40,089,462,045
Amortised Cost				
Foreign Securities	**55,937,772,782**	**55,573,811,428**	-	-
Loans and receivables				
Cash & Cash Equivalents (Excl. Gold deposits)	**42,664,680,745**	**42,664,680,745**	55,812,617,928	55,812,617,928
Long Term Deposits Accounts	**38,704,114**	**38,704,114**	30,019,632,443	30,019,632,443
Loans and Advances	**5,420,026,158**	**5,420,026,158**	2,314,995,798	2,313,178,587
Staff Loans	**89,305,436**	**89,305,436**	90,049,691	88,171,125
Interest Receivable on foreign assets	**304,128,180**	**304,128,180**	152,221,498	152,221,498
Interest Receivable on domestic assets	**65,025,013**	**65,025,013**	67,352,428	67,352,428
	48,581,869,646	**48,581,869,646**	88,456,869,786	88,453,174,009
Total Financial Assets	**147,756,834,005**	**147,392,872,651**	128,546,331,831	128,542,636,054

	2015 Rs	2015 Rs	2014 Rs	2014 Rs
Financial Liabilities				
Amortised cost	**125,339,737,468**	**125,339,737,468**	108,353,871,155	108,315,305,801

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) (ii) Fair value of financial instruments

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

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

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

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

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

	Level 1	Level 2	Level 3	Total carrying amount	Total fair value
	Rs	Rs	Rs	Rs	Rs
2015					
Financial Assets					
Gold Deposits	**11,820,659,883**	**-**	**-**	**11,820,659,883**	**11,820,659,883**
Foreign Investments	**-**	**27,537,911,427**	**-**	**27,537,911,427**	**27,537,911,427**
Other Investments	**-**	**-**	**421,885,514**	**421,885,514**	**421,885,514**
Investment in Government Securities	**-**	**3,456,734,753**	**-**	**3,456,734,753**	**3,456,734,753**
2014					
Financial Assets					
Gold Deposits	5,000,963,930	-	-	5,000,963,930	5,000,963,930
Foreign Investments	-	28,645,207,964	-	28,645,207,964	28,645,207,964
Other Investments	-	-	227,397,412	227,397,412	227,397,412
Investment in Government Securities	-	6,215,892,739	-	6,215,892,739	6,215,892,739

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

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	**2015** **Rs**	2014 Rs
Opening balance	**227,397,412**	223,455,138
Additions during the year	**63,588,512**	1,355,516
Change in fair value	**130,899,590**	2,586,458
Closing balance	**421,885,514**	**227,397,412**

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

Valuation techniques used

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For those investments where there is no active market, these are stated at cost less impairment. However, for the other financial instruments, the Bank determines fair values using the valuation technique as per table below:

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

Financial instruments not measured at fair value

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

	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total carrying amount Rs	Total fair value Rs
2015					
Financial Assets					
Amortised Cost					
Securities		**55,937,772,782**		**55,937,772,782**	**55,573,811,428**
2014					
Financial Assets					
Amortised Cost					
Securities	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

(b) (iii) 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 as described in note 3 (a) (ii).

(c) Credit Risk

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

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

(i) Concentration of Credit Exposure by Geographical Area

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

	2015	2014
	Rs	Rs
Mauritius	**9,036,315,302**	8,692,370,026
USA	**73,901,578,639**	12,494,370,175
United Kingdom	**7,371,392,781**	17,876,122,822
Europe	**39,710,051,068**	85,649,024,950
Others	**17,737,496,215**	3,834,443,858
	147,756,834,005	128,546,331,831

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (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:

	2015 Rs	2014 Rs
Government	**91,528,659,170**	11,077,941,631
Supranational Financial Institutions	**8,563,866,247**	7,768,889,349
Foreign Banks and Financial Institutions	**42,163,483,112**	107,305,878,332
Other	**5,500,825,476**	2,393,622,519
	147,756,834,005	128,546,331,831

(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	2015 Rs	%	2014 Rs	%
Cash & Cash Equivalents	Central Banks	**42,604,947,756**	**30.71**	45,364,441,968	37.85
	Aaa	**12,319,721**	**0.01**	2,219,515,456	1.85
	Aa	**-**	**-**	5,760,483,351	4.81
	A	**46,560,567**	**0.03**	2,467,472,828	2.06
	Baa	**852,702**	**0.00**	704,324	0.00
	NR	**11,820,659,883**	**8.52**	3,802,889,926	3.17
Other Balances and Placements	Central Banks	**78,276,907,781**	**56.40**	55,187,018,260	46.05
	Aa	**5,237,480,542**	**3.77**	2,322,288,819	1.94
	A	**-**	**-**	2,353,607,333	1.96
Interest Receivable	Central Banks	**286,012,519**	**0.21**	113,665,985	0.09
	Aaa	**18,115,661**	**0.01**	13,583,487	0.01
	Aa	**-**	**-**	17,823,677	0.01
	A	**-**	**-**	7,148,349	0.01
Other Investments	NR	**421,885,514**	**0.30**	227,397,412	0.19
Total External Assets		**138,725,742,646**	**100.00**	119,858,041,175	100.00

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

	Credit Rating	2015 Rs	%	2014 Rs	%
Loans and Advances	Baa	**229,575,645**	**2.54**	278,654,175	3.21
	NR	**5,190,450,513**	**57.47**	2,036,341,623	23.44
Investment in Government Securities	NR	**3,456,734,753**	**38.28**	6,215,892,739	71.54
Other Assets	NR	**154,330,448**	**1.71**	157,402,119	1.81
Total Domestic Financial Assets		**9,031,091,360**	**100.00**	8,688,290,656	100.00

	Credit Rating	2015 Rs	%	2014 Rs	%
Summary by Major Credit Category					
External Assets	Central Banks	**121,167,868,056**	**87.34**	100,665,126,213	83.99
	Aaa	**5,267,915,923**	**3.80**	2,233,098,943	1.86
	Aa	**-**	**-**	8,100,595,847	6.76
	A	**46,560,567**	**0.03**	4,828,228,510	4.03
	Baa	**852,702**	**0.00**	704,324	0.00
	NR	**12,242,545,398**	**8.82**	4,030,287,338	3.36
Total External Assets		**138,725,742,646**	**100.00**	119,858,041,175	100.00
Domestic Financial Assets	Baa	**229,575,645**	**2.56**	278,654,175	3.21
	NR	**8,801,515,715**	**97.46**	8,409,636,481	96.79
Total Domestic Financial Assets		**9,031,091,360**	**100.00**	8,688,290,656	100.00
Total Financial Assets		**147,756,834,006**		128,546,331,831	

(d) Liquidity Risk

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

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

Maturity Analysis

At 30 June 2015	Up to 3 months Rs	Above 3 and up to 6 months Rs	Above 6 and up to 12 months Rs	Between 1 and 5 years Rs	Above 5 years Rs	Total Rs
Non Derivative Financial Assets						
Foreign Assets	55,213,033,003	3,501,190,555	39,756,629,155	27,612,610,362	12,642,279,571	138,725,742,646
Loans and Advances	309,611,726	77,318,420	4,058,984,637	966,916,618	7,194,757	5,420,026,158
Investment in Government Securities	176,889,388	327,597,341	1,706,698,000	897,006,024	348,544,000	3,456,734,753
Other Assets	65,025,013	-	-	41,182,007	48,123,428	154,330,448
Total Financial Assets	55,764,559,130	3,906,106,316	45,522,311,792	29,517,715,011	13,046,141,756	147,756,834,005
Non Derivative Financial Liabilities						
Currency in circulation	28,639,197,844					28,639,197,844
Demand Deposits	58,994,753,594					58,994,753,594
Bank of Mauritius Securities	1,713,318,884	3,781,392,512	4,366,014,666	16,421,688,591	473,734,753	26,756,149,406
Other Liabilities	264,672,337	80,645,785	9,498,733,706	1,105,584,796	-	10,949,636,624
Total Financial Liabilities	89,611,944,659	3,862,038,297	13,864,748,372	17,527,273,387	473,734,753	125,339,737,468
Net Liquidity Gap	(33,847,385,529)	44,068,019	31,657,563,420	11,990,441,625	12,572,407,003	22,417,094,638

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (Cont'd)

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

The Bank did not have any derivative financial assets and liabilities at 30 June 2015 (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk

Repricing Analysis

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

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

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

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

	Change in yield (basis points)	**Effect on Profit and equity 2015 Rs**	Effect on Profit and equity 2014 Rs
Foreign Currency Portfolio	**+50**	**669,971,043**	571,812,795
	-50	**(430,646,940)**	(443,030,002)
Government Securities	**+50**	**(20,388,182)**	(40,233,968)
	-50	**23,973,508**	40,871,857

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015							
Financial Assets							
Foreign Assets	51,478,528,500	3,501,190,555	39,735,501,841	27,633,737,675	12,220,394,058	4,156,390,017	138,725,742,646
Loans and Advances	309,611,726	106,701,261	418,188,908	-	961,481,264	12,630,111	5,420,026,158
Investment in Government Securities	176,889,388	327,597,341	1,706,698,000	-	1,245,550,024	-	3,456,734,753
Other Assets	-	-	-	-	89,305,435	65,025,013	154,330,448
Total Financial Assets	51,965,029,614	3,935,489,157	41,860,388,749	27,633,737,675	14,516,730,781	4,234,045,141	147,756,834,005
Financial Liabilities							
Currency in circulation	-	-	-	-	-	28,639,197,844	28,639,197,844
Demand Deposits	4,075,729,136	-	-	-	-	54,919,026,459	58,994,755,594
Bank of Mauritius Instruments	1,713,318,885	3,781,392,512	593,804,543	3,772,210,124	16,895,423,342	-	26,756,149,406
Other Liabilities	-	-	2,419,455,000	2,969,445,000	-	5,560,734,624	10,949,634,624
Total Financial Liabilities	5,789,048,020	3,781,392,512	3,013,259,543	6,741,655,124	16,895,423,342	89,118,958,927	125,339,737,468
Interest Sensitivity Gap	46,175,981,594	154,096,645	38,847,129,206	20,892,082,551	(2,378,692,561)	-	103,690,597,437

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest Rate Risk (Cont'd)

Repricing Analysis (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 1.75% p.a. to 8.75% p.a. (2014: 2.32% p.a. to 8.75% p.a.) and from -0.35% p.a. to 8.27% p.a. (2014: -0.09% 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 0.85% p.a. to 6.95% p.a. (2014: 2.32% p.a. to 6.95% p.a.) and from 0.24% p.a. to 0.18% p.a. (2014: 0.0075% p.a. to 0.17% 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 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:

	2015	2014
	Rs	Rs
SDR Basket	**100,970,241,671**	70,646,666,433
Non SDR Basket	**37,755,500,975**	49,211,374,742
	138,725,742,646	119,858,041,175

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

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

	Change in MUR Exchange Rate	**Effect on Profit and Equity 2015**	Effect on Profit and Equity 2014
		Rs	Rs
	+50 cents	**8,343,991,145**	3,140,032,483
Foreign Currency Portfolio	**-50 cents**	**(8,343,991,145)**	(3,140,032,483)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29. FINANCIAL INSTRUMENTS (CONT'D)

(g) Fair Values and Carrying Amounts

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

30. CAPITAL RISK MANAGEMENT

Under section 10 of the Bank of Mauritius Act 2004, the Stated and Paid Up Capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The paid up capital presently stands at Rs2 billion after a transfer of Rs1 billion from the Special Reserve Fund on 7 November 2011.

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 Deputy Governors. The contribution for the First Deputy Governor was Rs683,084 (2014:Rs682,328) and Second Deputy Governor was Rs341,768 (2014:NIL)

32. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND ("IMF")

As a member of IMF, Mauritius was initially allocated an amount of SDR15,744,000. In August 2009, the IMF Board of Governors approved an additional allocation of Special Drawing Rights to member countries. Accordingly, a total amount of SDR81,061,549 (Rs3,780,855,831) was allocated to Mauritius, bringing the total allocations to SDR96,805,549. 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 Rs1,546,546 (2014: Rs3,161,724).

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

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

33. SUBSEQUENT EVENTS

There were no material subsequent events after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

34. 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.

35. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to changes in accounting for defined benefit plans and termination benefits arising from first time adoption of IAS 19 (Revised 2011).

The effects of these adjustments on the comparative financial statements of the Bank are as follows:

Impact in statement of profit or loss and other comprehensive income

	2014 Rs
Other comprehensive income	
Remeasurement of defined benefit liability	102,274,936

Impact on liabilities, general reserve fund and accumulated profit as at 30 June 2014

	As previously Reported Rs	Prior Year Adjustments Rs	As restated Rs
Employee Benefits	179,196,676	245,000,000	424,196,676
Total effect on General Reserve Fund, accumulated profit and retirement benefit obligation		245,000,000	

Impact on liabilities and General Reserve Fund as at 1 July 2013

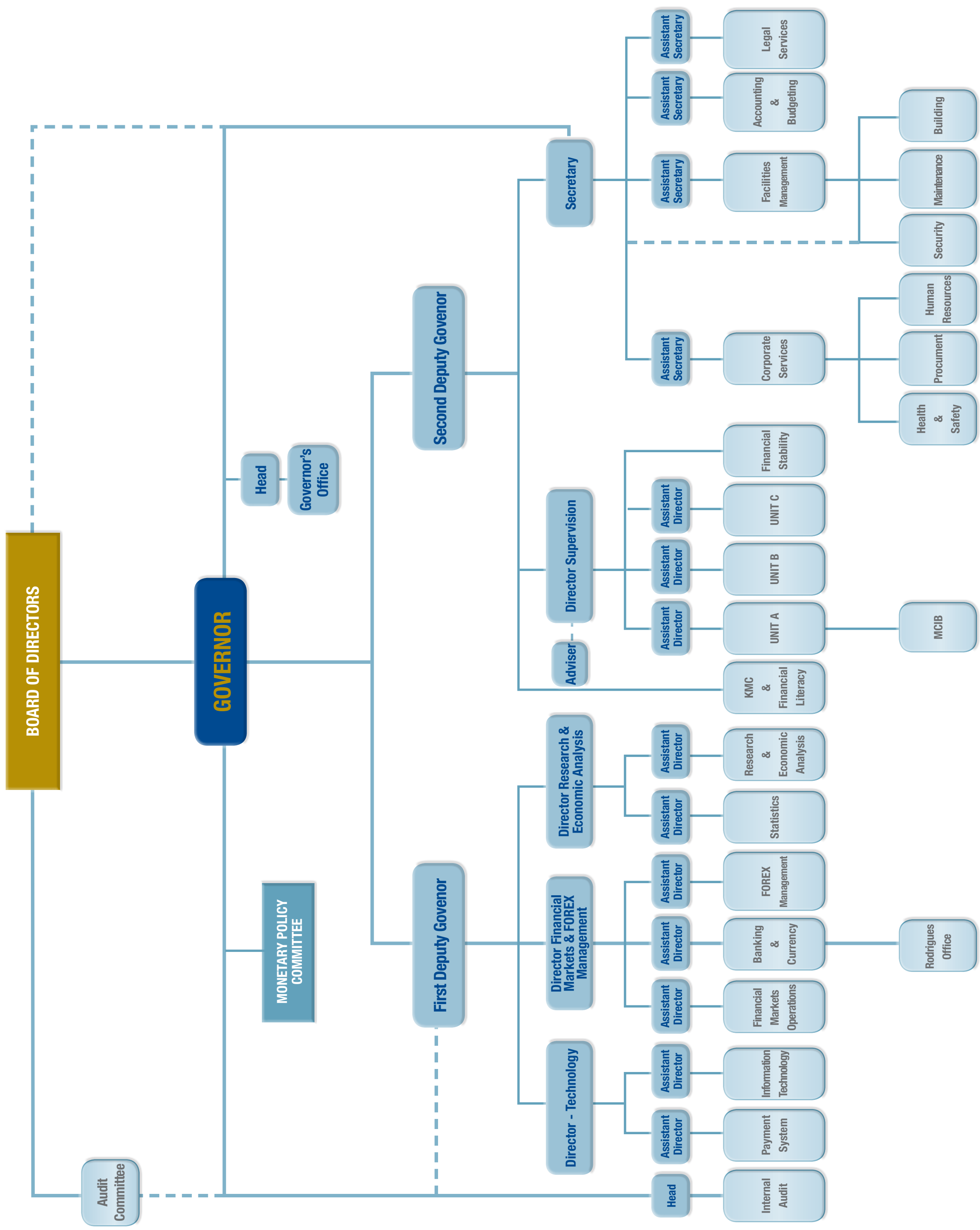
	As previously Reported Rs	Prior Year Adjustments Rs	As restated Rs
Employee Benefits	153,860,926	347,274,936	501,135,862
Total effect on General Reserve Fund and retirement benefit obligation		347,274,936	

APPENDICES

Appendices

Appendix I

The Organisation Structure of the Bank as at 30 June 2015



Appendix II

Senior Management Officials as at 30 June 2015

Governor	Mr Rameswurlall Basant Roi, GCSK MA Economics with specialisation in Monetary and International Economics, BA (Hons) Economics
First Deputy Governor	Mr Yandraduth Googoolye FCCA, FAIA
Second Deputy Governor	Mr Mahendra Vikramdass Punchoo Maitrise en Sciences Economiques, MSc Economics
Secretary	Mrs Hemlata Sadhna Sewraj-Gopal BA (Hons) Economics, ACA (Chartered Accountant)
Director - Supervision	Mr Amar Kumar Bera MA (Economics), LLB, MBA (Banking & Finance), Certified Associate of Indian Institute of Banking & Finance
Director - Technology	*(Vacant)*
Director - Research & Economic Analysis	*(Vacant)*
Head - Supervision, On-Site Division	Mr Ramsamy Chinniah FCCA, MSc Financial Economics
Head - Financial Markets Operations Division	Mr Jaywant Pandoo FCCA , MSc Finance
Head - Middle Office and Risk Division	Mrs Marjorie Marie-Agnes Heerah Pampusa MA Economics, BSc (Hons) Economics
Head - Economic Research Division	Mr Jitendra Nathsingh Bissessur MSc Applied Economics, BA (Hons) Mathematical Statistics

Head - Accounting & Budgeting Division	Mr Anil Kumar Tohooloo MSc in Finance, BSc in Accounting
Head - Regulation, Policy and Licensing Division	Mrs Sudha Hurrymun FCCA, MSc Finance, Associateship of Chartered Institute of Bankers
Head - Internal Audit Division	Mr Yuntat Chu Fung Leung MBA Finance, BA (Hons) Economics and Social Studies
Head - Payments System & MCIB Division	Mr Dhanesswurnath Thakoor MBA - Finance, Ingénieur en Informatique – Mesures – Automatique
Head - Banking & Currency Division	Dr Daneshwar Doobree Doctor of Business Administration, MBA Finance, MSc Human Resource Management, BA (Hons) Economics
Head - Corporate Services Division	Mr Jayendra Kumar Ramtohul FCCA, MBA
Head - Supervision, Off-Site Division	Mr Deenesh Ghurburrun FCCA
Head - Economic Analysis and Publications Division	Dr Premduth Aubeeluck Doctor of Philosophy, MSc Transport Studies, BA Economics and Social Studies
Head – Governor's Office	Mr Youssouf Waesh Khodabocus BA (Hons) Economics
Head - Statistics Division	*(Vacant)*
Head – Legal Division	*(Vacant)*
Head – Facilities Management Division	*(Vacant)*

The Organisation Structure of the Bank as shown in Appendix I was approved by the Board at its meeting of 20 March 2015. As at 30 June 2015, the new organisation structure was still being implemented. The post of "Head" is being restyled into that of "Assistant Director" and "Assistant Secretary", as appropriate. This restyling does not affect the Governor's Office and Internal Audit Office.

Appendix III

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

Governor Rameswurlall Basant Roi, GCSK attended:

i. The 7th Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa from 7 to 13 March 2015, Zanzibar, Tanzania.

ii. Official meetings, together with a delegation from the Ministry of Finance and Economic Development, at the Perth Mint from 30 to 31 March 2015, Perth, Australia.

iii. The IMF/World Bank 2015 Spring Meetings from 17 to 19 April 2015, Washington DC, United States of America.

iv. The 40th Meeting of the SADC Committee of Central Bank Governors, back-to-back with the Symposium on Financial Inclusion hosted by the Banco de Moçambique on the occasion of its 40th Anniversary from 16 to 17 May 2015, Maputo, Mozambique.

v. Official meetings, together with a Government of Mauritius ministerial delegation, with the Government of India from 15 to 17 June 2015, Delhi, India, and meetings with the Reserve Bank of India (RBI), including with the Governor of the RBI, from 18 to 21 June 2015, Mumbai, India.

vi. The Annual General Meetings of the Bank for International Settlements from 22 to 28 June 2015, Basel, Switzerland, and the Annual Andrew Crockett Roundtable for African Central Bank Governors from 29 June to 1 July 2015, Oxford, United Kingdom.

Former Governor Rundheersing Bheenick, GOSK attended:

i. Bilateral meeting with the Governor of the RBI, Mumbai, and meetings in Hyderabad from 15 to 22 July 2014, India.

ii. The First IMF Central Bank Forum for Developing Markets organised jointly by the IMF and Banque de France from 9 to 10 September 2014, Paris, France, and back-to-back Plenary Meeting of the Financial Stability Board, Cairns, Australia, from 17 to 18 September 2014.

iii. The Sixth Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa on 30 September 2014, Cape Town, South Africa.

iv. A farewell event in honour of Governor Gill Marcus as well as the welcoming of Governor Designate Lesetja Kganyago from 4 to 6 November 2014, Pretoria, South Africa.

v. An Extra Ordinary Monetary Affairs Committee Meeting, East African Community, on 14 November 2014, Naivasha, Kenya.

vi. The Strategy Planning Session of the SADC Committee of Central Bank Governors and the Committee of Central Bank Officials on 9 December 2014, Pretoria, South Africa.

First Deputy Governor Yandraduth Googoolye attended:

i. The Fourth Global Islamic Finance Forum hosted by the Bank Negara Malaysia and Securities Commission from 2 to 4 September 2014, Kuala Lumpur, Malaysia. He also attended an outreach event by the International Accounting Standard Boards with regard to application of IFRS to Sharia-complaint instruments and transactions on 5 September 2014.

He represented former Governor Rundheersing Bheenick at:

i. The 14th Meeting of Governors of the Association of African Central Banks (AACB), East Africa Sub-Region, back-to-back with the International Conference on "Financial Inclusion for Inclusive Growth and Sustainable Development" organized by the National Bank of Rwanda in partnership with the World Bank, the African Development Bank and Alliance for Financial Inclusion from 17 to 18 July 2014, Kigali, Rwanda

ii. 39th Meeting of the SADC Committee of Central Bank Governors on 6 August 2014, Lusaka, Zambia.

iii. The South African Reserve Bank Biennial Conference on the theme "Fourteen Years of Inflation Targeting from 30 to 31 October 2014, Pretoria, South Africa.

Second Deputy Governor Mahendra Vikramdass Punchoo represented Governor Rameswurlall Basant Roi at:

i. The Financial Stability Board Plenary Meeting, from 23 to 29 March 2015, Frankfurt, Germany.

ii. The 22ème Conference des Gouverneurs des Banques Centrales des Pays Francophones, from 9 to 19 May 2015, La Martinique.

Former Second Deputy Governor Mohamad Issa Soormally attended:

i. The African Economic Research Consortium (AERC) Governors' Forum, from 13 to 14 August 2014, Zanzibar, Tanzania.

He represented former Governor Rundheersing Bheenick at:

i. The FICCI-IBA Global Banking Governance Conference at Trident Hotel, Mumbai, India from 15 to 16 September 2014, and attended a meeting at the Reserve Bank of India on 17 September 2014, Mumbai, India.

Appendix IV

Overseas Meetings/Training Courses/Seminars/ Workshops

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

Mr. Amar Kumar Bera, Director–Supervision

i. Accompanied Governor Basant Roi for official mission and meetings at the Reserve Bank of India, from 18 to 21 June 2015, Mumbai, India.

Mr Mooneesing Janna Naikeny, Director–Technology attended

i. IT Governance Champion Meeting hosted by the CCBG ICT Subcommittee, from 26 to 29 August 2014, Arusha, Tanzania.

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

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

i. The First IMF Central Bank Forum for Developing Markets organised jointly by the IMF and Banque de France, France and a Plenary Meeting of the Financial Stability Board, Cairns, Australia, from 7 to 20 September 2014.

Dr Premduth Aubeeluck, Head–Economic Analysis and Publications, attended

i. Federal Reserve Bank of New York's 38th Annual Central Banking Seminar hosted by Federal Reserve Bank of New York, from 06 to 09 October 2014, New York, USA.

Mr Jitendra Nathsingh Bissessur, Head–Economic Research

i. Accompanied the former Governor at the Strategy Planning of the Committee of Central Bank Governors preceded by the CCBO Meeting hosted by SARB, from 06 to 08 December 2014, Pretoria, South Africa.

ii. Attended the Continental Seminar of the AACB hosted by Central Bank of Kenya, from 13 to 15 May 2015, Nairobi, Kenya.

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

i. Supervisory College for the Supervisors of the African Banking Operations of Barclays Africa Group Ltd hosted by Banking Supervision Department of the SARB, from 24 to 26 November 2014, Pretoria, South Africa.

Mr Deenesh Ghurburrun, Head–Off-Site, Supervision

i. Attended the Meeting of the Deutsche Bank Group - Asia - Pacific & Americas Supervisory College & Meeting with BaFin officials hosted by BaFin, from 02 to 05 September 2014, Frankfurt am Main, Germany.

ii. Attended the Meeting of the SADC

Committee of Central Bank Officials (CCBO) from 14 and 15 May 2015; and accompanied Governor Basant Roi at the SADC Committee of Central Bank Governors (CCBG), held back-to-back with the Financial Inclusion Symposium - hosted by Banco de Moçambique on the occasion of its 40th Anniversary, from 16 to 17 May 2015, Maputo, Mozambique.

Mrs Marjorie Marie-Agnes Heerah Pampusa, Head–Middle Office and Risk attended

i. African Caucus Meeting hosted by World Bank, from 03 to 04 September 2014, Khartoum, Sudan.

ii. ATI Steering Committee Meeting on 25 March 2015, N'Djamena, Chad.

iii. Workshop on Advanced Portfolio Analytics for Fixed Income hosted by RAMP & World Bank, from 18 to 22 May 2015, Washington, D.C., USA.

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

i. Attended the Meeting of the SADC Committee of Central Bank Officials (CCBO) from 04 and 05 May 2015; and accompanied the First Deputy Governor at the SADC Committee of Central Bank Governors (CCBG), held back-to-back with the Symposium on "50 years of Central Banking: Repositioning for the future" - hosted by Bank of Zambia on the occasion of its 50th Anniversary, from 06 to 07 August 2015, Lusaka, Zambia.

ii. Accompanied the former Governor Bheenick at a farewell event in honour of Governor Gill Marcus as well as to welcome Governor Designate Lesetja Kganyago, from 4 to 6 November 2014, Pretoria, South Africa.

iii. Attended the Annual Meeting of the CCBG Subcommittee of Banking Supervisors hosted by Bank of Namibia, from 10 to 12 February 2015, Windhoek, Namibia.

iv. Accompanied Governor Basant Roi to the 7th Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa, from 7 to 13 March 2015, Zanzibar, Tanzania.

v. Accompanied Governor Basant Roi to Official Meetings at the Reserve Bank of India back-to-back with Meetings in Geneva, Switzerland and also participated in the BIS Annual General Meeting and Andrew Crockett Roundtable for African Central Bank Governors, Oxford, UK, from 15 June to 05 July 2015.

Mr Youssouf Waesh Khodabocus, former Chief–Off-site, Supervision, attended

i. Supervisory College Meeting for I & M Bank Ltd hosted by Central Bank of Kenya, on 25 November 2014, Nairobi, Kenya.

ii. 10th high level meeting for Africa on "Strengthening Financial Sector Supervision and Current Regulatory Priorities" hosted by Bank for International Settlements, from 29 to 30 January 2015, Cape Town, South Africa.

Mr Jaywant Pandoo, Head–Financial Markets Operations

i. Accompanied Governor Basant Roi on Official Meetings at the Perth Mint, from 30 to 31 March 2015, Perth, Australia.

Mr Mahendra Vikramdass Punchoo, former Head–Statistics attended

i. 2nd IMF Statistical Forum on Statistics for Policy Making - Identifying Macroeconomics and Financial Vulnerabilities hosted by IMF, from 18 to 19 November 2014, Washington, D.C., USA.

Mr Jayendra Kumar Ramtohul, Head–Corporate Services

i. Accompanied the former Governor on Official Meetings at the Reserve Bank of India, from 15 to 22 July 2014, Mumbai, India and Hyderabad.

ii. Attended the 11th Board Audit Committee Meeting hosted by IILM, from 29 to 30 September 2014, Kuala Lumpur, Malaysia.

iii. Attended the 12th Board Audit Committee Meeting hosted by IILM, from 13 to 14 November 2014, Kuala Lumpur, Malaysia.

Mr Dhanesswurnath Thakoor, Head–Payment Systems and MCIB attended

i. SADC Payment System Regional Conference & PSOC Meeting hosted by SADC Payment System Project, from 15 to 17 July 2014, Pretoria, South Africa.

ii. 6th Leadership Forum of the Mobile Money for the Unbanked (MMU) Programme hosted by GSMA, from 05 to 07 November 2014, Cape Town, South Africa.

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

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

i. SADC Payment System Integration and Legal Workshop hosted by SADC Payment System Project, from 03 to 05 March 2015, Maputo, Mozambique.

Mr Grooduth Daboo, Chief–Banking and Currency attended

i. African Banknote Conference hosted by South African Bank Note Company, from 16 to 20 November 2014, Cape Town, South Africa.

Mr Qayyum Ali Ismael Ghanty, Chief–IT attended

i. CCBG ICT Subcommittee Meeting hosted by CCBG ICT Subcommittee, from 02 to 06 March 2015, Huila/ Lubango, Angola.

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

i. SADC Payment System Integration and Legal Workshop and PSOC Meeting hosted by SADC Payment System Project, from 18 to 20 November 2014, Dar Es Salaam, Tanzania.

Mr Atmanand Jhary, Chief–Internal Audit attended

i. 7ème Conference des Responsables D'audit Interne des Banques Centrales des Pays Francophones hosted by Banque du Canada, from 09 to 11 October 2014, Ottawa, Canada.

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

i. Attended SADC Payment System Integration and Legal Workshop hosted by SADC Payment System Project, from 03 to 04 March 2015, Maputo, Mozambique.

ii. Accompanied Governor Basant Roi on Official Meetings at the Perth Mint, from 30 to 31 March 2015, Perth, Australia.

Mr Neetyanand Kowlessur, Chief–Economic Analysis

i. Attended the Technical Meetings of

the AACB from 15 to 16 July 2014; and accompanied the First Deputy Governor at the 14th Ordinary Meeting of Governors of the AACB, Eastern Africa Sub Region, hosted by the National Bank of Rwanda back-to-back with the Conference on Financial Inclusion, Growth and Sustainable Development, from 17 to 18 July 2014, Kigali, Rwanda.

ii. Accompanied the former Governor to the Extra Ordinary meeting of the Monetary Affairs Committee (MAC) of the East African Community (EAC) hosted by Central Bank of Kenya, on 14 November 2014, Naivasha, Kenya.

Mrs Powkeem Lo Tiap Kwong, Chief–Statistics attended

i. Regional Workshop on International Data Standards in Country Open Data Platforms hosted by African Development Bank and the IMF, from 23 to 27 February 2015, Pretoria, South Africa.

Dr Ashwin Kumar Madhou, Chief–Economic Research attended

i. 7th Irving Fisher Committee (IFC) Biennial Conference hosted by Bank for International Settlements, from 04 to 05 September 2014, Basel, Switzerland.

Mr Ashootosh Pramaha Seeneevassen Palayathan, Chief–Middle Office and Risk

i. Attended Basel II, Basel III and Macroprudential Approach to Supervision hosted by AFRITAC South in collaboration with SARB Academy, from 03 to 07 November 2014, Pretoria, South Africa.

ii. Accompanied Governor Basant Roi at the IMF & IMF/World Bank Spring Meeting, from 15 to 19 April 2015, Washington, USA.

iii. Attended the Executive Forum for Policy Makers & Senior Officials hosted by RAMP & World Bank, from 20 to 21 April 2015, Washington D.C., USA.

Mrs Malini Ramdhan, Chief–Regulation, Policy and Licensing attended

i. HSBC Global College of Supervisors hosted by Prudential Regulation Authority, on 10 June 2015, London, UK.

Mr Arvind Sharma Ramful, Chief–IT attended

i. Seminar on Payment and Settlement Systems “Digital Payments: Serving a Billion People” hosted by the Reserve Bank of India, from 20 to 22 November 2014, Kerala, India.

Mr Sanjay Ramnarainsing, Chief–Financial Market Operations attended

i. Workshop on Fundamentals of Fixed Income Risk Management hosted RAMP and World Bank, from 23 to 27 February 2015, Paris, France.

Mr Harryram Ramsurn, Chief–Regulation, Policy and Licensing attended

i. FRS-RBI Bank Analysis & Examination Seminar hosted by Reserve Bank of India, from 23 to 27 February 2015, Mumbai, India.

Mrs Sonali Sewraj-Reetoo, Chief–Legal Services attended

i. Workshop on Legal Aspects of Governance and Asset Management hosted by World Bank Treasury, from 07 to 11 July 2014, Paris, France.

ii. SADC Payment System Regional Conference & PSOC Meeting hosted by SADC Payment System Project, from 15 to 17 July 2014, Pretoria, South Africa.

Mr Sameer Kumar Sharma, Chief–Middle Office and Risk attended

i. 1st Meeting of the IFSB Task Force - Task Force on Technical Note on Stress Testing for Institutions offering Islamic Financial Services (IIFS) hosted by IFSB, on 16 December 2014, Kuala Lumpur, Malaysia.

ii. The Validation Workshop on studies conducted by member Central Banks on "Exchange Rate Volatility and Effectiveness on Monetary Policy", hosted by the COMESA Monetary Institute, from 10 to 11 November 2014, Nairobi, Kenya.

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

Mr Ibne Faraz Beekun, Analyst–IT attended

i. 45th International Central Banking Course hosted by National Institute of Banking and Finance, from 16 February to 13 March 2015, Islamabad, Pakistan.

Mrs Mahima Bhurtha, Analyst–Economic Research attended

i. BNM-AFI Access to Financial Services for the Micro, Small and Medium Enterprises Programme hosted by Bank Negara Malaysia, in collaboration with the Alliance for Financial Inclusion, from 14 to 17 October 2014, Kuala Lumpur, Malaysia.

Mr Nandkumar Daworaz, Analyst–Financial Markets Operations attended

i. Training for Trainers Workshop - CS-DRMS v2 hosted by Commonwealth Secretariat, from 12 to 23 January 2015, London, UK.

Mr Sahadeosing Gungabissoon, Analyst-On Site, Supervision attended

i. Seminar on Fundamentals of Structured Trade Finance back-to-back with Seminar on "Promotion and Development of Factoring in Africa: Towards a Facilitative Legal and Regulatory Environment" hosted by African Export-Import Bank, from 04 to 07 November 2014, Lusaka, Zambia.

Ms Monysha Lyna Jany Singh Jhamna, Analyst–Middle Office and Risk attended

i. Workshop on Investing in Emerging Market Bonds hosted by World Bank Treasury and RAMP, from 29 September to 03 October 2014, Washington, D.C., USA.

Mr. Satishingh Jugoo, Analyst–Statistics attended

i. SADC Regional Meeting on Trade in Services Statistics hosted by SADC Secretariat, from 25 to 26 August 2014, Johannesburg, South Africa.

Mr Adarsh Juwaheer, Analyst–Economic Research attended

i. ESAAMLG Peer Learning Workshop on Development of Financial Inclusion Policy & Risk Based Legal/ Regulatory Frameworks hosted by ESAAMLG, from 30 July to 01 August 2014, Pretoria, South Africa.

Mr Ved Prakash Anand Koonjul, Analyst–Financial Markets Operations attended

i. Seminar on Liquidity Risk and Islamic and Conventional Banks hosted by Financial Stability Institute and Islamic Financial Services Board, from 28 to 29 October 2014, Doha, Qatar.

Mr Brian Kwok Chung Yee, Analyst-Off Site, Supervision, participated in

i. A technical assistance mission - workshop on Financial Soundness Indicators, from 08 to 17 December 2014, Cape Town, South Africa.

ii. A technical assistance mission - Financial Soundness Indicators, from 21 January to 03 February 2015, Blantyre, Malawi.

Ms Marie Medgee Lauricourt, Analyst–Regulation, Policy and Licensing attended

i. Workshop on Fundamentals of Active Management hosted by World Bank Treasury and RAMP, from 22 to 26 September 2014, Washington, D.C., USA.

Mr Abdool Anwar Massafeer, Analyst–Statistics attended

i. Introductory Monetary and Financial Statistics hosted by African Development Bank Group & JPA, from 24 November to 05 November 2014, Dar Es Salaam, Tanzania

Mrs Kaveeta Nowbutsing-Hurynag, Analyst–Policy Unit accompanied Governor Basant Roi to the

i. Accompanied Governor Basant Roi at the SADC Committee of Central Bank Governors (CCBG), held back-to-back with the Financial Inclusion Symposium - hosted by Banco de Moçambique on the occasion of its 40th Anniversary, from 16 to 17 May 2015, Maputo, Mozambique.

Ms Marie-Line Gilberte Philibert, Analyst–On Site, Supervision attended

i. Supervisory College for State Bank of India hosted by the Reserve Bank of India, on 08 December 2014, Mumbai, India.

Mrs Vijayantimala Ramful, Analyst–Financial Markets Operations attended

i. Managing an External Asset Management Program hosted by RAMP & World Bank, from 08 to 12 June 2015, Washington, D.C., USA.

Mr. Ramanand Ramsohok, Analyst-On Site, Supervision attended

i. Training on Capital Markets & Investment Banking hosted by ITEC/SCAAP - Entrepreneurship Development Institute of India, from 08 September to 17 October 2014, India.

Mr Dhirajsingh Rughoobur, Analyst-Off Site, Supervision

i. Attended Seminar on Basel III and Supervision of Systemically Important Banks hosted by Financial Stability Institute and CCBG Human Resources Development Subcommittee, from 02 to 04 September 2014, Pretoria, South Africa.

ii. Accompanied the former Governor to the 6th Meeting of the FSB Regional Consultative Group for Sub-Saharan Africa on 30th September 2014, Cape Town, South Africa.

iii. Attended the FSI Seminar on Regulating and Supervising Large Banks - Current Developments hosted by Financial Stability Institute, from 03 to 05 December 2014, Basel, Switzerland.

iv. Accompanied the Second Deputy Governor at the Plenary Meeting of the Financial Stability Board & International conference on "Debt and Financial Stability – Regulatory Challenges" hosted by Financial Stability Board, from 23 to 29 March 2015, Frankfurt am Main, Germany.

Mr Yashwantsingh Rughoobur, Analyst–Regulation, Policy and Licensing attended

i. 18th International Conference of Banking Supervisors (ICBS) hosted by China Banking Regulatory Commission organised in collaboration with Basel Committee on Banking Supervision, from 22 to 25 September 2014, Tianjin, China.

Mrs Nivedita Sajadah-Aujayeb, Analyst–Regulation, Policy and Licensing attended

i. Meeting of the CCBO Legal Steering Committee, Legal Model Law Work Group and Banking Supervisors Model Law Work Group hosted by Secretariat of the CCBG in SADC, from 24 to 26 March 2015, Lusaka, Zambia.

Mr Sandiren Vadeevaloo, Analyst-On Site, Supervision attended

i. Supervisory College pertaining to the African Banking Operations of Standard Bank Group Limited hosted by Bank Supervision Department of the SARB, from 25 to 27 March 2015, Johannesburg, South Africa.

Mr Chetanand Christna, Ag Analyst–Accounting and Budgeting Division attended

i. Workshop on Settlements and Custodian Relations hosted The World Bank Treasury & RAMP, from 03 to 07 November 2014, Washington, D.C., USA.

Overseas Meetings/Training Courses/ Seminars/ Workshops Attended by Bank Officers Grade 1

Mrs Sheik Sooraya Bibi Goolam Hossen, Bank Officer Grade 1–Off-Site, Supervision attended

i. 20th MAS Banking Supervisors' Programme hosted by the Monetary Authority of Singapore, from 22 to 26 June 2015, Singapore.

Mrs Bindoomatee Gungaram, Bank Officer Grade 1–Financial Markets Operations attended

i. Managing an External Asset Management Program hosted by RAMP & World Bank, from 08 to 12 June 2015, Washington, D.C., USA

Mrs Jaiwantee Koosha Burumdoyal, Bank Officer Grade 1–Payment Systems and MCIB attended

i. Payment Systems Course hosted by CCBG Human Resources Development Subcommittee, from 30 September to 02 October 2014, Pretoria, South Africa.

Mr Kumaravel Mootoosamy, Bank Officer Grade 1–Regulation, Policy and Licensing attended

i. 20th MAS Banking Supervisors' Programme hosted by the Monetary Authority of Singapore, from 22 to 26 June 2015, Singapore.

Mr Yahseen Peerbocus, Bank Officer Grade 1–Reserve Management Unit attended

i. BNM-MTCP Islamic Liquidity Management Workshop hosted Bank Negara Malaysia and Malaysian Technical Cooperation Programme, from 25 to 28 November 2014, Kuala Lumpur, Malaysia.

Mrs Sarita Devi Ramkooleea, Bank Officer Grade 1–Payment Systems and MCIB attended

i. Payment Systems Course hosted by CCBG Human Resources Development Subcommittee, from 30 September to 02 October 2014, Pretoria, South Africa.

Ms Yogeeta Devi Ramphul, Bank Officer Grade 1–On-Site, Supervision attended

i. The 19th MAS Banking Supervisors' Programme hosted by the Monetary Authority of Singapore, from 24 to 28 November 2014, Singapore.

Appendix V

Local Courses/Seminars/Workshops

Local Courses/ Seminars/Workshops attended by Heads of Division

Mr Jitendra Nathsingh Bissessur, Head–Economic Research attended

i. Opening workshop on the Open Data Readiness Assessment hosted by Ministry of Technology, Communication and Innovation, from 08 to 09 June 2015, Port Louis.

ii. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Mrs Marjorie Marie-Agnes Heerah Pampusa, Head–Middle Office and Risk attended

i. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Mr Yuntat Chu Fung Leung, Head–Internal Audit attended

i. Lecture on Introductory insights towards Understanding Emotional Intelligence hosted by Ministry of Economic Finance and Economic Development, 07 May 2015, Ebene.

Mr Youssouf Waesh Khodabocus, Head–Governor's Office attended

i. Consultative Workshop on Household indebtedness hosted by University of Mauritius, 17 July 2014, Réduit.

ii. Regulation and Supervision of Microfinance Institutions, Mobile Financial services Providers, and Agency Networks seminar, hosted by Africa Regional Technical Assistance Centre South from 25 to 29 August 2014, Ebene.

iii. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Mr Dhanesswurnath Thakoor, Head–Payments System and MCIB attended

i. Meeting on Electronic System on filing and payment-PAYE and TDS and the extension of the Electronic system hosted by Ministry of Finance and Economic Development, 15 December 2014, Port Louis.

ii. Workshop on MeRP (Mauritius eRegistry Project) hosted by Registrar General Department, 05 February 2015, Port Louis.

iii. 1st Technical Meeting on e-filing hosted by Mauritius Revenue Authority, 12 February 2015, Port Louis.

Local Courses/Seminars/Workshops attended by Chiefs

Mr Dooneshsingh Audit, Chief–Statistics Division attended

i. Seminar on the book "Africa on the move: Unlocking the Potential of Small Middle Income Countries in Sub Saharan Africa hosted by AFRITAC South and ATI in collaboration with Afritac West 2, from 18 to 21 November 2014, Ebene.

ii. Trade and Manufacturing Forecast Committee Meeting hosted by Statistics Mauritius, 18 May 2015, Port Louis.

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

i. SWIFT User Group for Mauritius hosted by SWIFT, on 24 September 2014, Ebene.

ii. SWIFT Users for Mauritius Group Meeting hosted by SWIFT, on 05 November 2014, Port Louis.

Mr Chitananda Ellapah, Chief–Statistics Division attended

i. Meeting of Tourism Statistics Committee hosted by Statistics Mauritius, 06 February 2015, Port Louis.

ii. Presentation on the Mauritian Tourism Industry hosted by Statistics Mauritius, 12 February 2015, Port Louis.

iii. SDDS Technical Committee hosted by Statistics Mauritius, 10 June 2015, Port Louis.

Mr Narayan Gangalaramsamy, Chief–Supervision attended

i. Training Programme to enhance Capacity Building in the fight against corruption hosted by Commonwealth Secretariat in collaboration with ICAC, from 20 April to 24 April 2015, Flic-en-Flac.

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

i. Regulation and Supervision of Microfinance Institutions, Mobile Financial Services Providers, and Agency Networks seminar hosted by AFRITAC South, from 25 to 29 August 2014, Ebene.

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

i. Workshop on Asset Recovery Measures, hosted by ICAC, from 27 to 28 January 2015, Pointe aux Piments.

ii. Seminar on Promoting Financial Stability through Stronger Legal and Institutional Framework, hosted by AFRITAC South and IMF, from 29 June to 03 July 2015, Ebene.

Mr Neetyanand Kowlessur, Chief–Economic Research attended

i. Workshop on Development of a migration and development policy for Mauritius hosted by Prime Minister's office, 24 September 2014, Port Louis.

ii. Meeting-SADC Trade in Services - Preparation for Financial services Negotiation hosted by Ministry of Foreign Affairs, Regional Integration and international Trade, 23 January 2015, Port Louis.

iii. Monetary and Exchange Rate Policies (MERP) hosted by ATI, 16 to 27 March 2015, Ebene.

iv. Meeting on SADC Trade in Services-Financial Services hosted by Ministry of Foreign Affairs, Regional Integration and international Trade, 18 May 2015, Port Louis.

v. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Mrs Powkeen Lo Tiap Kwong, Chief–Statistics attended

i. SDDS Technical Committee hosted by Statistics Mauritius, 10 June 2015, Port Louis.

Mrs Najma Nabee, Chief–Economic Analysis and Publication attended

i. Monetary and Exchange Rate Policies (MERP) hosted by ATI, 16 to 27 March 2015, Ebene.

Mr Shakti Proag, Chief–Facilities Management attended

i. Lecture on Introductory insights towards Understanding Emotional Intelligence hosted by Ministry of Economic Finance and Economic Development, 07 May 2015, Ebene.

Mrs Malini Ramdhan, Chief–Regulation, Policy and Licensing attended

i. Regulation and Supervision of Microfinance Institutions, Mobile Financial Services Providers, and Agency Networks seminar hosted by AFRITAC South, from 25 to 29 August 2014, Ebene.

ii. Compliance and Enforcement Sub Committee meeting on Corporate Governance hosted by Compliance and Enforcement Sub Committee, 12 November 2014, Port Louis.

iii. Seminar on Promoting Financial Stability through Stronger Legal and Institutional Framework hosted by AFRITAC South and IMF, from 29 June to 03 July 2015, Ebene.

Local Courses/Seminars/Workshops attended by Analysts

Mrs Falza Atchia, Analyst–Statistics attended

i. Monetary and Exchange Rate Policies (MERP) hosted by ATI, 16 to 27 March 2015, Ebene.

Mr Ghanish Beegoo, Analyst–Statistics attended

i. Conference on Forecasting Frameworks for Forward Looking Monetary Policy hosted by ATI in collaboration with AFRITAC South, AFRITAC East and AFRITAC West II , from 09 to 13 March 2015, Ebene.

ii. Dissemination Workshop-An in-depth analysis of rising household indebtedness in Mauritius hosted by University of Mauritius, 06 May 2015, Réduit.

Mrs Mahima Bhurtha, Analyst–Economic Research and Publication attended

i. Course on Macroeconomic Diagnostics (MDS) hosted by AFRITAC South and IMF, from 23 March to 01 April 2015, Ebene.

ii. Workshop on the WTO Notification Requirement hosted by Ministry of Foreign Affairs, Regional Integration and international Trade, 19 May 2015, Pointe aux Piments.

Mr Nandkumar Daworaz, Analyst–Financial Markets Operations attended

i. 2nd Workshop on Public Debt Management hosted by African Development Bank and Ministry of Finance and Economic Development, from 14 to 16 July 2014, Port Louis.

ii. Workshop on cash management hosted by Ministry of Finance and Economic Development, 03 November 2014, Port Louis.

Mr Adarsh Juwaheer, Analyst–Economic Research attended

i. Conference on Forecasting Frameworks for forward Looking Monetary Policy hosted by ATI in collaboration with AFRITAC South, AFRITAC East and AFRITAC West II, from 09 to 13 March 2015, Ebene.

Mr Brian Kwok Chung Yee, Analyst–Off-Site, Supervision attended

i. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Ms Marie Medgee Lauricourt, Analyst–Regulation, Policy and Licensing attended

i. Compliance and Enforcement Sub Committee meeting on Corporate Governance hosted by Compliance and Enforcement Sub Committee, 12 November 2014, Port Louis.

ii. Seminar on Promoting Financial Stability through Stronger Legal and Institutional Framework, hosted by AFRITAC South and IMF, from 29 June to 03 July 2015, Ebene.

Mrs Kaveeta Nowbutsing-Hurynag, Analyst–Governor's Office attended

i. Course on Macroeconomic Diagnostics (MDS) hosted by AFRITAC South and IMF, from 23 March 2015 to 01 April 2015, Ebene.

Mr Karankumar Pitteea, Analyst–Economic Analysis and Publications attended

i. Committee on Indebtedness of the household and corporate sector in Mauritius hosted by Ministry of Economic Finance and Economic Development, 28 January 2015, Port Louis.

ii. Dissemination Workshop-An in-depth analysis of rising household indebtedness in Mauritius hosted by University of Mauritius, 06 May 2015, Reduit.

iii. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Mrs Vijayantimala Ramful, Analyst–Financial Markets Operations attended

i. Workshop on Valuation of Government Securities hosted by Ministry of Economic Finance and Economic Development, from 04 to 06 November 2014, Port Louis.

Mr Vasan Kumar Ranlaul, Analyst–IT attended

i. SWIFT User Group for Mauritius hosted by SWIFT, on 24 September 2014, Ebene.

ii. SWIFT Users for Mauritius Group Meeting hosted by SWIFT, on 05 November 2014, Port Louis.

Mr Dhirajsing Rughoobur, Analyst–On-Site, Supervision attended

i. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Mr Yashwantsing Rughoobur, Analyst–Regulation, Policy and Licensing attended

i. Course on Applied Econometric hosted by ATI, over 6 Saturdays, from 27 June to 01 August 2015, Ebene.

Mrs Nivedita Sajadah-Aujayeb, Analyst–Regulation, Policy and Licensing attended

i. Regulation and Supervision of Microfinance Institutions, Mobile Financial services Providers, and Agency Networks seminar, hosted by Africa Regional Technical Assistance Centre South from 25 to 29 August 2014, Ebene.

ii. Workshop on Asset Recovery Measures, hosted by ICAC, from 27 to 28 January 2015, Pointe aux Piments.

iii. Meeting on SADC Trade in Services-Financial Services hosted by Ministry of Foreign Affairs, Regional Integration and international Trade, 18 May 2015, Port Louis.

iv. FATCA Vocabulary and case Studies hosted by Temple Group and Global Finance Mauritius, 24 June 2015, Port Louis.

Mr Feisal Bin Khalid Sooklall, Analyst–Economic Analysis and Publications attended

i. Course on Macroeconomic Diagnostics (MDS) hosted by AFRITAC South and IMF, from 23 March to 01 April 2015, Ebene.

Local Courses/Seminars/Workshops attended by Bank Officers Grade I

Mrs Bindoomatee Gungaram, Bank Officer Grade I–Financial Markets Operations attended

i. 2nd Workshop on Public Debt Management hosted by African Development Bank and Ministry of Finance and Economic Development, from 14 to 16 July 2014, Port Louis.

Mr Kumaravel Mootoosamy, Bank Officer Grade I–Regulation, Policy and Licensing attended

i. Training Programme to enhance Capacity Building in the fight against corruption hosted by Commonwealth Secretariat in collaboration with ICAC, from 20 to 24 April 2015, Flic-en-Flac.

Mr Yahseen Mohammad Peerbocus, Bank Officer Grade I–Middle Office and Risk Division attended

i. Conference on Laddering up the value chain: Building substance in the Mauritius International Financial Centre hosted by CFA Society Mauritius, 25 June 2015, Balaclava.

Miss Vijayluxmi Ramdonee, Bank Officer Grade I–Regulation, Policy and Licensing attended

i. Core Elements of Prudential Supervision hosted by IMF from 11 to 23 June 2015, Ebene.

Appendix VI

Staff Turnover

RECRUITMENT

Mr Arvind Sharma Ramful was appointed Chief – IT Infrastructure with effect from 01 July 2014.

Mr Qayyum Ali Ismael Ghanty was appointed Chief-IT Infrastructure with effect from 01 August 2014.

Dr Carlos Ernesto Gonzalo Pastor Campos was appointed Director – Economic Research with effect from 01 September 2014.

Mr Amar Kumar Bera was appointed Director – Supervision with effect from 17 November 2014.

Mrs Sandhya Nundah was appointed Safety and Health Officer with effect from 05 June 2015.

Mr Rajesh Kumar Beegun was appointed BI Analyst with effect from 15 June 2015.

RETIREMENT

Mr Vedasalon Umanee, Analyst, retired from the service of the Bank with effect from 20 July 2014.

Mr Jaganah Joganah, Bank Attendant Grade II, retired from the service of the Bank with effect from 04 August 2014.

Mr Narendra Singh Boojhawon, Bank Attendant Grade III, retired from the service of the Bank with effect from 22 September 2014.

Mr Teeruthdeo Ramdenee, Analyst, retired from the service of the Bank with effect from 13 March 2015.

RESIGNATION

Mr Mooneesing Janna Naikeny, Director Technology, resigned from the service of the Bank with effect from 16 May 2015.

EXPIRY OF CONTRACT OF EMPLOYMENT

The contract of employment of Mr Girish Mehta, IT Security Officer, expired with effect from 01 September 2014.

The contract of employment of Mrs Sonali Sewraj-Reetoo, Chief – Legal Services, expired with effect from 17 February 2015.

The contract of employment of Dr Carlos Ernesto Gonzalo Pastor Campos, Director – Economic Research, expired with effect from 01 March 2015.

The contract of employment of Mrs Sandhya Nundah, Safety and Health Officer, expired with effect from 02 May 2015.

The contract of employment of Dr Ashwin Madhou, Chief, expired with effect from 02 May 2015.

The contract of employment of Mr Ibnée Fadil Dookhy, Chief, expired with effect from 06 May 2015.

The contract of employment of Mr Sameer Kumar Sharma, Chief, expired with effect from 13 May 2015.

TERMINATION OF EMPLOYMENT

The contract of employment of Mr Manilall Jhugroo, Assistant Security Manager, was terminated with effect from 13 March 2015.

The contract of employment of Ms Lakshmi Appadoo, Head – Governor's Office, was terminated with effect from 01 May 2015.

PROMOTION

Mr Bridgelall Koonjul, Mr Narainduth Durjan and Mr Jean Noel Satinaden were appointed Bank Attendants Grade II with effect from 09 March 2015.

Mr Youssouf Waesh Khodabocus was appointed Head, Governor's Office with effect from 01 June 2015.

Appendix VII

List of Banks, Non-Bank Deposit-Taking Institutions, Money-Changers and Foreign Exchange Dealers licensed by the Bank of Mauritius as at 30 June 2015

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 2015.

Banks

1. ABC Banking Corporation Ltd
2. AfrAsia Bank Limited
3. Bank One Limited
4. Bank of Baroda
5. Banque des Mascareignes Ltée
6. Banque Privée de Fleury Limited[1]
7. BanyanTree Bank Limited
8. Barclays Bank Mauritius Limited
9. Century Banking Corporation Ltd[2]
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. National Commercial Bank Ltd
16. P.T Bank Internasional Indonesia
17. SBI (Mauritius) Ltd
18. Standard Bank (Mauritius) Limited
19. Standard Chartered Bank (Mauritius) Limited
20. SBM Bank (Mauritius) Ltd
21. The Hongkong and Shanghai Banking Corporation Limited
22. The Mauritius Commercial Bank Limited
23. Warwyck Private Bank Ltd[1]

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

[1] Conducts private banking business exclusively.
[2] Conducts Islamic banking business exclusively.

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. Island Premier Foreign Exchange Ltd
4. Shibani Finance Co. Ltd
5. Thomas Cook (Mauritius) Operations Company Limited

List of Charts

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List of Acronyms

AACB	Association of African Central Banks
ATMs	Automated Teller Machines
BCS	Bulk Clearing System
BEAC	Banque des Etats de l'Afrique Centrale
BIS	Bank for International Settlements
BML	Broad Money Liabilities
CABS	Community of African Banking Supervisors
CBS	Central Bank Survey
CCBG	Committee of Central Bank Governors
CCBO	Committee of Central Bank Officials
CDS	Central Depository System
CMA	Common Monetary Area
CMS	Content Management System
CNP	Contribution Network Project
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DCS	Depository Corporations Survey
DEM	Development and Enterprise Market
DSIBs	Domestic-Systemically Important Banks
EAC	East African Community
ECB	European Central Bank
EFTs	Electronic Funds Transfers
FIP	Finance and Investment Protocol
FSB	Financial Stability Board
GBCs	Global Business Companies
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GES	Graduate Employment Scheme
GFS	Government Finance Statistics
GNDI	Gross National Disposable Income
GNI	Gross National Income
GNS	Gross National Savings
GOIR	Gross Official International Reserves

ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
IHS	Invest Hotel Scheme
IMF	International Monetary Fund
IRD	Image Return Document
IRS	Integrated Resort Scheme
ISIN	International Securities Identification Number
KRR	Key Repo Rate
MACSS	Mauritius Automated Clearing and Settlement System
MCIB	Mauritius Credit Information Bureau
MDLS	Mauritius Development Loan Stocks
MERI	Mauritius Exchange Rate Index
MICR	Magnetic Ink Character Recognition
MOU	Memorandum of Understanding
MPC	Monetary Policy Committee
MSS	Mauritius Sugar Syndicate
NBDTI	Non-Bank Deposit-Taking Institutions
NFA	Net Foreign Assets
ODCs	Other Depository Corporations
OSHA	Occupational Safety and Health Act
PABX	Private Automatic Branch Exchange
PLACH	Port-Louis Automated Clearing House
RBI	Reserve Bank of India
RCG	Regional Consultative Group
REER	Real Effective Exchange Rate
REPSS	Regional Payment and Settlement System
RES	Real Estate Scheme
RTGS	Real Time Gross Settlement
SADC	Southern African Development Community
SDR	Special Drawing Rights
SEMDEX	Stock Exchange of Mauritius Index
SIRESS	SADC Integrated Regional Settlement System
QE	Quantitative Easing
VAT	Value-added Tax
XBRL	eXtensible Business Reporting Language

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