



# **BANK OF MAURITIUS**

*Communiqué*

## **Global Economic Crisis**

With a view to countering the possible adverse impact of the ongoing global economic crisis on Mauritius, and to support the initiatives being taken by Government to stimulate the economy, the Bank of Mauritius has decided to take the following measures:

### **I Reduction in Cash Reserve Ratio**

The Bank has decided, in terms of section 49 (1) of the Bank of Mauritius Act 2004, to reduce the Cash Reserve Ratio (CRR) from 5.0 per cent to 4.5 per cent, with effect from the fortnight beginning 19 December 2008. The minimum CRR on any particular day has also been reduced from 4 per cent to 3 per cent.

The first maintenance period will run from 19 December 2008 to 1 January 2009 and, during that two-week period, banks will have to maintain average cash balances equivalent to 4.5 per cent of their average deposit holdings for the period 5 December to 18 December 2008.

The provisions of the *Guideline on Segmental Reporting Under a Single Banking Licence Regime* - which indicate, *inter alia*, the treatment for the maintenance of the CRR on specific deposit liabilities of residents, non-residents and Global Business Licence holders, used for financing Segment A and Segment B activities - remain unchanged.

This measure will result in a sum of Rs 1.2 billion being injected into the banking system and will also provide greater flexibility to the banks to manage their day-to-day cash balances.

### **II Introduction of a Special Foreign Currency Line of Credit**

The Bank of Mauritius is also concerned that banks' operations may be affected due to non-availability, or inadequacy, of foreign exchange credit facilities, from their usual sources, which may adversely affect banks' ability to finance the country's requirements in trade.

The Bank of Mauritius has therefore decided to make available to banks a special foreign currency line of credit, aggregating US\$ 125 million, equivalent to approximately Rs 4 billion, at the prevailing rate of exchange. This facility will be provided to banks in US\$ against their holdings of Government of Mauritius and Bank of Mauritius securities, for a period of three months on a roll-over basis. Operational details will be communicated to banks.

The Bank is keeping a close watch on ongoing domestic and global economic developments and stands ready to respond accordingly.