



## COMMUNIQUE

Following a press article which appeared in the newspaper Le Defi Plus of 19 July 2008, the Bank would wish to state the following facts:

1. The primary objective of the Bank of Mauritius, in terms of the Bank of Mauritius Act 2004, is to maintain price stability and to promote orderly and balanced economic development.
2. For the attainment of that objective, the conduct of monetary policy and management of the exchange rate of the rupee is vested with the Bank of Mauritius.
3. Implementation of monetary policy is not a static process. It is dynamic. The conduct of monetary policy in Mauritius has evolved over time from strong reliance on controls and directives to more market-based mechanisms. Interventions by the Central Bank to purchase foreign currencies from the market exert inflationary pressure on the economy and pose challenges for the conduct of monetary policy. In order to sterilize excess liquidity stemming from capital inflows, the Bank issues Bank of Mauritius Bills. Accordingly, the capital and reserves of the Central Bank have to be strong enough to be able to sustain repeated interventions in the money market. As the nature and quantum of capital inflows is fraught with uncertainty, it is important for the Central Bank to build up reserves as a cushion.

4. For the proper conduct of monetary policy, the Bank has since the financial year ended 30 June 1991 been making provision for Open Market Operations. For the financial year ended 30 June 1991, a provision of Rs450 million was made for Open Market Operations. Again for the financial year ended 30 June 1992, a provision of Rs146 million was made for Open Market Operations. The table below shows provision made for Open Market Operations for each of the subsequent years 1993, 1994 and 1996:

30 June 1993	Transfer to Open Market Operations	Rs150 million
30 June 1994	Transfer to Open Market Operations	Rs100 million
30 June 1996	Transfer to Open Market Operations	Rs54 million

5. These provisions have in all transparency been duly reflected in the audited financial statements of the Bank. These financial statements are forwarded to the Ministry of Finance as required by law.

6. **Provision for Open Market Operations is not a new feature.**

7. For the financial year ended 30 June 1995 and financial years ended 30 June 1997 to 30 June 2001 and 30 June 2003, no provision was deemed necessary for Open Market Operations.

8. For the year ended 30 June 2002, an amount of Rs335.4 million out of provisions made in earlier years for Open Market Operations was paid to Government as these provisions were not totally utilized.

9. For the year ended 30 June 2004, the Bank had recourse to provisions made in earlier years to meet operating losses incurred by the Bank in that year. **This underscores the importance of making provision for Open Market Operations.**

10. Similarly, a provision of Rs559 million was made for Open Market Operations in the audited financial statements of the Bank for the financial year ended 30 June 2007 in conformity with Section 11(1) of the Bank of Mauritius Act 2004.

11. Section 11 (1) of the Bank of Mauritius Act reads as follows:

*“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 provisions as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff funds and superannuation funds and other contingencies”.*

12. The provision for Open Market Operations for the financial year ended 30 June 2007 was reckoned as a contingency in terms of the above section of the law.

13. The accounts of the Bank for the financial year ended 30 June 2007 have been audited by the Bank’s External Auditors, Messrs Kemp Chatteris Deloitte, who in their audit report stated that:

- proper accounting records had been kept by the Bank as far as it appeared from their examination of those records;
- the net profit for the year had been ascertained in accordance with Section 11 of the Bank of Mauritius Act 2004; and
- the financial statements gave a true and fair view of the financial position of the Bank as at 30 June 2007, and of its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards and complied with the requirements of the Bank of Mauritius Act 2004.

14. In their recent Public Information Notice for Mauritius, the International Monetary Fund has stated the need for strengthening the Bank of Mauritius capital base and governance structure.

15. The Ministry of Finance and Economic Development (MOFED) had different views on this issue. Several meetings have been held between representatives of the Bank of Mauritius and the MOFED in that respect. The first meeting was held on 27 December 2007 with representatives of the MOFED. The Financial Secretary was present. The second meeting was held on 10 January 2008 during which representatives of the MOFED and the State Law Office were present.

16. On 15 January 2008, the Bank informed the MOFED that the Board of the Bank had, in its deliberate judgment, deemed it fit to make a provision for the said amount to cater for contingencies that would arise as a result of the conduct of its Monetary Policy given that the market was becoming more vulnerable due to significant inflows stemming from Integrated Resorts Scheme projects which along with other factors warranted more intervention by the Bank on the domestic market. The Bank had also stated that the matter would be reviewed in the financial accounts for the financial year ending 30 June 2008.

17. A meeting with the MOFED was subsequently held at the Bank on 23 June 2008 where the Financial Secretary and the Senior Advisor of the Minister of Finance and Economic Development were present. During the course of the meeting, they were informed that as the net income generated from the Bank's operations for the financial year 2007/2008 would be sufficient to meet the cost of Open Market Operations amounting to Rs680.9 million, the provision of Rs559.8 million made in the accounts for financial year ended 30 June 2007 would, subject to the Board's approval, be remitted to Government.

18. The matter is currently being considered by the Board of the Bank.

19. It may be mentioned that the newspaper Le Defi Plus had sought some information from the Bank on the above. The letter from Le Defi Plus is annexed. A copy of the explanations furnished to the newspaper by the Bank is also herewith reproduced. Readers would wish to draw their own conclusion about the objectivity of the coverage given to the matter in the press article.

**Bank of Mauritius**

**19 July 2008**

Rundheersingh Bheenick

Gouverneur

Banque de Maurice

Ce vendredi 18 juillet 2008

Cher Monsieur,

Notre rédaction souhaite confirmer si le ministère des Finances a fait une réclamation de Rs 500 millions auprès de la Banque de Maurice.

Nous souhaitons savoir si cette somme représente des profits déclarés en moins pour l'année financière 2006-07. Elle aurait été transférée sous un autre item

3 la Banque de Maurice.

Et si cette sous-déclaration a déséquilibré la parité de partage des profits – 85% au gouvernement et 15% à la Banque de Maurice.

Est-il vrai que c'est le directeur Jacques Li Wan Po qui a découvert cette faille ?

Est-il également vrai que trois cadres du département 'Accounting and Budgeting' ont été sommés de fournir des explications ?

Si ces informations s'avèrent être vraies, peut-on savoir comment ces Rs 500 millions ont échappé à la vigilance de la BoM? Est-ce par erreur ou de manière délibérée ? Quelles vont être les marches à suivre ?

Nous vous saurions gré de bien vouloir nous faire parvenir ces précisions d'ici cet après-midi, à 16 heures, au plus tard.

Nous vous remercions d'avance

Eshan Dinally

Journaliste

254 7081

Cher Monsieur Dinally

Il n'y a personne qui a découvert quoi que ce soit.

La Banque de Maurice a été créée par le Parlement et à ce titre doit soumettre au Parlement une copie de ses comptes audités.

Les comptes audités qui ont été rendus public vous montrent un montant de Rs559,823,879 qui a été transféré par la Banque de Maurice à un fond qui permettrait à la Banque de Maurice de bien conduire sa politique monétaire, qui comme vous le savez, a un prix. Trouvez ci joint les comptes audités qui ont été publiés par la Banque.

Il n'est pas vrai de dire qu'il y avait une faille ou bien que cette somme a échappé à la vigilance de la Banque de Maurice. C'est encore moins une erreur. Ces chiffres sont publics.

Il y a eu contentieux si ce montant devait revenir au Gouvernement comme profit, au lieu d'aller à ce fond susmentionné.

L'affaire est en train d'être discuté au niveau du Conseil de la Banque de Maurice.

Une décision sera prise ultérieurement.

Banque de Maurice