



BANK OF MAURITIUS

Website <http://bom.intnet.mu>

COMMUNIQUÉ

BANK OF MAURITIUS OFFERS SHORT-TERM FOREIGN CURRENCY SWAPS

The Bank of Mauritius (the Bank) offers spot-to-three-month forward swap transactions in USD, EUR and GBP in the domestic foreign exchange market for a target amount not exceeding USD100mn or its equivalent.

The domestic spot market for these currencies is experiencing some volatility as a result of reduced volumes of transactions in the market, exacerbating the uncertainties. The current situation can be partly explained by unwillingness of the operators to hedge their foreign exchange position by resorting to forward sales/purchases.

The lack of liquidity in the spot foreign exchange market and the consequent uncertainties have a bearing on the orderly functioning of the market. The Bank is undertaking swap transactions with a view to injecting liquidity in the market and thereby avoiding the build up of uncertainties that would have financial stability implications.

The Bank will conduct swaps with commercial banks and foreign exchange dealers in Mauritius which are willing and agreeable to provide the Bank with eligible collateral for that purpose. These transactions are being undertaken to enable banks/foreign exchange dealers to cover similar transactions with eligible operators in the export and tourism sectors. The terms of the swap transactions between the banks/foreign exchange dealers and the operators would be mutually agreed between them.

The swaps will be conducted on every Wednesday as from 23 December 2009 for a minimum amount of USD1 mn, EUR 750,000 and GBP 600,000 or for such other amounts as the Bank may decide.

In order to mop up the excess liquidity generated by the swap transactions, i.e. the resulting rupee proceeds, the Bank, as agreed by the Ministry of Finance and Economic Empowerment, will offer an option to the banks/foreign exchange dealers to invest in Treasury Bills of 91-day, 182-day or 364-day tenor **at a yield respectively of 75 basis points, 60 basis points and 50 basis points below the Key Repo Rate**. In this respect, the Bank will, on the day of the swap transactions, issue warrants to the banks/foreign exchange dealers concerned authorising them to invest the equivalent amount in the Treasury Bills. Such warrants shall be exercised within a period of 30 days from the date of issue thereof, failing which they shall lapse.

The swap transactions will be undertaken purely at the option of the Bank and will be terminated at any time in its sole discretion if, in the Bank's assessment, the conditions prevailing in the domestic foreign exchange market do not warrant their continuation or when the target amount of USD100mn is reached, whichever is earlier. The Bank also reserves the right to modify any terms and conditions of the arrangement at any time.

The swap transactions under this arrangement will not distort the domestic foreign exchange market but facilitate its orderly functioning.

22 December 2009