



# BANK OF MAURITIUS

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

## COMMUNIQUÉ BANK OF MAURITIUS OFFERS FOREIGN CURRENCY SWAPS OF SHORTER MATURITY

The Bank of Mauritius, in a communiqué dated 22 December 2009, had announced the offer of spot-to-three-month foreign currency swaps to banks/foreign exchange dealers to enable them to cover similar transactions undertaken by them with eligible operators in the export and tourism sectors. This decision was taken in the wake of volatility observed in the domestic spot foreign exchange market at that time.

Although the off-take of this facility by the banks/foreign exchange dealers was not substantial, it had the positive effect of bringing some orderliness in the functioning of the domestic foreign exchange market. Daily turnover increased from US Dollars 24 million to US Dollars 34 million and the shortage of foreign exchange was by and large addressed.

Recently, the Bank undertook a review of the developments after the introduction of the foreign currency swaps with representatives of some banks and foreign exchange dealers. During these discussions, it was brought to the notice of the Bank that there was a greater demand for swaps of shorter maturity than three months. The Bank was requested to consider providing liquidity to cover such swaps. It was also mentioned that the decision to offer the swap facility only once a week was a constraint.

The development of an active derivative market for foreign exchange will facilitate better price discovery and reduce volatilities. The Bank therefore saw merit in the suggestion made to it to offer cover for shorter maturity swaps as this will deepen the domestic foreign exchange market and provide liquidity. The Bank also agreed to make the swap – window available more frequently.

The Bank has therefore taken the following decisions:

- In addition to the spot-to-three-month swap, the Bank will be offering, as from week starting 8 February 2010, foreign currency swaps for period ranging from one to three months to enable banks/foreign exchange dealers to cover similar transactions undertaken by them with eligible operators in the export and tourism sectors.
- The swaps of maturity of less than three months will not entitle the banks/foreign exchange dealers concerned to a warrant to invest the rupee proceeds in Government of Mauritius Treasury Bills.
- The swap facility will be available on Mondays and Wednesdays.

The other terms and conditions remain the same.

The Bank will closely monitor the developments in the domestic foreign exchange market and take appropriate measures including withdrawal of the swap facility if in its assessment the conditions prevailing no longer warrant its continuation. The Bank also reserves the right to modify any terms and conditions at any time.

**4 February 2010**