



## COMMUNIQUE

### **Report of nTan Corporate Advisory Pte Ltd.**

*(Investigation into irregularities at The Mauritius Commercial Bank Ltd pursuant to Section 27 of the Banking Act 1988)*

On February 14, 2003 The Mauritius Commercial Bank Ltd issued a communiqué announcing the loss of hundreds of millions of rupees arising out of irregularities at the bank over the past several years.

Following a quick assessment of the impact of the loss on the financial strength of the bank, the Bank of Mauritius in its capacity as the regulatory and supervisory authority of banks reassured the public that depositors' interests were adequately safeguarded and there was no cause for concern regarding the stability of the banking system.

The seriousness of the irregularities and their potential adverse implications for the banking industry as a whole imperatively called for investigation by an independent body. In March 2003, the Bank of Mauritius enlisted the services of a reputed forensic accounting firm, the nTan Corporate Advisory Pte Ltd., to investigate mainly into the various factors that led to the irregularities and to make recommendations. A team of bank examiners from the Supervision Department of the Bank of Mauritius supported the nTan team of investigators.

nTan Corporate Advisory Pte Ltd. has submitted to the Bank of Mauritius a Report on its findings followed by recommendations.

The Report dwells comprehensively on certain practices that date as far back as in the early 1990s when The Mauritius Commercial Bank Finance Corporation was still in operation. The anatomy of the irregularities reveals techniques that have been employed for tampering with fixed deposit accounts and executing transfers of funds. The Report also dwells on the prudential aspects of banking practices at The Mauritius Commercial Bank Ltd. Conclusively, the bank's traditional system of controls has been overridden.

The Report makes wide-ranging recommendations. It recommends, inter alia, that

1. The Mauritius Commercial Bank Ltd should enhance the robustness of its internal control system.
2. The Mauritius Commercial Bank Ltd should thoroughly review the concentration of powers vested in its staff members.
3. The Mauritius Commercial Bank Ltd should ensure that it is equipped with adequately trained and qualified staff members in its key areas of operation
4. The Mauritius Commercial Bank Ltd should require all staff members, particularly those dealing with customers, assets and liabilities to take compliance leave during which period their supervisors and/or the Internal Audit Department and/or the Compliance Department should carry out appropriate reviews of their work.

The Bank of Mauritius has noted the progress made by The Mauritius Commercial Bank Ltd in raising its corporate governance structure to levels of best practice in the past several months. In the wake of the discovery of the irregularities, The Mauritius Commercial Bank Ltd has overhauled its organizational structure. The bank reorganized all its risk-prone areas of operation with external assistance. The bank has set up systems and established procedures with a view to mitigating as far as possible its operational risks.

The Governor of the Bank of Mauritius had a meeting with the Board of Directors of The Mauritius Commercial Bank Ltd at 4.00 p.m. today. Contents of the Report were highlighted and discussed with the Board of Directors of the bank. The Governor strongly urged the Board of Directors on the need for it to speed up the implementation of recommendations made in the Report.

The Bank of Mauritius will ensure that the recommendations made in the Report are fully implemented by The Mauritius Commercial Bank Ltd.

Bank of Mauritius

26 March 2004