



BANK OF MAURITIUS

Public Notice

23 May 2016

Response to a Press Article

- i. The Bank of Mauritius notes that there is an on-going attempt to discredit its management. This Public Notice is not intended to cause prejudice to whomsoever and it must be read in that spirit.
- ii. In response to an article that appeared in a weekend newspaper making unwarranted allegations with regard to the operation of the Bank of Mauritius, the management wishes to provide the public at large with some clarifications. The truths are:
 1. The Bank of Mauritius has been incurring losses on its operation for the financial years 2013-14 and 2014-15. The reasons for the continuing operational losses are twofold: one is the fact that corrective accounting steps have been undertaken in order to reflect the true picture of the Bank of Mauritius' balance sheet. Provisions that ought to have been made in the financial years 2012-13 and 2013-14 were postponed. The financial statements for the two years were re-stated in June 2015 to correct for the under-provisions. The other is the cost of sterilisation of excess liquidity. The amount of excess liquidity that has been sterilised as of date stands at over Rs50 billion. The cost of this monetary policy endeavour exceeds Rs1.3 billion per annum. The public is advised that several years of accumulated excess liquidity in the banking system, if it was not urgently sterilised since 2015, would have heightened the risks of rates of interest on deposits falling into negative territory. A negative interest rate on deposits is socially undesirable in the Mauritian context. Sterilisation of excess liquidity is an indispensable policy decision should a central bank in any emerging market economy wish to have a sound financial market for effective monetary policy transmission. The Bank of Mauritius is certainly not the only central bank in the world incurring losses. Informed readers must be aware of the state of the balance sheets of leading central banks in the world, more so when these central banks have been buying toxic assets. However, excluding the cost of monetary policy, the Bank of Mauritius is currently making profits more than before.
 2. The Bank of Mauritius has cancelled several unwarranted projects, including a costly building project with a few residential bungalows in Rodrigues. The Bank of Mauritius does no longer host unnecessary festivities.

3. At the request of CEOs of financial institutions and non-financial private sector enterprises, the Governor and the two Deputy Governors meet with them regularly in the ordinary course of business during weekdays. The Bank of Mauritius is no longer unnecessarily open on weekends as it is very costly to keep the Bank of Mauritius Tower systematically open on non-working days. No female member of the public holding bulky bags and refusing to give her particulars to Security Officers regularly visits the 19th floor of the Bank of Mauritius on Sundays anymore.
4. The Bank of Mauritius has now adopted an unbiased and transparent approach in its recruitment policy. The Bank of Mauritius does not pay attention to religious belongings, caste, creed or colour of applicants for jobs or promotion. Increasingly, the Bank of Mauritius is becoming more representative of our society. It is a bold change in the Bank of Mauritius' approach that does not please the perverted mind. The public is advised to take allegations made against the management with a lot more than an ordinary pinch of salt.
5. Mr Jose Li Yun Fong, Assistant Director-IT Department, who was suspended from duty in 2010 has been re-instated to his post as the charges which were pressed against him have been withdrawn.
6. Since 2015, the management of the Bank of Mauritius, with the approval of the Board of Directors, has abandoned its passive approach to foreign exchange reserves management. The Bank of Mauritius has consciously adopted an active approach of reserves management keeping risk/reward balance well in mind. The public is advised that the rate of return on the Bank of Mauritius foreign reserves has improved considerably. This novel endeavour has warranted a serious upgrading of skills by way of intensive and extensive training of some senior staff members that has necessitated travels to international financial centres. As recently as a few weeks ago, the First Deputy Governor, Mr Y. Googoolye, led a team of senior officers of the Bank of Mauritius for meetings with world-class asset management institutions. The Board of Directors of the Bank of Mauritius will be duly apprised of the outcome of the mission abroad at the next Board meeting. The Second Deputy Governor, Mr V. M. Punchoo, after being back from a visit with a team to the Central Bank of Ireland for purposes related to the setting up of an Asset Management Company, had to fly to Indonesia to represent the Governor (held back due to a heavy schedule of commitments) at the board meeting of the International Islamic Liquidity Management Corporation. The Governor attends only the essential international meetings. All overseas meetings, the attendance of which are deemed unproductive, not essential and unrelated to central banking are no longer attended.
7. The Bank of Mauritius has not effected any revision of salaries of staff since January 2015. On the contrary, the Bank of Mauritius has been getting rid of

unproductive but fatly remunerated employees. Members of the public may not be aware that the Bank of Mauritius had introduced a Voluntary Retirement Scheme (VRS) in April 2013. A few of the staff members were re-employed the day after they had gone on VRS. One of them was rewarded with an overall remuneration similar, if not exceeding, those of the Deputy Governors. Their contracts expired about three months ago. At least one of them left very unhappily.

8. The Governor has only one staff member directly related to him. That staff member joined the Bank of Mauritius long before 1998 when the present Governor was first appointed to lead the Bank of Mauritius. That staff member has hitherto remained without any promotion whatsoever.
 9. The Bank of Mauritius has a duly constituted Board of Directors with respectable technical competence. The challenges of modern day central banking are, of course, not foreign to the Directors. There is in place a duly constituted and fully functional Audit Committee of the Board comprising only independent Directors. The internal auditor, Mr Yun Tat Chu Fung Leong, who was side-lined in the past has been restored to his position.
- iii. Respectfully, and in line with sound Corporate Governance Principles, the Governor has made himself duly accountable and answerable to the Board of Directors of the Bank of Mauritius for all his acts and decisions.