



BANK OF MAURITIUS

**ADDENDUM
TO
Guideline on
Public Disclosure of Information**

March 2011

TABLE OF CONTENTS

PURPOSE.....	3
SECTION I - GENERAL CONSIDERATIONS	3
INTERACTION WITH OTHER REQUIREMENTS	3
SECTION II - MANAGEMENT DISCUSSION AND ANALYSIS	3
STATEMENT OF CORPORATE GOVERNANCE PRACTICES	3
SECTION III – BASEL II DISCLOSURES.....	4
CAPITAL STRUCTURE AND ADEQUACY	4
INTERACTION WITH ACCOUNTING DISCLOSURES	5
Quantitative disclosures.....	5
<i>Capital adequacy</i>	5
Qualitative disclosures	6
Quantitative disclosures.....	6
RISK EXPOSURE AND ASSESSMENT	6
<i>General qualitative disclosure requirements</i>	6
SECTION IV - FINANCIAL STATEMENTS.....	6
REPORT OF SHARIA COMMITTEE	6
INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED.....	7
STATEMENT OF CASH FLOW	7
CASH FLOWS FROM OPERATING ACTIVITIES.....	7
NOTES TO THE ACCOUNTS.....	7

Purpose

The purpose of this addendum is to set out the minimum disclosure standards which financial institutions carrying out Islamic banking business or providing Islamic products through a window are required to adopt in respect of information to be disclosed in their annual financial statements and their annual reports, which shall also be posted on their websites.

SECTION I - GENERAL CONSIDERATIONS

Interaction with other requirements

1. Where

- (a) a financial institution makes a disclosure pursuant to a requirement other than a requirement under this guideline; and
- (b) that requirement is similar, in whole or in part, to a requirement under this guideline;

the financial institution shall be deemed to be compliant with the requirements of this guideline provided it demonstrates to the satisfaction of the Bank that

- (i) the disclosure substantially complies with the requirements of this guideline; and
- (ii) its disclosure statement adequately explains, or is accompanied by information which adequately explains, any material variation in the two disclosure requirements.

SECTION II - MANAGEMENT DISCUSSION AND ANALYSIS

2. Management Discussion and Analysis should also include the report of Sharia Committee but a financial institution is free to add to the required disclosures if it considers that additional disclosures would enhance the value of the annual report.

Statement of corporate governance practices

3. Disclosure of Sharia Committee

A review of the role and authority of the Sharia Committee members in monitoring the activities of the Islamic banking business pertaining to Sharia matters.

Illustration

The bank's business activities are subject to the Sharia compliance and confirmation by the Sharia Committee consisting of members appointed by the Board for the financial year ended The duties and responsibilities of the Sharia Committee are as follows:

- (i) To advise the Board on Sharia matters in order to ensure that the business operations of the bank comply with the Sharia principles at all times;*
- (ii) to endorse and validate relevant documentation of the institution's products to ensure that the products comply with Sharia principles; and*
- (iii) To advise the institution on matters to be referred to the Sharia Advisory Board*

Report of the Sharia Committee

To confirm that the operations of the bank have been conducted in conformity with Sharia requirements

4. Zakat obligations

A disclosure , where applicable, on the institution's responsibility towards payment of zakat on the business , and on behalf of the shareholders , depositors and others.

Illustration

The institution only pays zakat on its business . The zakat payment does not incorporate other obligations unless duly authorised by the shareholders or depositors.

SECTION III – BASEL II DISCLOSURES

5.Many of the concepts used in this section are explained in greater detail in guidelines issued by the Bank in connection with the implementation of the Basel II framework. This section should therefore be read in conjunction with those guidelines¹.

Capital structure and adequacy

6.The regulatory requirements for the maintenance of capital should be outlined. The components of Tier 1 and Tier 2 capital should be shown in tabular form. The significance of any movements in the capital structure should be discussed. A description of the calculation of Tier 1 and Total capital ratios should also be given, along with the bank's performance over three years in Tier 1 and Total capital ratios. Details should be provided in tabular form on how risk-weighted assets of the bank are determined by applying prescribed risk

¹.Available at <http://bom.intnet.mu>

weights to on- and off-balance sheet assets, according to the credit risk of the counterparty.

Interaction with accounting disclosures

7. In situations where the disclosures are made under accounting requirements or to satisfy listing requirements, banks may rely on them to fulfil the applicable Pillar 3 expectations. However, banks shall provide explanations in cases where there are material differences between the accounting or other disclosure and the supervisory basis of disclosure².

8. For those disclosures that are not mandatory under accounting or other requirements, banks shall publish the Pillar 3 information on their websites and in their annual reports.

Quantitative disclosures

- (a) the amount of Tier 1 capital, with separate disclosure of:
 - (i) paid-up share capital/common stock;
 - (ii) statutory reserves;
 - (iii) reserves;
 - (iv) minority interests in the equity of subsidiaries;
 - (v) other capital instruments;
 - (vi) other amounts deducted from Tier 1 capital, including goodwill and investments;
- (b) the total amount of Tier 2 capital, with separate disclosure of:
 - (i) undisclosed reserves;
 - (ii) general banking reserve;
 - (iii) revaluation reserves;
 - (iv) general provisions/portfolio provision;
 - (v) hybrid debt capital instruments;
 - (vi) subordinated term debt;
- (c) other deductions from capital; and
- (d) total eligible capital.

Capital adequacy

² This disclosure does not have to take the form of a line by line consolidation.

9. Banks shall disclose the following information regarding their capital adequacy:

Qualitative disclosures

- (a) a summary discussion of their approach to assessing the adequacy of their capital to support current and future activities;

Quantitative disclosures

- (b) capital requirements for credit risk for portfolios subject to the Standardised Approach;
- (c) capital requirements for operational risk calculated in accordance with the Basic Indicator Approach or the Standardised Approach/Alternative Standardised Approach; and
- (d) Total and Tier 1 capital ratios for the top consolidated group and for the bank entity.

Risk exposure and assessment

General qualitative disclosure requirements

10. For each separate risk area (e.g. credit, market, operational, interest rate risk in the banking book, equity) banks shall describe their risk management objectives and policies, including:
- (a) strategies and processes;
- (b) the structure and organisation of the relevant risk management function;
- (c) the scope and nature of risk reporting and/or measurement systems; and
- (d) the policies for hedging and/or mitigating risk and strategies and the processes for monitoring the continuing effectiveness of hedges/mitigants.

SECTION IV - FINANCIAL STATEMENTS

Report of Sharia Committee

11. Financial statements should be accompanied by a report from the Sharia Committee to the shareholders of the financial institution or to the head office of the financial institution, as the case may be. The Report should highlight the following:
- (i) number of meeting held during the financial year and the reviews performed on products, transactions and processes to ascertain they are in accordance with Sharia requirements
- (ii) a list of the various products approved during the financial year should be provided

- (iii) Confirm that the institution's operations, the financial statements and the calculation of zakat are in compliance with the Sharia requirements.

Part Illustration

Sharia Committee's Report

We ,..... being two of the members of the Sharia Committee of, do hereby confirm on behalf of the Sharia Committee , that in our opinion , the operations of the institution for the year ended have been conducted in conformity with the Sharia principles.

On behalf of the Sharia Committee

Income statement for the financial year ended

12.The item zakat shall be disclosed after the Profit before zakat and taxation

Statement of Cash Flow

Cash flows from operating activities

13. The amount of zakat paid should be disclosed

Notes to the Accounts

(a) Zakat

Description of the purpose of this item and its basis of calculation .

Illustration

Zakat

This represents business zakat . It is an obligatory amount payable by the institution to comply with principles of Sharia . Zakat provision is calculated based on of the net asset method or any other method.

(b) Provision for zakat and taxation

The amount of zakat and the related taxation for comparative years should be disclosed.

(c)Deposits from customers

Classify by types of deposit as follows:

Deposit from customers

(i) By type of deposits

Non-Mudarabah fund

Demand deposits

Savings deposits
Islamic Debt certificates
Others

Mudarabah fund

Savings deposits
General Investment deposits
Special Investment deposits
Others

(d) Deposits and placements of banks and other financial institutions

Non Mudarabah fund

Licensed banks
Other

Mudarabah fund

Licensed banks
Other

(e) Income derived from investment of depositor's funds

To disclose finance income and hibah

Illustration:

Income derived from investment of:

- (i) General investment deposits
- (ii) Other deposits

(i) Income derived from investment of general investment deposits

Finance income and hibah

Financing, advances and other
Securities
Held for trading
Available for sale
Held to maturity
Placements and other

Other dealing income

Net gain /(loss) from sale of held for trading instruments
Net gain/(loss) on revaluation of held for trading instruments

Other operating Income

(ii) Income derived from other deposits

Illustration as above

(e) Income derived from investment of shareholders' fund (as above, also disclose fees and commission separately)

Illustration as above, also disclose fee and commission separately

(f) Sharia Committee remuneration

Disclose aggregate remuneration of the Sharia Committee.