## Rundheersing Bheenick: Comprehensive reflections on economic and financial activities in Mauritius during 2009

Letter by Mr Rundheersing Bheenick, Governor of the Bank of Mauritius, to stakeholders, Bank of Mauritius, Port Louis, December 2009.

*The original speech, which contains various links to the documents mentioned, can be found on the Bank of Mauritius' website (www.bom.intnet.mu).*

*    *    *

Dear Stakeholders,

This is the third annual letter that I am addressing to you as I end my third year as Governor of the Central Bank. I must say that I have received positive feedback on this new medium of communication that I initiated two years back. It has proved to be a very useful forum to share with each of you my summary assessment of the domestic and global economy and outline my perspective on future developments. This annual letter, I believe, also contributes to enhance transparency and central bank communication to the outside world. I hope it will become a tradition for the Bank.

What a year 2009 has been for us! Certainly a year of great turbulence and uncertainty, but also – against all odds – a year of considerable achievement for the Bank! When I wrote to you last year, the global economy was going through one of its worst crises since the Great Depression of the 1930's. There were serious concerns as to which way the world economy was heading. Doubts began to surface on the ability of our small and vulnerable island-nation to withstand the impact of the global recession in spite of the fact that we had skilfully managed our affairs for several decades. We shared those doubts and fears and maintained an outward calm, refusing to be alarmed by our own worst-case scenarios while working furiously on possible responses and lining up adequate tools. The full force of the adage "*Gouverner, c'est prévoir*" had never hit me home with such immediacy before.

The economy, global and domestic, is in a much happier state now than a year ago. Most countries which were in recession are slowly pulling out of it. Stock markets have recovered, though not mercifully to bubble levels. Global trade is picking up as protectionist fears subside. But we would be wrong to believe that the problems are over. In advanced economies, growth is still very low; unemployment is high and still rising; bank credit is yet to pick up and de-leveraging is yet to run its course. Worse, there is the lurking danger of the downside effects of ill-timed and uncoordinated withdrawal of the massive monetary and fiscal accommodation that prevented the global economy from being sucked into what might have become the mother of all depressions.

Closer to home, the year gone by was indeed challenging not just for the banking sector but for the economy as a whole. For our small open economy, surfing against the unruly and unpredictable waves of the global financial crisis, without losing our balance and being swallowed up, remained our topmost priority. As if battling against these unprecedented economic challenges was not enough, we ran into considerable internal turbulence which the institution did not deserve and could well have done without.

In spite of these internal and external challenges during the year, my colleagues and I can look back on our record with a sense of pride. Some of our home-grown policies in our core functions have, after close examination, been hailed by the International Monetary Fund as worthy of emulation by other similarly-placed economies. Quite a turnaround for a country that, as carping critics claimed, was submitting its population to the "diktats" of the Fund!

What is even more noteworthy is that we have been able to achieve this despite being the central bank of a very small country occupying an insignificant place in the global economy.

In what follows, I shall comment on major developments that occurred during the past year, from a broad and rather general perspective. Those of you who want to go deeper in the issues raised, may wish to navigate the user-friendly links provided in this letter where you will find additional details.

## Economy

Our country has fared relatively better than many others, with our economic growth rate remaining in positive territory at 2.8 per cent. The fiscal stimulus and the parallel easing of our monetary policy stance did contribute significantly to uphold business and consumer confidence. Growth is now forecast to pick up to around 4.3 per cent, which is the official forecast from the CSO for 2010 and also the average expected rate of growth for sub-Saharan Africa in 2010. But it may turn out to be higher depending on the strength of the global recovery. While other countries have seen unemployment rising to unprecedented highs, it is comforting to note that most people in Mauritius can feel pretty safe in their jobs.

## Reserves position

The gross external reserves of the Bank increased by more than 23 per cent since December 2008 and stood at nearly Rs70 billion in December 2009, while the net international reserves exceeded the Rs100 billion mark for the first time in November 2009 and represented nearly 43 weeks' imports. While the Bank pursued its strategy of investing in higher-yielding instruments, it also reviewed its investment policy to increase concentration in near-cash instruments to respond to the crisis. In addition, the Bank purchased two metric tons of gold under the limited gold sales programme of the IMF in November 2009 to diversify our portfolio of foreign assets and mitigate the impact of currency volatility. This more than doubled the Bank's gold holding from 2.34 per cent to 5.69 per cent of total foreign exchange reserves as at 13 November 2009.

## Monetary policy

We achieved major success in our efforts to maintain price stability. Inflationary pressures abated considerably in 2009. The Bank conducted a counter-cyclical monetary policy in the year with a view to cushioning our economy from the fall-out of the crisis. At the close of the year, the headline inflation rate was 2.5 per cent, a level not seen for 18 years.

I would like to underline that our commitment and success in preserving price stability has been mirrored in anchoring inflationary expectations, as shown by our own fifth Inflation Expectations Survey, results of which have been released on the Bank's website and confirmed in a survey conducted by a local consultancy firm (published in a local daily on 13 January 2010). Our monetary policy stance has been commended by the last IMF Article IV mission of October 2009 which considered our "hybrid system of inflation targeting" as worthy of emulation by other similarly-placed economies. Without any false sense of modesty, I can assert that such high-level praise, unprecedented in the annals of the Bank, reflects very well on the colleagues who helped me to deliver on this core part of our mandate. I foresee that managing imported inflation will be our major challenge for monetary policy this year.

### Domestic foreign exchange market

The domestic foreign exchange situation remained relatively comfortable for most of 2009. The forex market was able to function without undue volatility and required no intervention on the part of the Bank. This was in line with our policy of allowing the free play of market forces to determine the exchange value of the rupee and we have not intervened on the market since November 2008 – another record! I was pleased when the IMF offered to reclassify us from a "managed floater" to a "free floater", thereby placing us in the same league as top-notch economies of the likes of the US and the UK.

The rupee exchange rate index, $MERI_1$ and $MERI_2$, which the Bank rolled out in 2008, declined steadily since May last year indicating an appreciation of the rupee. At the end of the year, the build-up of supply pressures arising from reduced demand from importers contributed to an acceleration in the appreciation of the rupee against major currencies. The strong rupee was definitely benefiting the consumer in our import-dependent economy but export-oriented enterprises and the tourism sector began to feel the pinch and murmurs of impending massive layoffs became louder. We also observed that the volume of transactions in the foreign exchange market was on the low side compared to the same period in the previous year as forex sellers began to hoard their currency. We actively engaged in discussions with the Treasury, the Mauritius Bankers Association, the Mauritius Exporters' Association and the Association des Hôteliers et Restaurateurs de L'Ile Maurice to come up with a win-win solution that would neither distort the forex market – nor, for that matter, worsen the excess rupee liquidity which we have also had to reckon with for much of the year. We thus devised a made-to-measure mechanism in the form of short-term foreign currency swaps which we introduced just before Christmas to inject liquidity in the market, thereby avoiding the uncertainties that could have had financial stability implications, while also offering the option of T-Bills on tap to mop up any resulting excess rupee liquidity.

### Banking sector

#### *Performance*

Our banking sector emerged virtually unscathed from the global financial crisis. While bank failures made the headlines in other countries, our banks weathered these difficult times without any systemic or institutional failures. Banking sector assets declined very slightly by 0.4 per cent while banking deposits increased by 2.1 per cent between December 2008 and December 2009. There were no visible signs of credit constraint, as advances increased by 3.2 per cent over the same period. Overall profitability continued at satisfactory levels with a healthy year-on-year growth of 11.3 per cent posted for the year ended 30 June 2009. Our two major domestic banks recorded remarkable profit levels during the past financial year. This is, in my view, a great accomplishment and speaks volumes for the state of our banking industry and for the resilience of the real sector in our country.

I cannot keep mum on the recent "downgrading" of our two major domestic banks by the rating agency Moody's. This is a sore point indeed for our banking sector as the "downgrade" was a result of an internal change of methodology at Moody's and was not attributable to any problems with the banks concerned. The downgrade of our two major banks came at an unfortunate time and could have unduly penalised us as we strove to come up with the right fiscal and monetary policies to cushion our small and vulnerable economy from the fallout of the global financial crisis. Such actions by rating agencies make us question even more their credibility and the reliability of their ratings.

## Regulation and supervision

I believe that the banking sector resisted so well in the face of the crisis partly because, as it unfolded, we stepped up our policymaking and took pre-emptive measures even before the waves hit our shores. Although our financial institutions were already subject to rigorous supervision, we intensified our surveillance to ensure that toxic fumes did not choke up our system. Then, as now, we closely followed developments elsewhere to provide the best and most suitable regulations for our banking system. We do not believe that there is any need for a complete overhaul of the supervisory and regulatory framework here in Mauritius, however critical this may be for some of the developed economies. What we need is some tweaking and fine-tuning – as, indeed, we have been doing continuously in consultation with the industry and other stakeholders.

## Islamic banking

The series of small but decisive steps we have been taking to implement Islamic banking in Mauritius began to bear fruit last year. We started with the organisation of an International Seminar on Islamic Capital Markets jointly with the Islamic Financial Services Board (IFSB) and with the local collaboration of the Financial Services Commission. Discussions for the Bank of Mauritius to become a full member of IFSB which started there culminated with the Bank acquiring full membership in October 2009. The Bank of Mauritius joins the Monetary Authority of Singapore as the only central banks from non-Islamic countries on the IFSB Council. I see this adhesion to the top-league of IFSB membership as a confidence-boosting move to provide a supportive environment for Islamic financial services to take root in Mauritius. The legal amendments having been made, the Bank is working with other central banks, including Bank Negara Malaysia, for the issue of an international sukuk bond. This will attract investors from a wider geographic base, lead to finer terms and open new avenues for our economic development.

## Public debt management

As the agency responsible for managing Government Debt and for auctioning domestic public debt instruments, the Bank took a number of measures to discharge this function more effectively:

- We introduced an on-line auctioning system in February 2009 to modernise the system and reduce its labour-intensive nature.
- We lengthened the maturity profile of Government Debt. More instruments are now available for investment – Treasury Bills of 91-day, 182-day and 364-day maturities, Treasury Notes of 2-year, 3-year and 4-year tenors, and bonds of various maturities ranging from 5-years to 20-years, including inflation-linked bonds.
- We set up a Debt Management Committee and a Joint Working Group, comprising representatives of the Bank and the Ministry of Finance and Economic Empowerment, to formulate and implement Government's Debt Management Strategy, along the lines of the recommendations of the World Bank.
- We also initiated work at the Bank relating to a major review of Government's medium-term debt strategy to include benchmarks and targets for the overall debt portfolio, based on cost- and risk-analysis to optimize both the composition and tenor of the debt portfolio.

## Yield curve

There were two notable developments with respect to the yield curve which I must mention. The yield curve shifted well below the levels of December 2008 and December 2007 and steepened significantly at the shorter end by December 2009.

## Payments and settlement system

### *Modernisation of the system*

I was impelled by a strong motivation to upgrade and modernise the payments and settlement system of the country and benchmark it with international standards. A modern payments and settlement system is indispensable for the efficient flow of payments for goods, services and financial assets. Its smooth functioning is crucial for the effective implementation of the central bank's monetary policy and for maintaining financial stability. An efficient payments and settlement system can become a source of competitive advantage and enhance our competitiveness as an international financial centre. In my last letter, I had already mentioned the various projects on which we had embarked. I have unfortunately encountered unexpected roadblocks in the articulation of my vision for the Mauritian financial system and its internationalisation. However, I must express my gratitude to the banking community which showed dedication by their contribution to the modernisation of this public good.

## Regional payments and settlement system

I would like to share with you one achievement in which I take much pride. The Bank of Mauritius was chosen as settlement bank for the Regional Payments and Settlement System (REPSS) of the COMESA Clearing House against prestigious contestants including the Federal Reserve of New York. Just think of the enormous potential of a regional group like the COMESA with its combined market access of more than 415 million people and intra-regional trade reaching over US$15 billion in 2008 – and compare it with our 1.2 million population and our US$8.5 billion GDP – and you can appreciate the sheer enormity of this achievement. The home-grown payment system will offer faster settlement of payments and is expected to reduce the cost of payments in intra-regional transactions by more than 50 per cent. Each member-state will thus have cheaper access to bigger markets. What a boost this will give to trade within the region! Over and above the incontestable benefits to trade within the region, I believe that the REPSS represents a springboard from which we can take the final leap to an African Monetary Union, while also allowing us to nurture some hope of playing a bigger role than our size would warrant in the African Community financial institutions and mechanisms that may be set up to buttress this Union.

## Mauritius Credit Information Bureau

Recent press reports on the alleged over-indebtedness of the Mauritian population prompt me to highlight the key role that the Mauritius Credit Information Bureau (MCIB) plays in credit risk management. The enhanced credit information environment created by the MCIB has been a significant factor behind the lower non-performing loans in the banking system. We are extending the coverage of the MCIB to credit-offering institutions other than banks. Eleven leasing companies and the Mauritius Housing Company Ltd, a leading state-owned home mortgage provider, joined the MCIB in May 2009. Insurance companies, the Development Bank of Mauritius Ltd, – a state agency providing term-loans and which, despite its name, is not a bank regulated by the Bank of Mauritius and does not fall under the Banking Act, – the Employees Welfare Fund and The Mauritius Civil Service Mutual Aid Association Ltd will be connected to the MCIB early this year.

We are working on the inclusion of other credit providers such as hire-purchase companies and utility companies in the MCIB. This extended coverage will give a more complete picture of the potential borrower's indebtedness. The MCIB data base will allow us to develop appropriate policies to address the issue of over-indebtedness of vulnerable households. In fact, the issue of over-indebtedness may, in our assessment, be less severe than what some press comment would lead one to believe.

## Cheque truncation

The Bank has embarked on the much-delayed Cheque Truncation Project jointly with commercial banks. The system, upon implementation, will provide a faster clearing cycle for cheques, help combat signature forgery and cheque alteration, while at the same time significantly reducing the cost associated with cheques clearing.

## Financial stability

When the Bank of Mauritius Act was amended in 2004, the legislator had already provided that the Bank's mandate should be extended to ensuring the soundness and stability of the financial system. In 2007, in fact well before the global financial crisis had unfolded putting at stake the stability of the international financial system, the Bank had anticipated rightly that a proper assessment of the risks and vulnerabilities of the financial system would be essential for ensuring its stability and soundness. I created a Financial Stability Unit to provide independent monitoring and analysis of financial stability on an on-going basis. Ancillary to this main function was the production of a Financial Stability Report on a bi-annual basis. In the light of our operating experience and in recognition of the need to inculcate a greater awareness of financial stability issues throughout the Bank, in August 2009, I decided to put in place a multi-layered structure comprising officers at various levels in other Divisions of the Bank to develop ownership so that we are better equipped to deliver on this mandate which is new to central banks around the world. Furthermore, I channelled significant resources to allow the Bank to build capacity in this area to help us fulfil this vital function more efficiently.

## The Bank's balance sheet

This year, the Bank's balance sheet will reflect the full effect of the systematic and sustained cuts in interest rates by central banks in major economies, in whose currencies our investments are held or denominated. To put things into perspective, I need to go back to early 2008 when the domestic system was submerged by FDI inflows and the Bank was forced to intervene in the market to mop up the excess liquidity through the issue of Bank of Mauritius Bills in exchange for foreign exchange assets that we purchased. That is when we first felt the need for dynamic provisioning on account of the very clear "negative carry" in these transactions. Alas, our pioneering attempt to apply the dynamic provisioning approach had to be abandoned in the midst of much incomprehension and recrimination. This failure to change our accounting approach – which the Bank of Mauritius Act allows – left me with a feeling of deep regret because I sincerely believe that the Bank missed a golden opportunity to break new ground. Our balance sheet would have been in much healthier shape today. I intend to pursue consultations with the Treasury this year as I firmly believe that dynamic provisioning would allow us to provide for "rainy days" in times of plenty. Instead of dipping into our reserves, I feel that we should adopt a more conservative approach to keeping the books instead of slavishly adhering to standards which are anyway more applicable to commercial banks than to a central bank with a very different balance sheet structure.

**Regional and international presence**

The year 2009 saw the Bank playing a very active role at the regional and international level. We participated in various regional and international fora, namely the SADC Committee of Central Bank Governors, the meeting of Governors of the Association of African Central Banks as well as its Eastern African Sub-Regional chapter and the Commonwealth Central Bank Governors Meeting which I had the honour to chair, and whose report I presented to the Commonwealth Ministers of Finance Meeting in Cyprus. We were also closely involved in discussions at various fora convened to consider the African response to the crisis. We made our contribution to de-stigmatising access to Fund resources for countries like ours with an appropriate underlying policy framework in the event of crisis-induced balance of payments difficulties – a scenario that was very much on the cards in the first semester of the year. The situation improved rapidly thereafter and we could discard preliminary plans to draw on the IMF's Flexible Line of Credit which, coming as it did without any *ex-ante* conditionality, was tailor-made to meet our kind of requirement.

A lot has been said in some quarters about the travels of senior management including myself, to international meetings and conferences. Globalisation and the internationalisation of our banking sector require the central bank to enhance its role in professional, regional and international conclaves – just as we have sought to lend additional credibility to our Monetary Policy Committee by resorting at considerable cost to the services of two international professionals of repute as its members. At a time when there is re-thinking and re-modeling of the global financial architecture, I believe that participation of our central bank in such fora is a matter of strategic importance to ensure that Mauritius is on the world map. Now, more than ever, the "little-Mauritius" isolationist islander reflex will do a disservice to our national ambition. For the sake of transparency, I am providing, as in previous years, details on all my overseas engagements as well as those of my First Deputy Governor, Second Deputy Governor, and Chief Economist.

**COMESA Committee of Central Bank Governors**

We hosted the 14th Meeting of the COMESA Committee of Central Bank Governors during which we had the honour of welcoming Governors and their representatives to Mauritius. I raised the profile of the COMESA meeting by inviting two key speakers to make presentations on (i) "The evolving structure and role of Monetary Policy Committees" by a member of the Kenya Monetary Policy Committee and (ii) "Issues of Governance in Central Banks" by Mr Gavin Bingham, Secretary-General of the Central Bank Governance Forum at the Bank for International Settlements, often called the central bank of central banks. I also invited two private sector operators to make presentations to Governors on a currency/commodity trading platform and secure cash conveyance. These initiatives by the Bank – unprecedented in the history of the COMESA Committee of Governors – were so highly appreciated that the Committee decided to create space at its future meetings for invited speakers and private sector participants to address issues of direct interest to central bank Governors. At this 14th meeting, the Bank assumed the chairmanship of this key COMESA Committee, which I see as an opportunity for us to become more involved in taking forward the calendar of regional integration to which the Bank is deeply committed.

The dynamism with which the Bank has gone regional, heightened our visibility on the international front and has earned us much respect. I am grateful for the support which COMESA Governors lent to our successful candidature to host AFRITAC (South), one of the two new African Technical Assistance Centres which the IMF is establishing in Africa, in the face of strong regional contenders. We shall soon begin work on refurbishing the old Bank building to house this facility.

I am also happy to record that an increasing number of central banks in the region are sending their Officers on attachment to the Bank to learn from our experience in various areas of central bank operations. Surely, we must be doing a few things right!

## Dialogue with our stakeholders

A distinguishing feature of last year was the heightened consultation and collaboration with all our stakeholders. This enhanced interaction was reflected in the long consultation process through which our regulatory and supervisory guidelines pass before being finalised and issued to the industry. Another egregious instance where we reach out to a wider community to inform and enrich our proposed policy moves is the pre-Monetary Policy Committee consultation process which I have initiated and where Chatham House rules are scrupulously followed. Representatives of major sectors of the economy and opinion leaders are invited in their personal capacity to the pre-MPC meetings to express their views. We have a schedule of regular meetings with the banks which we regulate and with other financial and non-financial institutions.

We extended our network of regulators with whom we have Memoranda of Understanding to include institutions such as the Central Statistics Office, the Financial Intelligence Unit and the Mauritius Revenue Authority, because we firmly believe that we must work jointly to advance the common agenda of the Government. We hosted the Annual Dinner in honour of Economic Operators in December 2009 which gave us the opportunity not only to share with them some of our concerns but also to celebrate our fruitful collaboration with them all the year through. We were honoured by the presence of His Excellency Tito Mboweni, who had just retired as Governor of the South African Reserve Bank (SARB). He shared with us his rich experience at the helm of SARB. These illustrate the new orientation that the Bank has taken during the last two years. We remain firmly committed to pursue our dialogue and deepen our interaction with all stakeholders for the betterment of the industry and the country. Lest we forget, central banking is all about the public good and advancing public interest, as opposed to any specific narrow sectoral interest.

## Bank's publications

The Bank publishes several monthly, six-monthly and yearly reports. For the second year running, we published an advance release calendar of statistical publications and we have ensured that this calendar was adhered to, with the frequency of statistical data releases on our website ranging from weekly and fortnightly to the more traditional monthly and yearly ones, as we gear up to graduate to the IMF'S SDDS. I strongly advocate greater transparency with respect to the functioning of the Bank and for the first time in the Bank's Annual Report, we have provided some metrics on meetings of the Board of the Bank and of the Monetary Policy Committee. Governor Tito Mboweni commended the Bank for what he termed "the wealth of information" contained in our Annual Report. The last two additions to the Bank's list of publications, the *Inflation Report* and the *Financial Stability Report* have now run through three issues each.

## Capacity building and financial education

The Bank has invested heavily in its human resources over the last few years. We have built capacity in policymaking and other technical areas directly related to central banking such as economic modeling, bank regulation, financial stability, risk management etc. The Bank will continue to build capacity in these areas. However, we now need to complement our growing technical knowledge to make the Bank more effective by providing training opportunities in leadership, team-building, management skills and talent management among others. There will also be study visits to other central banks with respect to cash management, currency handling, security and maintenance of the building, an area which I consider important now that we are housed in an intelligent building.

We expect to boost up our financial literacy programme in 2010 as good policymaking requires that economic agents understand well the why's and the how's of the Bank's policies. We also propose to launch an educational programme on the need to ***"Save for a***

***better future"***, aimed at disseminating knowledge on financial products and helping households to better manage their income.

## Platinum commemorative coin

I am proud that last year, the Bank joined the exclusive league of central banks which have issued a platinum coin. We went one step further. We inaugurated a series of three platinum coins – one was issued last year and the other two will be launched this year and in 2011. The coin pays a fitting tribute to Sir Seewoosagur Ramgoolam, our first Prime Minister, and subsequently Governor-General, and fondly remembered by one and all as the "Father of the Nation". This platinum series has enhanced the Bank's collection of commemorative and special coins, which is now more visible and accessible to collectors and the public in general through greater promotion on our part.

## Overall assessment of the year 2009

These are some of the highlights of our activities at the Bank in the past year. I must admit that the year gone by was also marked by some avoidable events which we would prefer to forget. There were some distractions and turbulences which we weathered by fastening our seatbelts and remaining resolutely focused on our priorities. Unfortunately, we made local headlines for reasons which were not directly related to the core functions of the Bank, that is maintaining price stability and promoting orderly and balanced economic development. It saddened me terribly that the steep decline in inflation, our well-calibrated monetary policy stance, our prudent and judicious management of our foreign exchange reserves, and our exchange rate framework so well-suited to the needs of the economy, did not elicit any remotely-comparable press coverage. I am happy, however, that international institutions such as the International Monetary Fund gave us the pat on the shoulder which we so badly needed to stay on course.

As I have mentioned time and again, the unhappy situation which prevailed in the Boardroom traces its origin in a conflicting interpretation of the role and responsibilities of the Bank's executive management and its Board. I am hopeful we shall see the end of this unnecessary tussle, now that the matter has been referred to the Supreme Court as a by-product of a case where a Bank employee is suing the Bank as his employer.

On 14 February 2007, the Prime Minister placed his confidence in my ability to head the central bank of the country. And, on his recommendation, the President appointed me as Governor and Chairman of the Board of the Bank for a specified term. I have made every effort to fulfil the duties devolving on me under the Bank of Mauritius Act to the best of my ability. I hope I have given satisfaction to my appointing authority and to all stakeholders. In this year when many Central Bank Governors from Argentina to Zimbabwe have faced a barrage of criticism, I have not been spared. But I understand that even my worst critics have admitted that my professional work does not occasion criticism although many decry my "bedside manners". With hindsight, I look back at the past three years with a sense of accomplishment.

But I also have a few regrets. Under my stewardship, the Bank has been endowed with a new structure that allows it to function more effectively but, unfortunately, we have been unable to provide the staff with the kind of remuneration package that would align their level of responsibilities and performance with their pay packet. This constitutes a major setback for me as I firmly believe that the productivity-related pay, by which I set much store, would have propelled the Bank to new heights in terms of the quality of staff that we would have been able to recruit and retain. I am, however, determined to ensure that the unfinished agenda, to the extent it is in the hands of the executive management, is taken to its logical conclusion, and I am confident of resolving all other issues in the best interest of the institution and the economy.

***Dear Stakeholders***, as I conclude this letter to you on what I believe are some of the highlights of the year just gone by, may I leave you with a question to reflect upon? In the storm-tossed seas buffeting the global economy in the wake of the worst crisis that the world has seen since the Great Depression, don't you find it remarkable that our small, open and vulnerable island-economy has been a haven of such incomparable stability- exchange rate stability, financial stability, monetary stability, price stability, employment stability and social stability? This happy outcome was neither serendipity nor happenstance. Our Bank contributed to it. And I am proud to have led the Bank in these troubled, testing and turbulent times.

I wish you a happy and prosperous 2010.