

24.04.15

ORAL ANSWER TO QUESTION**BRAMER BANKING CORPORATION LTD & BAI CO. (MTIUS) LTD – EMPLOYEES,
LICENCE, ETC.**

The Leader of the Opposition (Mr P. Bérenger) (*by Private Notice*) asked the Minister of Finance and Economic Development whether, in regard to the Bramer Banking Corporation Ltd. and the BAI Co. (Mtius) Ltd., he will, for the benefit of the House, obtain information as to

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- (a) if the respective employees thereof have become employees of the National Commercial Bank and of the National Insurance Company, respectively, and if so, indicate if the respective years of service thereof are being reckoned;
- (b) the time at which the licence of the Bramer Banking Corporation Ltd. was revoked by the Board of the Bank of Mauritius and if the minutes of the Board of the Bank of Mauritius in relation thereto will be circulated;
- (c) the date when the Board of the Financial Services Commission decided to replace Ms C. A-H as the Chief Executive thereof, and
- (d) if the appointed conservators of the BAI Co. (Mtius) Ltd. were informed of the stand of Government concerning the policyholders thereof.

Mr Lutchmeenaraidoo: Madam Speaker, let me recall for the benefit of the House that since the revocation of the banking licence of the Bramer Bank, Government has been giving utmost priority to dealing with the crisis situation and working out the most appropriate remedial measures in the national interest. We have acted expeditiously.

As I explained in reply to PNQ of 07 April 2015, Government took immediate steps to protect the clients and employees of the Bank. Government gave the assurance that deposits of all clients would be safeguarded and I enumerated a number of actions that we had taken already.

Thus, to-date the clients of the former Bramer Bank are able to have access to banking services from the newly set up National Commercial Bank Ltd and all depositors have normal access to their funds.

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To recap, the new entity, National Commercial Bank Ltd was incorporated on Monday 06 April, 2015 and subsequently received the banking licence from the Bank of Mauritius on Friday 10 April.

The transfer of all assets and liabilities of the Bramer Bank was done on Saturday 11 April and the new Bank became operational on Monday 13 April. All the 20 branches and the 28 ATMs became fully functional for business on that day.

The situation in the new bank is stable and the element of trust of the clients in the National Commercial Bank Ltd is now well entrenched.

These prompt actions have been effective in averting any systemic risks arising from the failure of the Bramer Bank and the social upheavals it could have generated.

Madam Speaker, as regards part (a) of the question, the employees have been seconded to the National Commercial Bank Ltd but are still under the responsibility of the Receivers of Bramer Banking Corporation Ltd (in receivership).

Let me here reiterate Government's commitment to ensure that employment is safeguarded. Already all employees have been paid their April salary on the 20th of this month.

As regards parts (c) and (d) of the question and matters relating to the National Insurance Co Ltd in part (a), I wish to point out that the FSC and the insurance sector fall within the portfolio of my colleague, the Minister of Financial Services, Good Governance and Institutional Reforms. Consequently, it would not be appropriate for me to reply to matters relating to FSC and the insurance sector. The hon. Leader of the Opposition may wish to address these questions to the Minister concerned.

Mr Bérenger: Madam Speaker, again, as the hon. Minister did, when I put my PNQ on 07 April, he did not say anything about the years of service of the employees of both the Bramer Bank and the BAI Co. (Mtius) Ltd. Can I again ask what will happen to their years of service?

Mr Lutchmeenaraidoo: Yes. In fact, this question was answered in my paper, it must be somewhere. It is quite natural that the years of service of each employee is being taken care of. Either they have a portable pension or whichever, the years of service of each officer working in Bramer Bank is being take care of.

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Mr Bérenger: The Minister has replied for Bramer Bank only, but he gave a full proof, total guarantee as far as all the full-time employees of BAI Co. (Mtius) Ltd is concerned. Do I take it that, because it was full proof, all the full-time employees will be guaranteed their employment; does that guarantee the employment of the 30 companies for which Mr Sattar Hajee Abdoula has been appointed Administrator?

Mr Lutchmeenaraidoo: Well, as far as the National Insurance Company is concerned, the question of transfer of years of service will apply. Now, the commitment of Government is limited to what we have done with Bramer Bank afterwards and what we have done with the BAI Co. (Mtius) Ltd afterwards, that is, we have taken total commitment for those two companies. And maybe the House would like to know also, the Rt. hon. Prime Minister just had a press conference to say that we have gone a long way. I think we are walking out of a major crisis because Cabinet today and the Rt. hon. Prime Minister just announced it, we have found a solution for those who have been the direct victims of the Ponzi players. I mean the 24,000 people.

(Interruptions)

Yes. But maybe within your question, this answer would fit in. If you do not mind, I will just complete it by saying that Government will forthwith refund all those policyholders the first Rs500,000 which have been invested and, through this measure, we are covering, in fact, nearly 50% of those Ponzi victims. I think this is something which is extraordinary. I must here congratulate...

(Interruptions)

... my colleague the Minister for...

(Interruptions)

Yes. So, this...

(Interruptions)

Madam Speaker: Please! Please!

(Interruptions)

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Avoid...

(Interruptions)

Please!

(Interruptions)

Order!

(Interruptions)

Order!

(Interruptions)

Order, please!

(Interruptions)

Order! Allow the hon. Minister of Finance to reply!

(Interruptions)

Mr Bérenger: Yes, but the Minister is replying - I will come to that later on. We are on employees. Do I take it, from what I have just heard, that the guarantee given to the employees of BAI Insurance does not include a guarantee for the safety of employment of the employees of the 30 companies that are now administered by Mr Sattar Hajee Abdoula? That is my point.

Mr Lutchmeenaraidoo: The 30 companies are not covered by this guarantee.

Mr Bérenger: Well, as we know, Mr Sattar Hajee Abdoula who has been appointed *administrateur* of these 30 companies has been very tough publicly. Does the hon. Minister have any comment to offer on his stand that he *is seul maître à bord* and that he is going ahead with what he is going ahead with? Does the hon. Minister have any comment on that?

Mr Lutchmeenaraidoo: *Je ne sais pas s'il est maître à bord d'un bateau qui coule!* That is his problem! But this issue concerns directly my colleague the Minister of Financial Services, Good Governance and Institutional Reforms, and the FSC, and I am sure that this question would be better answered by him.

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Mr Bérenger: I did not hear the Minister tell us at what time in the middle of the night the banking licence of the Bramer Bank was revoked. Is there any reason? Did the clock stop?

Mr Lutchmeenaraidoo: No, there is no secret there. A Government that is moving fast works 24 hours round-the-clock!

(Interruptions)

Therefore, in this case, the decision to revoke the licence was taken by a Board of Directors of the Bank of Mauritius at probably 10.00 p.m. or later.

Mr Bérenger: Is the hon. Minister prepared to circulate that part of the minutes of proceedings relating to the revocation, of that Board decision?

Mr Lutchmeenaraidoo: It would not be proper, under the Banking Act, to circulate the information requested.

Mr Bérenger: Since the hon. Minister is not prepared to circulate the minutes, will he, at least, tell us whether all members of the board were present on that occasion and whether Government exercised any pressure on that board that evening?

Mr Lutchmeenaraidoo: How can Government put pressure on any member of the board? The board was convened, as a matter of urgency, and the decision was taken, as far as I know, by consensus. In fact, there had to be consensus for the banking licence to be revoked. All members were present, hon. Leader of the Opposition.

Mr Bérenger: The hon. Minister gave us two pieces of information when replying to the Private Notice Question on 07 April. One, he told us that in a letter dated 27 February, the Bank of Mauritius directed Bramer Bank to invest Rs350 m. by 31 March 2015. Can we have a copy of that letter from the Bank of Mauritius to Bramer, and can we know what was the reaction of Bramer to that?

Mr Lutchmeenaraidoo: I can't take on myself to decide on this issue. This is governed by the Bank of Mauritius. But what I can say is that, following the liquidity crisis of Bramer - when I speak of liquidity crisis, I mean that Bramer was reverting more and more on overnight credit facilities from other banks, interbank facilities - when this point was reached, Bramer Bank made a request for a line of credit of Rs1 billion. Following an investigation which was

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done by the Bank of Mauritius in its normal course of business, the Bank of Mauritius came to the conclusion that Bramer was in need of Rs2.5 billion of capital injection to be in a position with the law, as far as ratios are concerned.

The Bank of Mauritius, on the request of the Rs1 billion line of credit, asked Bramer Bank to inject fresh capital of Rs350 m.

Mr Bérenger: Give us a copy of this and the reply!

Mr Lutchmeenaraidoo: Well, this I can't promise now! There are issues which are governed by the Banking Act. The hon. Leader of the Opposition has to take me by my words!

Mr Bérenger: We want to go to the bottom of that!

Mr Lutchmeenaraidoo: We can go further down the bottom also, if the hon. Leader of the Opposition wants to! But the question would not...

(Interruptions)

What I am telling you is what happened exactly because I was briefed by the Governor of the Central Bank, and I believe what he told me! What he told me was that Bramer had to inject Rs350 m. by 31 March. This was not done. At one time, BAI said that they could inject this amount, but that we will have to agree that they would increase their related parties' transactions. The Bank of Mauritius could not go with this! No one will go with the principle whereby they increase their inter-companies dealings. So they were requested to inject fresh funds. That was the point! And they refused. They refused and they never paid that money! So, on the basis of this event, non-payment which would have released - the House should know that the Bank of Mauritius would have released Rs1 billion of line of credit had the Bank increased its injection of capital by Rs350 m. It never did so!

Mr Bérenger: We are wasting time, Madam Speaker! Now, again, on the same day, replying to the Private Notice Question, the Minister said that on 27 March, one month later, the bank wrote to the Bank of Mauritius referring to massive withdrawals of deposit. Again, can we be provided with a copy of that letter from Bramer Bank to the Bank of Mauritius?

Mr Lutchmeenaraidoo: If the hon. Leader of the Opposition has a copy, then he should not ask for it!

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(Interruptions)

I don't have one!

(Interruptions)

But I don't have one!

(Interruptions)

I am working...

(Interruptions)

Well, if the hon. Leader of the Opposition has this type of information with him, referring to the letter from Bramer...

Mr Bérenger: The hon. Minister said so! He was replying to the Private Notice Question and he said so!

Mr Lutchmeenaraidoo: Then if I said so, then it is so!

(Interruptions)

Well, I don't refuse. I have nothing to hide on this issue. I am just trusting the Central Bank and the Governor of the Central Bank who gave me this information, and I think it is in line with what happened afterwards.

Mr Bérenger: Can I ask the hon. Minister whether he has discussed with the Governor why, instead of starting by revoking the licence then appointing receivers, therefore, Bramer Bank losing all its value, it no longer had a licence and it could not go and look for purchasers, for people who wanted from overseas or here to buy the bank, instead of doing that, they went the other way round, revoked the licence, crashing down the value of the assets of the bank, including its licence? Why did they go the other way round? Why did they not appoint receivers, close the branches temporarily, so that there is no run on the accounts, and see what to do instead of starting by revoking the licence and, therefore, bringing down completely the value of the assets of the bank?

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Mr Lutchmeenaraidoo: The question is good because some people have put the question as to whether there were other ways of dealing with the bank. There is none! Under the banking law there is only one solution: you revoke the licence! There is none! No second solution!

(Interruptions)

Mr Bérenger: I don't hold a brief for that bank, but it is not legally true what the hon. Minister is saying! There were plenty of options, including administrators could have been appointed in the case of the bank, just as administrators and not liquidators have been appointed in the case of BAI Investment Co. Ltd. This is the law. Can I the hon. Minister whether he is aware of it before he tells us that the real thing that could be done is revoking the licence!

Mr Lutchmeenaraidoo: I don't say that we are perfect. The House should understand that crisis management is crisis management, and I had to move fast! It is very fine to become wise after the event, to say that we could have done certain things. We could have, but we have not because we were dealing under a crisis situation, and I am sure that we took the right decision also. There might have been other alternatives probably, but in crisis management we did what we had to do. When you have your house on fire, you don't look for the type of water you want to use or the colour of the water. You use water just to ...

(Interruptions)

Mr Bérenger: Last time, when replying to my PNQ, the hon. Minister replied on certain matters dealing with the FSC whereas today he backtracks on that and refers to his colleague. So, I'll come back later on.

As far as the last part of my question is concerned: 'if the appointed conservators of the BAI Co. (Mtius) Ltd were informed of the stand of Government concerning the policyholders thereof?', why I am putting that? It is because, on again, while replying to my PNQ, the hon. Minister was forthwith, and I am sure he will repeat that, that all the 138,933 ordinary insurance policyholders - he said - would lose nothing; whereas, in the report dated 17 April, the administrators have come forward and recommended to Government that losses should be shared between the two categories, that is, losses should be shared between these 138,933 and those holding the Super Gold Cash *machin truc*. According to what I have read in the report, which I

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am not supposed to have, what the administrators have proposed is that each should lose about one third of the value of the assets, which is in contradiction with what the hon. Minister said. So, will he please reconfirm, that, as far as these 138,933, they will lose nothing and that, therefore, these proposals from the administrators to share losses between the two categories concerned will not be followed by Government?

Mr Lutchmeenaraidoo: Madam Speaker, we have gone much further than the conservators, in the sense that the 137,000 something will not lose anything, their policies being totally respected by 100%. But, we have gone further than this. The 24,000 victims who have lost Rs1.6 billion, well, we have gone much further, in the sense that what the Rt. hon. Prime Minister has announced today is really a total solution for all the Ponzi victims, inclusive the 24,000. I must tell you one thing, I am quite impressed by the teamwork which has been going on since the past two weeks within our Ministries and which has allowed this country to come with the proposal that is just allowing us to move out of a major crisis. So, replying to the hon. Leader of the Opposition, I would say that we have gone further than what was promised before.

Mr Bérenger: I wanted to be reassured and we are reassured that the recommendations from the administrators will not be applied. That's what I wanted to hear and that those 138,933 will be fully in possession of all their pension rights. Now, I am really surprised. I have just heard the hon. Minister, again, talk of 24,000 policyholders in the so-called Gold *machin truc* Scheme. Well, will he confirm that, in fact, there are no - he said that when replying to the PNQ and the Rt. hon. Prime Minister corrected that in the press conference. Now, he tells us, again, that there are 24,143. Will the hon. Minister correct that? These are policies but, in fact, will he correct that we are dealing with 14,754 policyholders and, therefore, he should stop referring to 24,000 policyholders? There are 24,000 policies, but 14,000 policyholders. Is that correct?

Mr Lutchmeenaraidoo: The hon. Leader of the Opposition is right. It is correct. In fact, we are speaking of 24,000 policies, but even then I have to beg for the House to understand that we were operating under exceptional circumstances. It is only after that, and even it's in fact a few days back that while working through the policies, we realised that there were some policies which had the same name. So, there were 24,000 policies concerned and 14,000 something of

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policyholders. And those are the people now which shall be dealt with through the proposals we have made today.

Mr Bérenger: Before I leave the floor to others, Madam Speaker. With your permission, Madam Speaker, although probably the Minister will refer me to the Minister of Financial Services, but this is a national issue. The law provides - it has provided since the Insurance Act has been voted years back, I think in 2007 if I'm not mistaken - that there should be a compensation fund with operators, and those contributing regularly into that to build up a compensation fund, precisely to compensate people in the case that we have met with now. Have the hon. Minister and his colleague responsible for the Insurance Sector, and Government, looked into that and are we going to set up what the law provides for years, since 2007, for a compensation fund?

Mr Lutchmeenaraidoo: For a compensation fund, the principle has been approved. In fact, I was going to announce it in the last Budget, but then it needs further studies. What the fund means is that banks will need to contribute to a fund that will build up in the course of years and, if a bank crashes, then this fund, some form of insurance policy, will intervene to compensate the depositors who have lost their money. Therefore, we have already approved in principle the setting up of this fund.

Madam Speaker: Yes, hon. Uteem!

Mr Uteem: Thank you, Madam Speaker. I need, first of all, to declare my interest. I am a shareholder of Bramer Banking Corporation and my shares were worth around Rs350,000 at the time it went into receivership. Now, we have been informed that the whole of the bank has been sold for one Rs1. May I know from the hon. Minister whether the Government or the Central Bank or even the National Commercial Bank is coming forward with any plan in regard to those thousands of shareholders of the listed Bramer Bank who are now going to get zero cent because the bank which was worth billions has been sold for Rs1?

Mr Lutmeenaraidoo: My friend will know that when you take the risk of investing in the stock market, you have to bear the risk of losing everything. This is a common practice everywhere in the world: a company collapses, all shares are worth zero! So, what I would say is

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that those who had shares in the Bramer have taken the risk of investing in a bank which was going to collapse. That's their problem, not ours!

(Interruptions)

Mr Uteem: This being the case, may I ask the hon. Minister if he could initiate an enquiry at the level of his Ministry as regards the National Pensions Fund, Port Louis Fund and the State Investment Corporation which have been massively selling shares they own in Bramer Bank since January to March - I understand more than 2.5 million of shares have been sold by the Government? Will the hon. Minister talk to the FSC to initiate an action to see whether there is any criminal offence of insider dealing?

Mr Lutchmeenaraidoo: We should not mislead the House. The hon. Member should not do it! Those are brokers working on the floor of the Stock Market and that are selling shares. They are brokers, we call them stockbrokers. Now, don't tell me that the stockbroker where the Government has an interest should be responsible for selling shares of Bramer. In fact, you should know also that we have invested in Bramer Bank. SIC has invested in Bramer Bank and is losing money. So, it is not only individuals, all those who have invested money have lost including State Investment Corporation.

Madam Speaker: Hon. Ganoo!

Mr Ganoo: May I ask a question to the hon. Minister of Finance. In view of what has happened in the past concerning many banks and the present saga concerning the Bramer Bank, doesn't the hon. Minister think that it is high time for Government to come up with a legislation, a Depositors' Protection Scheme Bill - this has been announced many times in the past in different Budgets - so that, for the future, this Act might protect the depositors, as it obtains in other countries?

Mr Lutchmeenaraidoo: Yes, I think that the hon. Member's question has been answered. The Leader of the Opposition asked if we are proposing to set up a fund that will insure people who have had their account in banks in case of failure. So, the principle of this insurance fund has been approved already. It is now a question of working on it and setting it up.

Madam Speaker: Hon. Uteem!

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Mr Uteem: Thank you, Madam Speaker. The hon. Minister of Finance mentioned in the first PNQ, two weeks ago, that the Central Bank had required Bramer Bank to inject Rs3.5 billion in a phased manner, and the first tranche was Rs350 m. Today, he mentioned Rs2.5 billion, but I think he will stand by Rs3.5 billion. May I know then from the hon. Minister of Finance whether he is satisfied with the Central Bank's decision to award the licence? We are talking about the same banking business, same depositors' money, same liabilities, but requiring only an injection of Rs200 m., whereas they were asking for Rs3.5 billion previously.

Mr Lutchmeenaraidoo: It is not just Rs200 m., Madam Speaker. We have guaranteed the total amount of investment made by depositors in this bank. We have gone a long way into not only securing the employees continuation of work, but we have also guaranteed as a Government. It could have been a multi-billion payment on our side. This is the risk we have taken to maintain the stability of the financial system and to avoid a systemic risk. So we did the right thing. It is not only Rs200 m. It is a commitment taken by this Government - and it is a huge one - to come forward and say, 'We guarantee all depositors'. And we've done it.

Mr Bérenger: My last question. I think we can all agree that this Bramer Bank/BAI saga and the way Government has handled it is doing a lot of harm to our image as a financial sector. I am sure the hon. Minister is aware that, apart from that, there is the Belvedere Management Company dimension where it is alleged that there is a multi-billion dollars international Ponzi Scheme based in Mauritius - the FSC started action against them in a recent past - and their partner is Capital World Markets, based in London, where 13 people from them have already been arrested on 03 March by the London City Police. All this is damaging when, here, the Ponzi Scheme is referred to in the case of Bramer/BAI. 'The Economist' of 18 April has mixed it altogether; Ponzi Scheme in the case of Bramer/BAI, international Ponzi Scheme in the case of the Belvedere Management Company with their partner. What are the Government, the Rt. hon. Prime Minister, the Minister of Finance - the Minister responsible - doing to stop that hurting still more the image of Mauritius? What is happening?

Mr Lutchmeenaraidoo: Well, I beg to disagree. I appreciate that when you put order, there is disorder. In fact, we have taken the commitment to cleanse. The concept of cleansing means disorder first. What we are all seeing in Mauritius is the consequence of the commitment

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of Government to cleanse the country, and part of the cleansing process is what we are discovering: on one side, coffers, on the other side, coffins. Well, this is part of the game. The second point is: is this affecting our world image? Is this Ponzi Scheme affecting the financial image of Mauritius? It is very funny! I would say, 'no'. In fact, I met this morning with bankers from Luxembourg, and they said that they are coming to Mauritius because they know that there is here a Government committed to putting order in the House; that there is a Government here committed to transparency and good governance. So, what I would conclude is that we might get the impression of disorder, of chaos. The chaos is only the consequence of putting order, that's all. It is quite normal that when you put order you have some chaos. But then, further down the road, I think that the image of Mauritius will be multiplied, will be much better that it is now. Much better!

Madam Speaker: Time is over!