

## Launching Ceremony of FSC's new Risk-Based Supervision Framework

### **Chief Executive of the FSC**

*“The advent of technology has changed the way business is conducted and regulators also need to avail of the tools that technology now provides to ensure effective regulation. The Risk-Based supervision framework which we propose is a technology driven solution which enables the regulator to assess risks in a more structured manner and to organise supervision of its licensees and its programme of inspection more effectively.”*

This view was expressed by the Chief Executive of the FSC, Mr Milan Meetarbhan during the launching of the Commission's new Risk-Based Supervision framework at the FSC House on Thursday 26 February.



**The Chief Executive of the FSC, Dr. Milan Meetarbhan**

Mr Meetarbhan further stated that Mauritius will be one of the first jurisdictions, among emerging markets, to adopt a structured RBS framework. A system which will enable on-site visits to be better organised and which will contribute to an enhanced understanding of regulatory concerns by licensees.

According to him, there are numerous advantages of having such a system. The FSC will thus be able to allocate more resources, including manpower, to areas where they are most needed instead of spreading them evenly but thinly across all areas.

The main advantage for the licensees will be that they will receive informed feedback from the FSC on the benchmarks they are failing and this will help them take corrective actions before filing in their returns in the next round of reporting.

*“Over the next three months, there will be greater interaction with the industry during what will be effectively a trial run which will enable us to address any concerns the industry may have.”* he added.

On another note, Mr Meetarbhan spoke about the need for countries to have a fresh look at regulation in face of the financial crisis. The current debate about changes to regulation, according to him, does not necessarily mean that the broad objectives of financial regulation should change. What is more crucial is to look at how effectively these objectives are achieved.

Another means to ensure that financial services are properly regulated is to have greater international institutional cooperation.

Mr Meetarbhan also expressed his views about the regulation of conglomerates. According to him, the financial position of a group could be impacted by the companies within it providing non regulated services as well.

This is why it is important, according to him, to have coordination between regulators or joint regulation so that regulators from different jurisdictions have a holistic view of the group and not a distinct part of it. This will also allow for better regulation in the long run.

**Vice-Prime Minister**

The launching of the RBS framework was done in the presence of the Vice-Prime Minister and Minister of Finance and Economic Empowerment Dr Ramakrishna Sithanen.



**The Vice- Prime Minister and Minister of Finance and Economic Empowerment, Dr Rama Sithanen**

The Chief Guest commended the Commission's decision to introduce the RBS Framework even before the financial crisis and at a time when regulators are facing lots of criticism.

"Our financial system has shown remarkable resilience in face of external pressures in spite of the global financial mayhem which happened in 2008", he added.

The Vice-Prime Minister also commented on the recent criticism made against some international financial centres which have been tagged as "tax havens" or "uncooperative jurisdictions".

Dr. Sithanen highlighted that the Mauritius jurisdiction is reputed for its modern legislative framework, transparency and adherence to international best practices. There is also a need, according to him, to strengthen the exchange of information mechanism.

Mauritius, he further added, should be viewed as a jurisdiction of substance which does not rely solely on the financial services sector.

The minister of Finance also called for the need to maintain the right balance between Regulation and Development. "I would caution against the risk of over-regulation", he said while adding that we should also promote better and "smart" regulation.

He concluded by saying that in view of the new market economy and the new financial architecture, companies need to constantly think out of the box so as to "mitigate the negative effects of the crisis and be in a state of preparedness to benefit from the bounceback."

### **Chairman**

The Chairman of the FSC, Mr Said Lalloo stated that the Commission cannot be complacent in face of the crisis and recent scandals which have drawn much criticism towards regulatory bodies which are being accused of lack of control and surveillance.

"The FSC is a reputed international financial regulator and is committed to ensure the sustained development of the country as a sound, stable and competitive international financial centre." He added.

It is in a bid to maintain and reinforce regulatory controls at all levels that the FSC is launching the Risk-Based Supervision framework which is geared to identify and focus surveillance on high risk entities and areas that could cause damage to the reputation of our jurisdiction said Mr Lalloo.



**Presentation of the RBS framework to the audience**

**Dr, Ashok Nag**

The Chief Consulting officer of Riskraft Consulting Limited, Dr Ashok Nag stated that it has been a privilege for Riskraft to design such a framework for the FSC. The RBS system, he said, is a technology framework that is dynamic, versatile and methodology-driven. It will also allow the Commission to protect confidentiality of information as the system is completely password-protected. "The RBS Framework will also enable the FSC to assess the risks of its licensees in a more subjective manner", he concluded.