

Speech of the Chief Executive

‘Are we achieving the right balance in compliance, risk and social requirement in this Post Covid Era?’

Hennessy Park Hotel - 03 June 2022

Ms Sheila Ujoodha - Chief Executive Officer of the MIOD;

Mr Samad Jhummun - Chief Executive Officer, Mauritius Finance;

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Mr Vasish Ramkhalawon - Secretary General, Insurers Association of Mauritius;

Mr Bertrand Casteres, Group Chief Executive Officer, MUA;

Mr Saurav Chatterjee, Chief Executive Officer, Care Edge Ratings Africa;

Distinguished Guests and Participants;

Ladies and Gentlemen;

All protocols observed.

Good morning to you all,

I would like to thank the MIOD for giving me this opportunity to give my views on the theme of today entitled *we are achieving the right balance in compliance, risk and social requirement in this Post Covid Era*.

Ladies and Gentlemen

There is no doubt that the Covid 19 was a black swan event, meaning that, there is no way we could have been 100% prepared. The pandemic has disrupted our way of life and everything from office work to social meetings, from consumption to production, from physical to behavioural habits, everything has changed. In a number of situations, we have been reminded about old forgotten habits, especially from the sanitary point of view, whose adoption has significantly contributed to the recession of the pandemic.

Financial institutions have also adapted to the pandemic with work from home and remote meetings establishing as the new normal for organisations to operate in the future. Looking back, two observations can be made on the handling of the pandemic, at least from the business side. First, most organisations had no, or had very poorly designed business continuity plans. Actually, most pre-covid business continuity plans were designed with the assumption that people could move. And the second, the human factor and more precisely, the psychological well-being of people was rarely considered or grossly ignored. This is why I would like to commend the organisers of this forum for gathering us today to ponder on the social dimension to the whole concept of compliance in the post Covid era.

Dear Audience,

Let us look at what happened during the pandemic period. One thing to note is that the pandemic accelerated the pace of digitalization, leading to wholesale changes not only from the consumer's side but also from the financial institutions or the business side. According to a recent survey carried out by the European Commission on the impact of COVID 19, it has been noted that there is a growing popularity of what we call *greener choices*. People's behaviour relating to consumption during this pandemic has changed significantly. People are now very much conscious about what they buy. People try to make sure that they will be able to settle their bills at the end of the month and that they have enough money to be able to buy food at the end of the month or the month after.

People now prioritise their choices. They buy what is needed, rather than what is good to have.

According to the same survey, 71% of consumers have shifted to online shopping and with respect to physical shopping they prefer the shop which is closest to their house rather than where they used to go to. All these mean that since there have been behavioural changes, we cannot ignore their impact on the compliance side.

Ladies and Gentlemen,

During the pandemic, it was noted that there was a very high risk of cyber-attacks. Companies have taken considerable steps to reassess their risks. At the same time, there was a need to comply with the laws. And in a number of cases, regulations were changed to adapt to the nature of the pandemic. So, to what extent are we now expecting things to go back exactly as pre COVID? It will not happen simply because the consumption pattern and the behaviour have changed. Even comparing current figures with those from the pre COVID state might give a distorted picture of the state of affairs.

Then what about compliance? Has compliance changed during the COVID period? And have risks also changed? In the local context, on one side we had to comply to the Covid-19 sanitary protocols such as social distancing and wearing of masks coupled with remote working and at the same time work towards the adherence of the FATF requirements. We were under the grey list of the FATF which therefore required us, regulators, to accelerate the pace of compliance in almost every area. Whether in terms of compliance with the FIAMLA, by the different outreaches that we have made, we have actually urged the industry and the industry has collaborated on the compliance side. Coming to the risk side, we all are aware that during the COVID period, statistics have shown that there was an upsurge in cyber criminality, especially, due to the sudden shift towards online shopping, online transactions and remote work.

And what we regulators have done during this time is that we have come up with more requirements for compliance. But these compliances have come up after we have carefully listened to the industry, after we have drawn the lessons from COVID-19 on the aspects of compliance that needed to be revisited. Such as, for instance, remote onboarding, or legal requirements to work remotely. We had to ensure that the laws are relevant in the world of today and they are relevant in the world, post COVID. Just to give an example. During Covid-19 people could not move, but the laws still required that some of the things had to be done through the post or some of the things needed to have wet signature. So all these things are now being revisited.

In the same vein, the FSC is now coming up with its digital identity for our international investors, which will be a plugin to our FSC One platform and to enable our MCs to remotely onboard customers as legally as possible, and which would be deemed to be as if they were here. And when speaking about compliance, I wish to highlight that the Virtual Asset and Initial Token Offering Services Act 2021 has been enacted and the time for people who are already providing services in this space to report to the FSC has lapsed. It is now important that people who are in this space to comply and they need to contact the FSC to get the necessary license.

Therefore, the obvious question that begs an answer is, can we compromise on compliance and risks? Whatever is the degree of compliance required, do we have room to allow for any sort of leeway in compliance? I will refrain from getting into the heart of the debate because I know there is a panel just after my intervention discussing on it but I'm just putting some food for thought with respect to what can be done and what cannot be compromised upon. From regulators perspective, compliance is compliance. Therefore, the balance now that we are trying to seek with respect to the social aspects, is a question that needs to be very carefully discussed and understood. It could be that the problem is elsewhere and we are trying to solve a complex equation with real numbers.

With these words, I wish you fruitful deliberations and thank you for your attention.

Dhanesswurnath Thakoor

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