The share of contractual savings institutions in the housing finance market (35.9% in 2003), which is mainly driven by Insurance Companies, is almost similar to that of commercial banks (37.5% in 2003) and even higher than the share of the Mauritius Housing Corporation (26.6% in 2003). On the basis of the trends indicated in Table 24, it seems that commercial banks will continue to drive the housing finance market in the years ahead until the market for mortgage bonds and mortgage securitisation evolves fully.

Definition of Terms Used

Occupational Pension Schemes

Occupational Pension Schemes are plans that provide employees of statutory bodies or private sector organisations with regular streams of payment after retirement and until death. The schemes allow the accrual of the underlying assets on a tax-exempt basis.

Superannuation Funds

These self-administered schemes are registered with the Registrar of Associations. Private sector organisations establish their pension schemes under the Employees Superannuation Fund Act 1982, while the schemes of statutory bodies are governed by the Statutory Bodies Pension Funds Act 1978.

Insured Pension Schemes

These are schemes that are insured and/or administered by Insurance Companies.

Defined Benefit (DB) Plan

This is a pension plan that defines the benefits by a formula stipulated in the plan. The employer contributions are not pre-determined but are a function of the cost of providing the promised pension, taking into consideration employee contributions, if any.

Defined Contribution (DC) Plan

This is a pension plan that specifies the employee's (if the plan is contributory) and the employer's contributions. Members' benefits are provided from accumulated contributions plus the return on the investment of these monies.

Cost of Pension Purchased

When a member dies or becomes totally and permanently disabled before retiring on pension, there shall be payable to the person or persons legally entitled thereto a benefit equal to twice the member's final pensionable emoluments. In addition, the member's accumulated share shall be available to purchase a pension life if he is disabled, or on that of his spouse, child, or dependent if he dies, at best available terms from an Insurer.

Cash Withdrawal Benefit

This is an arrangement which is applicable if a member leaves service before reaching the appropriate retiring age.

Capital Market Operations

Stock Market Outlook

Over the last year, the global equity markets have experienced a general upturn – driven by higher-than-expected earnings growth and positive economic data. Markets recovered strongly from the impact of the war in Iraq and the SARS virus. Asian markets, in particular, have witnessed strong growth – exchanges in China, India, Singapore, Thailand, and Malaysia performed well. Low global interest rates are driving liquidity back into equity markets. Internationally, the outlook remains positive.

In line with global trends, all three stock market indices in Mauritius went up – the SEMDEX by 35%, the SEM-7 by 30% and the SEMTRI by 44% during the period under review. Greater investors' interest for equities was motivated by corporate restructuring, share buy-backs and solid earnings results of some bellwether stocks (trend indicators or blue chips). The gradual change in the Bank of Mauritius' monetary policy in lowering the Lombard rate to 9.5% (as at 29 January 2004) also contributed in making the stock market more attractive.

Official Market

As at end-June 2004, 40 companies were listed on the Stock Exchange of Mauritius (SEM). The Official market of the SEM also listed Treasury Bills, two authorised mutual funds and one debenture on its Debt Board. A new listing, the Mauritius Leasing Company Ltd, was admitted on 27 February 2004. Two listed banks, the State Bank of Mauritius (SBM) Ltd and the Mauritius Commercial Bank (MCB) Ltd, initiated share buy-back programmes which were still in progress at the time of writing.

Net foreign investment inflow into the equities market amounted to Rs 464 million for the period 1 July 2003 to 30 June 2004, with net sales recorded only in August 2003. Foreign investors purchased mainly shares in blue chips and smaller companies with good growth potential.

Treasury Bills were introduced into the Official Market in December 2003. The absence of an active secondary market prompted the Government to formulate a programme for trading in Treasury bills and Government paper. This injects additional liquidity into the market. To facilitate trading by the public, the Bank of Mauritius and the SEM effect transactions in Government papers through the 11 stockbroking companies.

Performance of the Market

Backed by stronger investor interests and rising stock indices, turnover for the period from 1 July 2003 to 30 June 2004 rose

Chart 2: Volume and Turnover on Official Market (2003/2004)

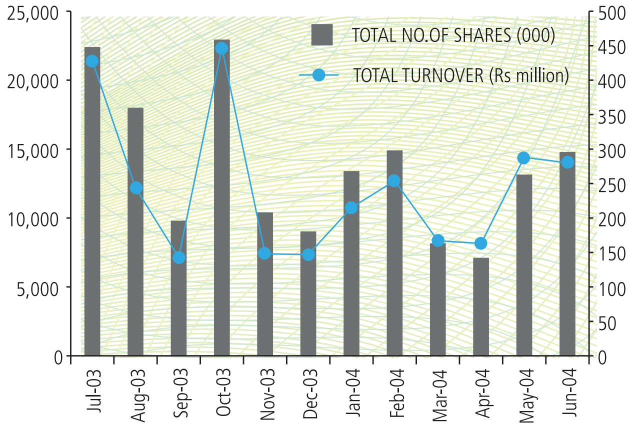


Chart 3: Trends in SEMDEX

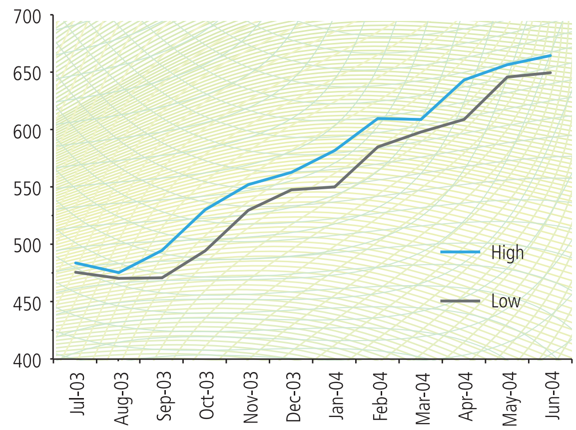
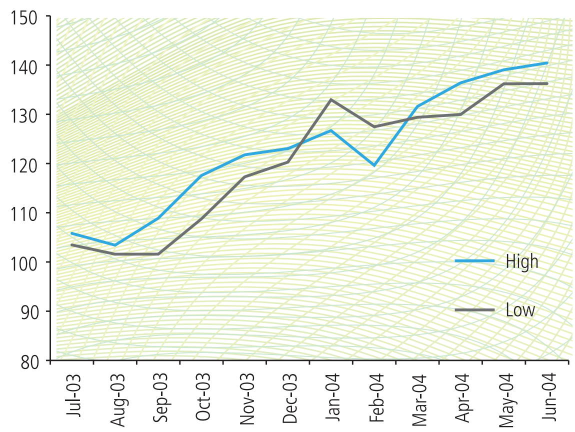


Chart 4: Trends in SEM-7



by 33% from Rs 2 billion to about Rs 3 billion. The market was partly driven by the corporate restructuring of some companies, such as Belle Mare Holding Ltd and Mauritius Breweries Ltd, share buy-back announcements by MCB Ltd and SBM Ltd, and the solid earnings results of some bellwether stocks.

Chart 2 highlights the volume and turnover on the Official market during the year under review.

Stock Market Indices

The SEMDEX registered an increase of 35% from 483.65 to close at 655.09 during the period under review, with a peak of 664.40 in June 2004. The SEM-7 rose from 105.81 to 137.08, representing an increase of 30%. The SEMTRI in local currency and US dollar were at Rs 1,016.74 and US$ 540.68, respectively, and closed at Rs 1,460.80 and US$ 806.88, gaining 44% and 33% respectively. The trends in the SEMDEX, SEM-7 and SEMTRI are indicated in Charts 3, 4, 5a & 5b respectively.

Market Capitalisation

During the period under review, market capitalisation increased by 39.5% from Rs 44.3 billion to Rs 61.8 billion. The share of the Banks and Insurance sector in market capitalisation was highest (as in previous years), reaching Rs 21 billion as at end-June 2004 (representing growth of 33% during the period under review). The market capitalisation of the Investments sector experienced a 75% increase in 2003/2004. Charts 6 and 7 indicate the share of the various sectors for the period under review.

Chart 5a: Trends in SEMTRI (Rs)

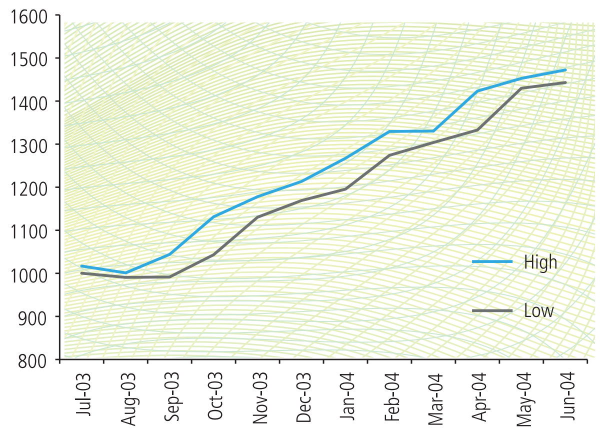


Chart 5b: Trends in SEMTRI (US$)

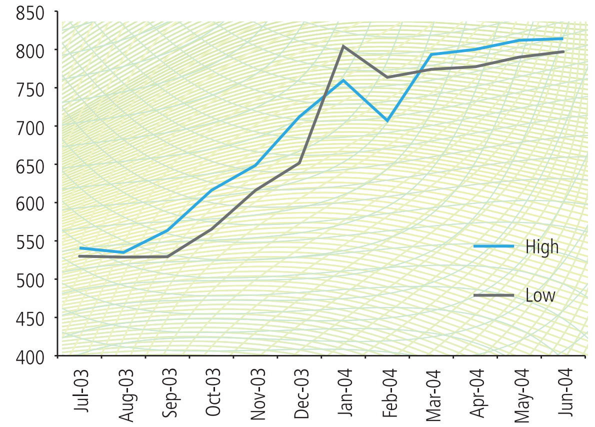


Chart 6: Share of Market Capitalisation – End June 2003

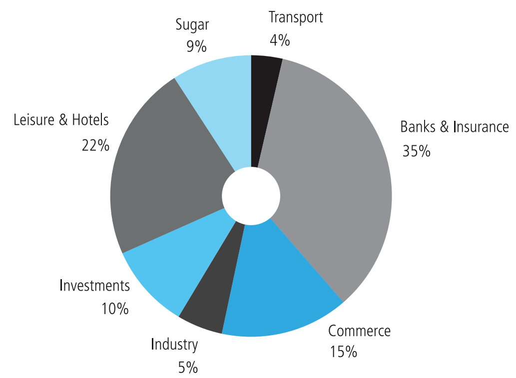
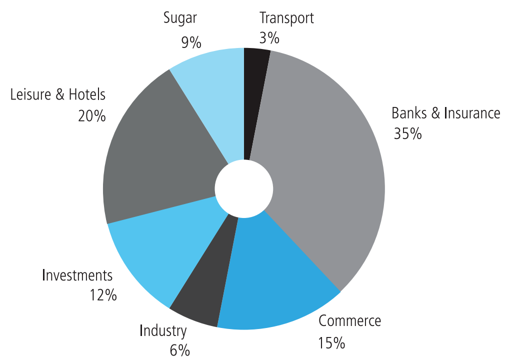


Chart 7: Share of Market Capitalisation – End June 2004



Industry Highlights & Analysis of Statistics

Update on Stock Exchange of Mauritius

In line with its strategic vision to develop its regional presence, SEM Ltd is in the process of introducing a listing facility for Global Business entities. It is reviewing its Listing Rules and systems to facilitate the listing and trading of Global Funds.

In the area of cross-border collaborations, SEM Ltd is focusing on regional capital market development both in the Southern African and South Asian regions – through its respective membership of the Committee of the Southern Africa Development Community Stock Exchanges (COSSE) and of the South Asian Federation of Exchanges (SAFE).

The COSSE has been working on initiatives to develop Southern African capital markets and to facilitate the harmonisation of listing regulations amongst the exchanges in the region.

Update on Central Depository System

In September 2003, the COSSE met in Mauritius for the third quarter meeting for year 2003. One of the main matters for discussion was the implementation of measures for the regional integration of securities markets. In this context, the proposals of the Johannesburg Stock Exchange (JSE) Securities Exchange for the creation of a Pan-African Board and of the Mauritius Central Depository Settlement Co. Ltd (CDS) for the Development of a Shared Clearing and Settlement Infrastructure for SADC Exchanges were presented.

Register of Capital Market Operators

In line with the classification of NBFIs adopted by the FSC, Table 25 indicates the number of authorised/licensed capital market operators as at 30 June 2004.

FSC Survey Results on Stockbroking Companies

An analysis of the data reported by the 11 licensed stockbroking companies indicates that the total asset base for the year 2003 was Rs 486 million – representing an increase of 11% over the previous year. Seventy-nine percent of the assets were attributed to the largest Stockbroking Company.

The total liabilities of the 11 companies amounted to Rs 413 million in 2003 compared to Rs 369 million in 2002 – the bulk of the liabilities are attributed to the largest Stockbroking Company mentioned earlier.

Total income for 2003 amounted to Rs 50 million, representing a drop of 20% over the previous year. The income of Stockbroking companies has been decreasing since 2001 – at an average rate of 15%. Salaries and allowances constituted 43% of total expenses in 2003. Two Stockbroking Companies failed to generate any profit in 2003, causing the total profit before tax to slump to Rs 25 million (25% decrease over the previous year) and the value added to fall to Rs 37 million (21% decrease over the previous year).

The concentration of business amongst the 11 Stockbroking Companies continues to follow the same trend as the preceding years, with the same 3 largest firms leading the market in terms of income (69%). The largest Stockbroking Company contributed 70% of the total profit before tax in 2003.

FSC Survey Results on Fund/Investment/Portfolio Managers

The FSC Survey 2003 covered some 12 Fund/Investment/Portfolio Managers that are involved in intermediating in financial securities markets and which are licensed under Section 14 of the FSD Act 2001. In aggregate, these entities manage some 14 Investment Schemes (for those disclosed) which are based locally.

The aggregate assets base of the 12 companies that this segment comprises amounted to Rs 1.7 billion in 2003, compared to Rs 822 million in 2002. Ninety-six percent of total assets are attributed to the largest Investment Manager, which is a parastatal institution.

The total liabilities of the 12 companies amounted to Rs 1.5 billion in 2003 compared to Rs 706 million in 2002 (the bulk being attributed to the largest Investment Manager mentioned earlier and which are in the form of long-term interest-bearing borrowings).

Total income for the 12 companies amounted to Rs 200 million in 2003, representing an increase of 63% from the previous year. Seventy-three percent of this income was in the form of investment income (attributed to the same Investment Manager mentioned earlier).

Financial expenses accounted for 74% of total expenses while salaries & allowances accounted for 10% of total expenses in 2003. Seventy-six percent of the total expenses are attributed to the parastatal institution mentioned earlier.

Total profit before tax stood at Rs 31 million in 2003 (15% growth over previous year), out of which 57% were generated by the largest Investment Manager. On the basis of data submitted, the value added for the 12 companies amounted to Rs 48 million in 2003 – representing an increase of 15% over the previous year.

Table 25: Numbers of Authorised/Licensed Capital Market Operators

Capital Market Operators	Number on Register as at 30 June 2004
Investment Schemes	14
Stockbroking Companies	11
Stockbrokers	23
Fund/Investment/Portfolio Managers	11
Custodian	1
Total (inc. Market Infrastructure Providers)	**60**

Specialised Finance Institutions

Overview of Leasing Industry

Leasing – a key source of investment financing in most industrial countries – is provided by equipment manufacturers, banks, private leasing companies, amongst others. The global leasing market was worth US$ 477 billion in 2001 (World Leasing Yearbook 2003). Europe and North America account for 82.7% of this market volume. Leasing has evolved into a specialised service that serves most sectors of any economy and finances various asset types. In the United States, farm equipment leasing contributes to over 10% of the domestic market.

Leasing and credit finance are often the only sources of finance available to Small & Medium Enterprises (SMEs). The latter are usually too large for traditional microfinance and too small for commercial bank lending.

Leasing has the potential of partially addressing the market failure in credit – access to which is limited in most developing countries. Credit available from informal sources (money lenders, family, friends, etc.) is usually both short-term and too costly for investment financing.

Frequently, leasing companies are subject to less stringent regulations than banks – and this allows them to leverage more resources (higher debt/equity ratios), to be exempted from credit allocation requirements and to use of market rates of interest.

FSC Survey Results on Leasing Companies

According to the FSC's records, there are currently 12 companies involved in leasing business, amongst which 3 have been licensed under Section 14 of the FSD Act 2001.

Eleven operational leasing companies submitted returns for the FSC Survey 2003. On the basis of information submitted, the total asset base of the leasing companies in 2003 was Rs 8.5 billion, representing a growth of 13% over the previous year. Sixty-nine percent of the total assets in 2003 were concentrated in net investments in finance leases. Total liabilities reached Rs 6.9 billion in 2003, out of which 53% were in the form of long-term interest bearing borrowings.

Total income for 2003 amounted to Rs 2.2 billion, representing an increase of 8% over the previous year. Eighty-eight percent of the income in 2003 were generated by lease rentals whilst 58% of total expenses were concentrated in capital repayment of leases. Total profit before tax in 2003 was Rs 211 million, while value added in the leasing sector amounted to Rs 237 million.

Business remains very concentrated with 4 companies leading the sector. The same pattern that was noted in 2002 applied in 2003: assets of the 4 largest leasing companies represent 72% of the total asset base of the sector, whilst 83% of the total income and 83% of the total profit before tax are generated by the same 4 leasing companies.

An analysis of the information obtained on the business activities of leasing companies indicates a similar trend: the majority of leasing contracts relate to the trade and transport sectors, whilst the majority of customers are individuals. The financial results referred to above indicate that the prospects for the leasing sector in Mauritius remain promising – especially in view of the growing opportunities triggered by SMEs.

Overview of Credit Finance Industry

Credit finance includes debt financing services such as deposits, loans, payment services and money transfers. Most poorer households find it difficult to get loans from banks due to lack of collateral – thus, credit finance institutions offer a less expensive alternative – which enables consumption smoothening. Credit finance institutions enable consumers not only to take advantage of opportunities that they otherwise would have missed but also to expand their existing business. As a result, credit finance institutions can play an active role in promoting economic growth.

In Mauritius, the public sector takes the lead in providing microfinance and credit finance facilities. The Development Bank of Mauritius is the only public financial institution dedicated to supporting SMEs in terms of access to funds while the Small & Medium Industries Development Organisation (SMIDO) acts as a facilitator for the promotion of SMEs. Within the private sector, credit finance facilities are more limited (the FSC identified only 3 companies providing credit finance). The 3 Credit Finance Companies cater for those who are in the low to middle income group, and types of products financed include household durables, motor vehicles, computer and communication equipment, electrical appliances, furniture, and building materials. In addition, there are more than 90 Credit Unions in Mauritius – which have an estimated asset base of at least Rs 900 million.

FSC Survey Results on Credit Finance Companies

Two of the three credit finance providers in Mauritius have obtained a licence from the FSC under Section 14 of the FSD Act 2001.

The total asset base for the 3 companies engaged in this activity amounted to Rs 703 million in 2003, compared to Rs 696 million in 2002. Eighty-four percent of total assets are in the form of accounts receivable. Total liabilities amounted to Rs 565 million in 2003 (a decrease of 8% over the previous year), out of which 60% constituted trade & other payables, while 19% constituted short-term secured loans.

Total income for 2003 stood at Rs 186 million, representing an increase of 10% over the previous year. Financial expenses and salaries represented 32% and 24% of total expenses in 2003 respectively. Total profit before tax stood at Rs 45.8 million in 2003, compared to Rs 37.3 million in 2002. Value added for this sub-sector is calculated to be Rs 82.7 million in 2003, compared to Rs 71.8 million in 2002.

The value of credit finance provided in 2003 by the 3 companies suffered a major decrease compared to 2002 (Rs 33.6 million in 2003 and Rs 606 million in 2002). This result was driven by 2 companies which belong to the same conglomerate. It is to be noted that 69% of the turnover in 2003 were generated outside the remit of the Hire Purchase Act – in 2002, 80% of the turnover were generated under the Hire Purchase Act.

Financial Service Providers & Market Professionals

FSC Survey Results on Pension Administrators, Actuaries & Treasury Managers

In the period under review, the FSC Survey 2003 included 4 companies that fall in the category of “Financial Service Providers & Market Professionals” and which are licensed under Section 14 of the FSD Act 2001. Two of those companies are licensed as Pension Administrators, 1 as an Actuary and 1 as a Treasury Manager.

The aggregate asset base of the 4 companies was Rs 14.6 million in 2003, compared to Rs 11.8 million in 2002. Total liabilities in 2003 experienced growth of 51% from the previous year and reached Rs 7.3 million. Total income for 2003 amounted to Rs 30.6 million representing an increase of 35% over the previous year. Sixty-one percent of this income were generated by the Actuary. Total expenses for the 4 companies reached Rs 28.5 million in 2003, out of which 55% were for salaries & allowances. Total profit before tax for 2003 decreased by 18.4% and reached Rs 2.7 million.

It is to be noted that the Treasury Manager generated a loss of Rs 3.6 million in 2003, which consequently brought down the aggregate profit to the level mentioned despite the Actuary generating Rs 5.5 million of profit before tax.

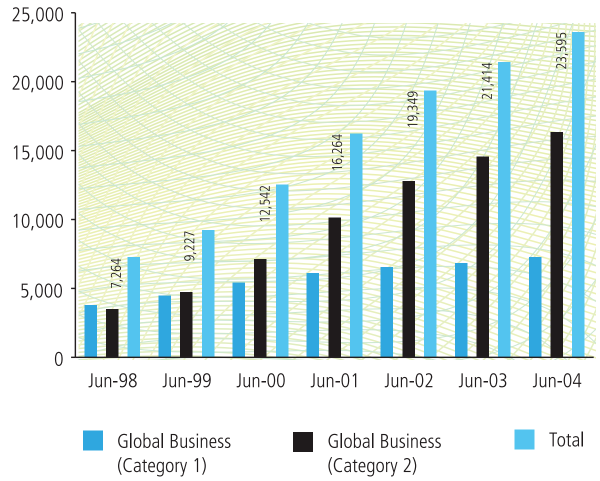
The value added for the 4 companies aggregated to Rs 18.5 million in 2003, representing a growth of 25% over the previous year.

Global Business Activities

Growth in Number of Companies Licensed

Chart 8 indicates the growth in the number of Global Business Category 1 (GBC 1) and Global Business Category 2 (GBC 2) Licensees for the past 7 years (period ending 30 June).

Chart 8: Evolution in Registration of GBC 1s & GBC 2s (1998-2004)



The composite growth rate of GBC 1 and GBC 2 Licensees between 1 July 2003 and 30 June 2004 was 10.2%. Within this period, the growth rate in GBC 1s was 6.0% higher than the growth experienced in the previous (comparable) period – which approximated to the average growth rate of the past 4 years. Meanwhile, there was a slight decrease in the growth of GBC 2s – which was 12.1% for the period under review. Table 26 provides a summary.

Analysis of Activities

Charts 9 & 10 respectively analyse the activities to be carried out by the 414 GBC 1s and the 1,767 GBC 2s that were licensed during the period under review. The FSC Survey 2003 provided information on the activities of GBC 1s that were licensed by the FSC as at 31 December 2003 (see Chart 11).

Chart 9: Breakdown of Activities of GBC 1s (2003/2004)

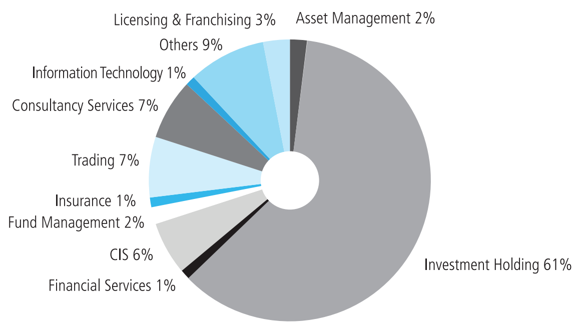


Chart 10: Breakdown of Activities of GBC 2s (2003/2004)

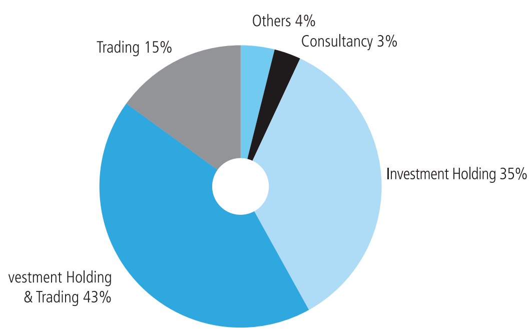


Table 26: Growth Rates in Number of GBC 1s & GBC 2s

	2001	2002	2003	2004	Average
Growth rate GBC 1s (%)	12.8	7.1	4.6	6.0	7.6
Growth rate GBC 2s (%)	42.5	26.1	13.8	12.1	23.6
Composite growth rate (%)	29.7	18.9	10.7	10.2	17.4

Chart 11: Breakdown of Activities of GBC 1s (cumulated as at 31 December 2003)

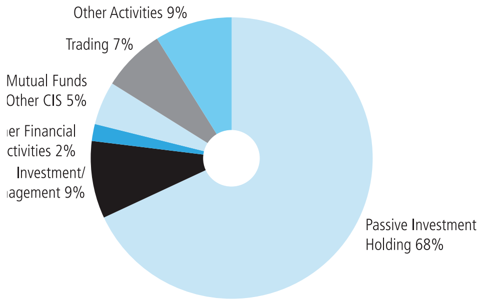


Chart 12: Inward Investments by Number of GBC 1s (2003/2004)

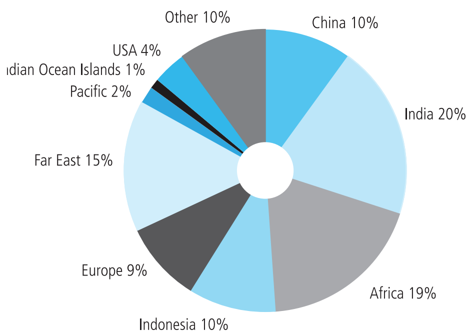
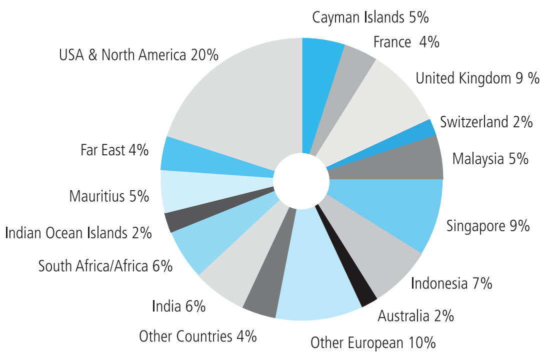


Chart 13: Origin of Beneficial Owners by Number of GBC 1s (2003/2004)



The Survey showed that out of the 4,168 GBC 1s that responded (representing 59% of the total licensed GBC 1s), there was Mauritian participation (i.e. dealings with residents and/or Mauritian shareholding) in 111 of them. Twenty percent were involved in international trading while the rest were involved in a range of activities. The Survey also showed that 196 GBC 1s had a physical establishment in Mauritius – 25% of them being involved in trading, while 21% of them were Investment Holding companies.

Charts 12 & 13 respectively display the distribution of the inward investments and the origin of the beneficial owners by number of GBC 1s for the period under review. It is observed that the geographic breakdown remains well distributed among the different countries.

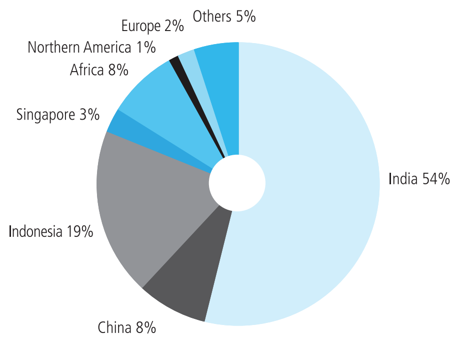
Analysis of Investments

The FSC Survey 2003 revealed some interesting statistics relating to the investments made by GBC 1s involved in Investment Holding and Mutual Funds & Collective Investment Schemes (CIS) activities.

Investment Holding Companies

For a reporting population of 2,855 Investment Holding companies, the total value of inward investments into foreign countries amounted to US$ 32.9 billion in 2003, while the total value of outward investments from foreign countries amounted to US$ 30.5 billion in 2003. Charts 14 & 15 respectively indicate the inward and outward investments through Investment Holding companies in terms of value of investments.

Chart 14: Inward Investments through Investment Holding GBC 1s (cumulated as at 31 December 2003)



Industry Highlights & Analysis of Statistics

India remains the most important country for inward investments through GBC 1s with 54% of the total inward investments targeted towards it in 2003 (US$ 17.6 billion). Inward investment into Indonesia amounted to US$ 6.4 billion (19% of the total inward investments), while investments into China amounted to US$ 2.5 billion (8% of total investments) in 2003. These 3 countries remain the most important markets for investments through GBC 1s.

With regards to source of investments, the situation is very different from the trend for inward investments: 25% of the investments through GBC 1s come from investors in the US (US$ 7.8 billion), 14% are derived from the British Virgin Islands (US$ 4.1 billion) while 20% of the investments come from Singapore (US$6.1 billion).

Chart 15: Outward Investments through Investment Holding GBC 1s (cumulated as at 31 December 2003)

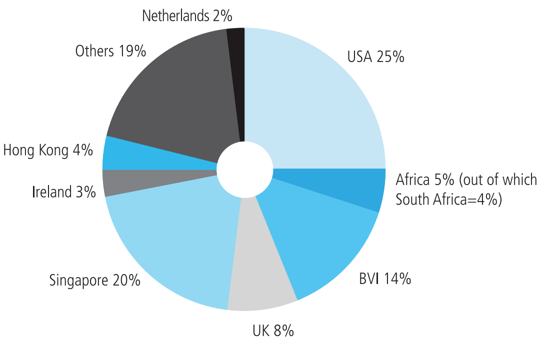
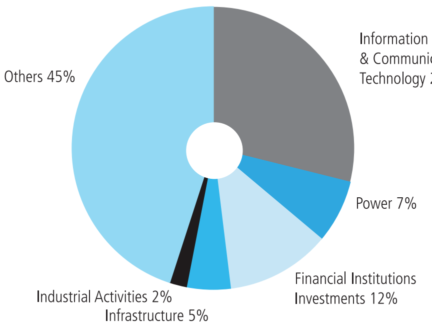


Chart 16: Investments through Investment Holding GBC 1s by Activity Sectors (cumulated as at 31 December 2003)



Mutual Funds & CIS

The Survey revealed that for a total value of investment of US$ 30.7 billion in 2003, 29% related to information & communication technology (US$ 8.7 billion), while 12% of the investments related to financial institutions and financial investments (US$ 3.7 billion). Chart 16 shows the total investment breakdown by activity.

For the period ending 30 June 2004, the total number of authorised CISs on the FSC's Register was 293 – representing an increase of 22 during the period under review (although this figure includes 72 CISs that are in the process of winding up). The Net Asset Value of the authorised CIS was US$ 12.2 billion as at 30 June 2004, compared to US$ 6.6 billion as at 30 June 2003.

For a reporting population of 185 CISs covered in the FSC Survey 2003 (representing 66% of the total CISs authorised as at 31 December 2003), the total value of inward investments into foreign countries amounted to US$ 7.1 billion, while the total value of outward investments from foreign countries amounted to US$ 3.7 billion in 2003.

Sixty-five percent of the inward investments through CISs were to India, while 10% of the investments were to Eastern Europe.

The Survey revealed that the UK provided the major source of investments (US$ 1.2 billion – 31% of total investments), followed by the United States (US$ 925 million – 25% of total investments). The other significant sources of investments were the British Virgin Islands (11%) and Luxembourg (8%).

Table 27: Management Licences in Issue

Type of Licence	30 June 2004	30 June 2003
Management Companies	81	82
Corporate Trustees	24	23
Total	**105**	**105**

Of the total value of investments of US$ 8.2 billion in 2003, 20% were in financial institutions and investments (US$ 1.7 billion), 9% were in respect of information & communication technology (US$ 745 million) and 9% were to infrastructure & transport (US$ 728 million).

Management Companies & Corporate Trustees

Management Companies (MCs) and Corporate Trustees are licensed under Section 24 of the FSD Act 2001 and are classified as Financial Service Providers. As indicated in Table 27, there were 105 Management Licences in issue as at 30 June 2004 – the figure being identical to that as at 30 June 2003.

Analysis of Audited Accounts of MCs

For the purpose of the analysis of the accounts of MCs, all accounts with a year-end in 2003 were considered and the cut-off date was 31 December 2003. Only the financial performance of the MCs was analysed.

Out of a total of 103 MCs that were licensed as at 31 December 2003, 1 was newly licensed, 6 were in the process of winding up and 10 failed to submit accounts, thus reducing the number of Licensees for which the accounts were analysed to 84, as shown in Table 28.

Table 29 indicates that for the period ending 2003, a total turnover of US$ 36.6 million was generated in 2003 by 84 MCs as compared to US$ 35.7 million being generated in 2002 by 91 MCs. The aggregate profit before tax stood at US$ 10.4 million in 2003, while for 2002 an aggregate profit before tax of US$ 10.6 million was generated. The review indicated that out of 84 MCs, 58 made a profit, 2 had a break-even situation, and 24 reported a loss. The figures also reveal that 10 MCs generated 81% of the total profit.

Table 30 shows aggregate turnover, profit before tax and value added for the 10 largest profit-generating MCs. The results indicate that the business of these Licensees remains highly concentrated. Twelve percent of MCs generated 52% of the turnover, 81% of the profit before tax and 66% of the value added in 2003.

Table 28: Analysis of Operational Level of MCs

	2003	2002 *
No. of Management Companies on FSC Register as at 31 December	103	101
No. of Management Companies newly Licensed	1	6
No. of Management Companies in process of winding up	6	4
No. of Management Companies obliged to submit accounts	94	91
No. of Management Companies failing to submit accounts for 2003 as at 30 July 2004	10	n/a *
No. of Management Companies for which the accounts were analysed	84	91
No. of Management Companies failing to submit accounts on time	26	54
No. of Management Companies submitting accounts on time	58	37
No. of loss-making Management Companies	24	25

* n/a: not applicable

Table 29: Summary of Financial Results of MCs' Audited Accounts

	2003	2002
No. of Management Companies represented	84	91
Turnover (US$ million)	36.6	35.7
Profit before tax (US$ million)	10.4	10.6
Value added (US$ million)	18.1	17.1

Compared to the performance of these Licensees in 2002, the concentration of business appears to be slightly less in 2003 in terms of the indicators referred to in Table 30. However, the bulk of the business is being transacted by 10 MCs.

The results in Table 30 indicate that while 55% of the turnover were shared by only 11% of MCs in 2002, 52% of the turnover were shared by 12% of the MCs in 2003.

FSC Survey Results on MCs

The FSC Survey 2003 covered 63 operational MCs for the period ending 2003 and 57 operational MCs for the period ending 2002. On the basis of the information submitted, the total assets in 2003 amounted to US$ 36.9 million, representing a decrease of 3.2% from the previous year. Total liabilities decreased by 20% in 2003 and stood at US$ 21.5 million. In terms of concentration of assets, 48% of the total asset base were represented by 5 MCs, while 45% of total liabilities were represented by 5 MCs.

Table 31 summarises the results of the financial performance of the MCs surveyed. Periods ending 2001, 2002, and 2003 have been included as a basis of comparison and to highlight the trend. The figures for 2001 have been obtained from the FSC Survey 2002. The revised data obtained from the FSC Survey 2003 are the source of the figures for the year 2002.

Income generated by MCs increased by 17% in 2003 (reaching US$ 34 million). Profit before tax and value added both experienced substantial growth in 2003 – with growth rates of 52% and 43% respectively. Salaries and allowances accounted for 25% of the Total Expenses in 2003, while other operating expenses constitute 45% of Total Expenses.

Table 30: Concentration of MCs' Business

	2003	2002
MCs representing sample	10	10
% of total MCs	12	11
Value of aggregate turnover (US$ million)	19.0	19.7
% of aggregate turnover	52	55
Value of aggregate profit before tax (US$ million)	8.4	9.7
% of aggregate profit before tax	81	92
Value of aggregate value added (US$ million)	12.0	12.6
% of aggregate value added	66	74

Table 31: Summary of Financial Performance of MCs as per Survey

	2003	2002	2001
No. of MCs covered	63	57	38
Income (US$ '000)	34,265	29,396	23,688
Total Expenses (US$ '000)	**25,817**	**24,007**	**16,376**
Salaries & allowances	6,535	5,005	3,617
Professional fees	2,329	1,494	1,413
FSC fees	1,614	1,488	1,677
Financial expenses	285	79	1,078
General office expenses	2,205	2,050	623
Other operating expenses	11,627	12,931	6,961
Taxation	1,222	960	1,107
Profit Before Tax (US$ '000)	9,670	6,349	8,321
Value Added (US$ '000)	16,205	11,354	11,938

In 2003, the 10 leading MCs (in terms of income, profit before tax and value added) generated 63% of the total income, 86% of the total profit before tax and 76% of the total value added.

FSC Survey Results on Corporate Trustees

The FSC Survey 2003 covered 19 Corporate Trustees for the period ending 2003. On the basis of the information submitted, the total asset base of the responding entities amounted to US$ 2.2 million in 2003, representing a growth of 21% over the year under review. Total income generated by Corporate Trustees in 2003 increased significantly and reached US$ 2.6 million compared to 2002, when the figure was US$ 937,503. Total expenses for the 19 Corporate Trustees amounted to US$ 458,591 in 2003, compared to US$ 262,915 in 2002. Profit before tax and value added also increased considerably in 2003 and reached US$ 2.2 million and US$ 2.3 million respectively.

With regards to the spread of the business, one Corporate Trustee generated 74% of the total turnover, 87% of the total profit before tax and 84% of the total value added.

The aggregate value of funds under trusteeship by 11 of the Corporate Trustees amounted to US$ 952 million in 2003, while 6 Corporate Trustees managed and administered 67 Trusts.

Ten Corporate Trustees reported that US$ 1.3 billion worth of investments were channelled through them (in aggregate) in 2003.

FSC Survey Results on Captive Managers

Out of the 5 reporting Captive Managers, one of them was not operational. The results obtained indicate that the total asset base of the Captive Managers was US$ 288,671 in 2003, while their total liabilities amounted to US$ 23,230. A total income of US$ 62,113 was generated in 2003 while total profit before tax and total value added amounted to US$ 5,171 and US$ 13,354 respectively.

Data for 2 Captive Managers indicated that total premiums under management amounted to US$ 12.8 million in 2003, while total claims paid were US$ 1.3 million.

Report of the Audit Committee to the Financial Services Commission

Report for the Year Ended 30 June 2004

The Audit Committee (the Committee) established by the Financial Services Commission (the Commission) on 11 November 2002 consists of three non-executive Commission members, namely Mr. Yon Yan Pat Fong (Chairman), Mr. Radhakrishna Chellapermal, and Dr. Jawaharlall Lallchand. The Secretary of the Commission, Mr. R. Sokappadu acts as secretary of the Committee meetings.

1. Terms of Reference

The Committee, under its written charter, is to evaluate the effectiveness of the system of internal control, to ensure that the Commission is conducting its affairs in compliance with the principles of good governance and standards of best practices, and to ensure that the financial disclosures made by management in its financial reporting reasonably reflect the results of its operations, plans and commitments.

2. Responsibilities of the Board, the External Auditors and the Committee

The Board has the primary responsibility for the Commission's financial statements and the reporting process, including the system of internal controls. The external auditors are responsible for performing an independent audit of the Commission's financial statements in accordance with auditing standards and to issue a report thereon. The Committee's responsibility is to monitor these processes.

3. Activities of the Committee

The Committee met in five occasions for the year under review and the following main issues were dealt with and recommended to the Board for action:

(i) Following the appointment of Mr Aejaz Nazir as part-time internal auditor, to monitor compliance as part of operational risk management, the Committee requests the internal auditor to submit monthly reports and to be employed full-time temporarily to assist in the preparation of a Finance/Accounting manual.

(ii) The Committee considered the comments made by the external auditors on the financial statements for the year ended 30 June 2003. It was agreed that the newly acquired computer accounting software should be fully implemented. In order to ensure compliance with international accounting standards, accounting for revenue on an accruals basis, it is essential to segregate active files in the global business database and to integrate it within the accounting system to minimise operational risk.

(iii) Budget estimates for 2004/2005 on an accruals basis were tabled. Forecasted financial statements for 2003/2004 were compared with budget estimate to explain material variances. The quantum of annual contribution to Government Capital Budget was recommended to the Board for approval. The Committee also decided that with the computerisation of accounts, monthly management account should henceforth be submitted to the Board.

(iv) Draft financial statements of the Commission for the year ended 30 June 2004 were tabled. Issues relating to revenue recognition, fair value determination, contingent liabilities related party and IT and database risk were discussed. The Committee is satisfied with the quality of financial reporting and recommends the Board to approve the audited financial statements for the year ended 30 June 2004 for inclusion in the Annual Report 2003/2004 of the Commission.

4. Corporate Governance

Action plan following the reorganisation of the Commission into Directorates and clusters is being rigorously pursued. Standardisation of licensing conditions, streamlining of application process, development of guidelines in consultation with the parties concerned ensure transparency and fairness. Salary Review Committee set up will ensure effective functioning of the staff grievances redressal mechanism. Disclosure of interests of key management personnel is at present being done on a voluntary basis. The stage is being set for a proper corporate governance framework.

Audit Committee Report

5. External Auditors' Remuneration

The annual audit fee approved by the Commission for the current year amounts to USD 11,500 plus out of pocket expenses. This fee is the same as that applicable last year.

Yours faithfully

Y Y Pat Fong
Chairman

Radhakrishna Chellapermal
Member

Jawaharlall Lallchand
Member

Financial Services Commission

Board's Report

The Board of the Commission presents its report and the audited financial statements of the Commission for the year ended 30 June 2004.

Review of Activities

The Commission is an independent regulatory authority established under the Financial Services Development Act 2001 to regulate the non-banking financial services sector. The Commission licenses, regulates, monitors and supervises the conduct of business activities in the said sector.

Statement of the Board's Responsibilities in Respect of the Financial Statements

The Board of the Commission are responsible for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs and income and expenditure account of the Commission.

In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The Board confirms that they have complied with the above requirements in preparing the financial statements.

The Board is responsible for the accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on their behalf

B.R. GUJADHUR	D. BASSET	M.I. RAJAHBALEE
CHAIRMAN	VICE CHAIRMAN	CHIEF EXECUTIVE

27 October 2004

Financial Statements

Auditors' Report

CHOKSHI & CHOKSHI (Regd.)
Chartered Accountants

REPORT OF THE INDEPENDENT AUDITORS TO
THE CHAIRMAN OF THE BOARD OF FINANCIAL SERVICES COMMISSION

(Under Section 8 of the Statutory Bodies (Accounts & Audit) Act 1982 as amended)

We have audited the Financial Statements of the Financial Services Commission **(The Commission)** for the year ended 30 June 2004, which are set out on pages 76 to 88. These financial statements have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 79 to 81.

Responsibilities of the Board of the Commission
The Board of the Commission is responsible for the preparation of the financial statements and safeguarding the assets of the Commission and hence taking reasonable steps for the prevention of fraud and other irregularities.

Responsibilities of the Auditors
It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of Opinion
We conducted our audit in accordance with the International Standards on Auditing. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of the Commission in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluate the overall adequacy of the presentation of the information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with or interests in the Commission other than in our capacity as auditors.

Opinion

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
- proper books of account have been kept by the Commission as far as appears from our examination of those books;
- the balance sheet and the statement of income and expenditure of the Commission are in agreement with the books of account;
- the financial statements give a true and fair view of the income and expenditure for the year and of the state of affairs of the Commission, as at 30 June 2004;
- in relation to the accounts, this Act has been complied with and no directions have been received from the Minister; and
- as far as could be ascertained from our examination of the accounts, no expenditure was of an extravagant or wasteful nature judged by normal commercial practice and prudence.

For CHOKSHI & CHOKSHI
Chartered Accountants
M.R. Chokshi, Partner

27 October 2004
Port Louis, Mauritius

101/102, Kshamalaya, 1st Floor, 37, Sir V. Thackersey Marg, Mumbai - 400 020
Phone: 91-22-200 7437/200 3912/233 3912/233 3913 Fax: 91-22-200 32 27
103, Sharda Chambers, 1st Floor, 15, Sir V. Thackersey Marg, Mumbai - 400 020
Phone: 91-22-200 4162
Email: chkchk@bom5.vsnl.net.in

BALANCE SHEET AS AT 30 JUNE 2004

	NOTE	2004 Rs	2003 Rs
ASSETS			
Fixed assets			
Tangible	**4(a)**	18,927,641	17,936,724
Intangible	**4(b)**	–	1,566,026
		18,927,641	**19,502,750**
Non current assets	**5**	**–**	**2,395,338**
Current assets			
Debtors and prepayments	**6**	44,001,199	59,037,616
Treasury Bills		57,612,261	102,218,781
Bank and cash balances	**7**	13,232,842	22,704,051
Bank deposits		219,445,605	106,021,224
		334,291,907	289,981,672
TOTAL ASSETS		**353,219,548**	**311,879,760**
LIABILITIES			
Non current liabilities			
Retirement benefit obligations	**8**	7,100,000	6,730,000
Current liabilities			
Creditors and payables	**9**	66,289,301	64,576,459
TOTAL LIABILITIES		**73,389,301**	**71,306,459**
NET ASSETS		**279,830,247**	**240,573,301**
REPRESENTED BY GENERAL FUND	**10**	**279,830,247**	**240,573,301**

Approved by the Board of the Commission on 27 October 2004
Signed on their behalf

B.R. GUJADHUR	**D. BASSET**	**M.I. RAJAHBALEE**
CHAIRMAN	VICE CHAIRMAN	CHIEF EXECUTIVE

The accounting policies on pages 79 to 81 and the notes on pages 82 to 88 form an integral part of these financial statements

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	2004 Rs	2003 Rs
INCOME			
Fees	11	183,826,259	236,714,153
Interest	12	15,194,157	11,418,659
Other income	13	167,000	–
		199,187,416	**248,132,812**
EXPENDITURE			
Salaries and allowances	14	45,673,335	34,026,305
Training and seminars	15	7,999,362	3,043,901
Legal and professional fees		1,005,110	3,415,480
Office and administrative	16	24,917,626	21,897,798
Depreciation and amortisation	4(a) & 4(b)	12,184,209	6,674,118
Non recurrent		–	100,000
		91,779,643	**69,157,602**
SURPLUS OF INCOME OVER EXPENDITURE		**107,407,774**	**178,975,210**
Exchange fluctuation (loss)		(8,150,828)	(441,592)
TRANSFER TO GENERAL FUND		**99,256,946**	**178,533,618**

The accounting policies on pages 79 to 81 and the notes on pages 82 to 88 form an integral part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	2004 Rs	2003 Rs
Cash Flow from operating activities	**17**	**115,594,595**	**143,855,720**
Cash Flow from investing activities			
Interest		15,194,157	11,418,659
Fixed assets		(11,691,902)	(5,060,492)
Proceeds from disposals/insurance refunds of fixed assets		249,802	167,100
Non current assets		–	(83,390)
Net Cash (used in) from investing activities		**3,752,057**	**6,441,877**
Cash flow from financing activities			
Contribution to Capital Budget		(60,000,000)	(100,000,000)
Non Recurrent Expenditure		–	(100,000)
Net Cash (used in) from financing activities		**(60,000,000)**	**(100,100,000)**
Net Increase in Cash/Cash Equivalents		**59,346,652**	**50,197,597**
Cash and bank balance		232,678,447	128,725,275
Government of Mauritius Treasury Bills		57,612,261	102,218,781
Cash/Cash Equivalents at 30 June		**290,290,708**	**230,944,056**

The accounting policies on pages 79 to 81 and the notes on pages 82 to 88 form an integral part of these financial statements

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

1. CONSTITUTION OF THE COMMISSION

The Commission is an independent regulatory authority established under the Financial Services Development Act 2001 to regulate the non-banking financial services sector.

2. ACCOUNTING POLICIES

The principal accounting policies adopted by the Commission are as follows:

2.1 Basis of Preparation

These financial statements have been prepared on accrual basis, are in accordance with the historical cost convention, and comply with the International Accounting Standards (IAS) adopted by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretations Committee of the IASB. The presentation of the financial statements in accordance with the IAS requires the management to make estimates and assumptions that affect the reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

2.2 Revenue

Revenues arising from processing, annual licence, registration and brokerage, where no significant uncertainty as to their collectibility exists, have been accounted on accrual basis and those with significant uncertainty are accrued as and when realised.

Interest on bank deposits and state treasury bills have been accounted for on accrual basis.

2.3 Expenditure

All expenses have been accounted on accrual basis.
Office rental payments termed as operating lease are charged off on straight line basis over the lease period.
Non recurrent expenditure has been accounted as and when incurred.

2.4 Employee Entitlements

The Commission contributes to a defined benefit plan for non-contractual employees, the assets of which are held independently and administered by an Insurance company, taking account of the recommendations of independent qualified actuaries.

For defined pension benefit plans, the pension costs are assessed using the projected unit credit method. The costs of providing pension are charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured as the present value of the estimated future cash outflow using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of the employees.

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

2.5 Tangible Fixed Assets and Depreciation

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual value over their estimated useful life as follows:

Item	%
Motor Vehicles	20
Furniture	20
Office Equipments	20
Computer Equipment	33.33
Renovation/Fitting out at office premises	over the lease period

2.6 Intangible Assets

All computer software and development costs, are considered as Intangible Assets and are amortised over the estimated period of utilisation not exceeding three years.

2.7 Cash and Cash Equivalents

Cash comprises cash at bank and in hand and bank deposits. Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.8 Foreign Currency Translation

Transactions during the year are translated at the rates of exchange ruling at the date of transaction.

Assets and liabilities denominated in foreign currencies are translated in Mauritian rupees at the rates of exchange ruling at the end of the financial year.

Gains or losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income and Expenditure account.

2.9 Taxation

The Commission is exempt from the provisions of the Income Tax Act 1995 (as amended).

2.10 Impairment

The Commission reviews the carrying amounts of the tangible and intangible assets during the year to determine whether there is any indication that those assets have suffered an impairment loss and the same is accounted for.

2.11 Contributions to the Capital Fund of the Government of Mauritius

The Commission contributes a sum to the Capital Fund of the Government of Mauritius from the General Fund in terms of the provisions of the Financial Services Development Act, 2001 based on income and expenditure estimates, and as determined by the Board of the Commission.

2.12 Comparatives

Comparative figures have been reclassified to confirm with presentation of current year.

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

3. CONTINGENT LIABILITIES/COMMITMENTS

3.1 Contingent Liabilities

3.1.1 There are pending lawsuits against the Commission with claims estimated at Rs 17,431,775 (previous year: Rs 14,153,035), however, any consequential claims arising therefrom cannot be quantified. The Commission is of the view that the liabilities, if any, that may arise in future shall be appropriately dealt with in the year of settlement of the claims.

3.1.2 All additional liabilities arising from staff salary reviews, if any, shall be accounted for in the year of finalisation.

3.2 Financial Commitments

3.2.1 The Commission rents office accommodation at premises in Port Louis. The rentals on the premises expire at different points of time, payable up to the date of expiry amount to Rs 28,965,708 (previous year Rs 22,626,480) and amounts due within one year Rs 15,206,520 (previous year Rs 9,050,592).

3.2.2 The Commission has approved, in principle, an Information Technology (IT) Plan, aimed at putting in place state-of-the-art infrastructure and applications commensurate with the scale of operations. The total amounts committed to date are Rs 15,704,000, which include amounts committed but not provided for and due within one year of Rs 1,369,000 (previous year Rs 294,400).

3.3 Statutory Deposits of Insurance Companies not included in the Balance Sheet

Statutory security deposit certificates of insurance companies, amounting to Rs 310,147,426 (previous year Rs 302,099,458), are in physical custody of the Commission in terms of the Insurance Act 1987.

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

4. FIXED ASSETS

(a) Tangibles

	MOTOR VEHICLE Rs	FURNITURE Rs	COMPUTER EQUIPMENT Rs	OFFICE EQUIPMENT Rs	RENOVATION Rs	TOTAL Rs
COST						
At 1 July 2003	4,399,848	7,762,653	4,642,467	1,147,872	6,918,072	**24,870,912**
Additions	3,090,600	2,601,414	2,562,199	659,943	1,198,887	**10,113,043**
Disposals	(150,549)	–	–	–	–	**(150,549)**
At 30 June 2004	**7,339,899**	**10,364,067**	**7,204,666**	**1,807,815**	**8,116,959**	**34,833,406**
DEPRECIATION						
At 1 July 2003	1,014,119	1,709,455	1,879,762	354,260	1,976,592	**6,934,188**
Disposal adjustment	(67,747)	–	–	–	–	**(67,747)**
Charge for the year	1,467,980	2,072,813	** 2,431,315	361,563	2,705,653	**9,039,324**
At 30 June 2004	**2,414,352**	**3,782,268**	**4,311,077**	**715,823**	**4,682,245**	**15,905,765**
NET BOOK VALUE						
At 30 June 2004	**4,925,547**	**6,581,798**	**2,893,589**	**1,091,992**	**3,434,714**	**18,927,641**
At 30 June 2003	**3,385,729**	**6,053,198**	**2,762,705**	**793,612**	**4,941,480**	**17,936,724**

** Includes asset impairment loss of Rs 30,000 (Previous year Rs Nil)

(b) Intangibles

	2004 Rs	2003 Rs
COST		
At 1 July	3,213,697	2,242,484
Purchases	1,578,859	971,213
At 30 June	**4,792,556**	**3,213,697**
AMORTISATION		
At 1 July	1,647,671	1,159,554
Charge for the year	3,144,885	488,117
At 30 June	**4,792,556**	**1,647,671**
NET BOOK VALUE		
At 30 June	**–**	**1,566,026**

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

5. NON CURRENT ASSETS

The Special Fund for pension of an employee of Rs 2,439,209 as at 30 June 2004 (previous year Rs 2,395,338) as continued from MOBAA has been charged off as contribution to staff pension during the year.

6. DEBTORS AND PREPAYMENTS

		2004	2003
	Rs	Rs	Rs
Debtors (Unsecured, considered good)			
Debtors		11,428,001	30,358,317
Staff loan			
Receivable within one year	3,293,702		
Receivable beyond one year	8,810,924	12,104,626	12,064,877
Other receivables		12,477,467	10,131,862
Prepayments			
Prepayment		422,054	364,457
Accrued interest on Treasury Bills		7,569,051	6,118,103
		44,001,199	**59,037,616**

7. BANK & CASH BALANCES

Cash in hand	9,116	2,612
Bank Balances	13,223,726	22,701,439
	13,232,842	**22,704,051**

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

8. RETIREMENT BENEFIT OBLIGATIONS

The pension scheme is a defined benefit plan and is partly funded. The assets of the funded plan are held independently and administered by SICOM.

	2004 Rs	2003 Rs
Present value of funded obligations	26,680,000	23,890,000
Fair value of plan assets	(20,230,000)	(17,430,000)
Unrecognised actuarial gain	650,000	270,000
Liability in the balance sheet	**7,100,000**	**6,730,000**
The amounts recognised in the Income and Expenditure Statement are as follows:		
Current Service cost	1,620,000	1,510,000
Interest cost	2,510,000	2,200,000
Expected return on plan assets	(1,906,844)	(1,791,681)
Total included in staff cost	**2,223,156**	**1,918,319**
Actual return on plan assets	**2,910,000**	**920,000**
Movement in liability recognised in the balance sheet		
As determined by the Actuarial Valuation	6,730,000	6,380,000
Expense for the year	2,223,156	1,918,319
Contribution paid	(1,853,156)	(1,568,319)
At 30 June	**7,100,000**	**6,730,000**
The principal actuarial assumptions used for accounting purposes were:		
Discount Rate	10.50%	10.50%
Expected return on plan assets	11%	11%
Future Salary Increase	5%	5%
Future Pension Increase	7.50%	7.50%

9. CREDITORS & PAYABLES

	2004	2003
Accruals	2,775,998	3,821,460
Other Creditors	6,518,491	5,865,487
Prepaid Licence Fee	56,994,813	54,889,512
	66,289,301	**64,576,459**

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

10. GENERAL FUND

	2004 Rs	2003 Rs
At 1 July	240,573,301	162,039,683
Surplus for the year	99,256,946	178,533,618
	339,830,247	340,573,301
Contribution to capital budget 2003-2004	(60,000,000)	(100,000,000)
At 30 JUNE 2004	**279,830,247**	**240,573,301**

11. FEES

The Commission follows the accounting policy on Revenue as set out in note 2.2. During the year, reduced renewal fee realisations and the accounting policy followed have resulted in reduction of fees accounted by Rs 52,887,894 despite increased Licensees.

12. INTEREST

Treasury Bills	8,776,769	10,129,816
Bank Deposits	5,146,796	627,380
Staff Loans	1,095,191	435,025
Non current asset	175,401	226,438
	15,194,157	**11,418,659**

13. OTHER INCOME

Insurance Claim	167,000	–

14. SALARIES AND ALLOWANCES

Staff Salaries and Allowances	39,128,716	28,375,016
Passage Benefits	1,246,830	834,282
Board and Committee Fees	1,845,000	1,992,500
Travelling	2,955,334	2,016,256
Staff Welfare	497,455	808,251
**	**45,673,335**	**34,026,305**

** Includes fees and allowances paid to Chairman: Rs 480,000 (previous year Rs 480,000), Vice Chairman: Rs 300,000 (previous year Rs 300,000), Members of the Board: Rs 855,000 (previous year Rs 1,120,000), Chief Executive: Rs 4,686,890 (previous year Rs 4,683,640) and Deputy Chief Executive: Rs 5,749,679 (previous year Rs 4,679,674).

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

15. TRAINING, SEMINARS AND CONFERENCES

	2004 Rs	2003 Rs
Overseas	4,624,535	2,601,870
Local	2,927,205	–
Staff	447,623	442,031
	7,999,362	**3,043,901**

16. OFFICE AND ADMINISTRATIVE EXPENSES

		2004 Rs	2003 Rs
Rental & Maintenance of Office Premises		14,772,680	13,317,269
Post, Telephone, Internet and Fax Charges		2,003,643	1,846,818
Electricity		1,011,839	768,880
Stationery		1,342,239	918,065
Subscription	**	1,799,461	768,905
General Office Expenses		2,216,780	3,455,006
Vehicle Expenses		722,575	822,855
Press Notices and Publications		1,048,410	–
		24,917,626	**21,897,798**

** Includes membership fees for IOSCO, OGIS, software licences, etc

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

17. RECONCILIATION OF SURPLUS OF INCOME OVER EXPENDITURE TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2004 Rs	2003 Rs
Surplus of Income over Expenditure	99,256,946	178,533,618
Adjustments for:		
Interest Income	(15,194,157)	(11,418,659)
Insurance claim on Motor vehicle	(167,000)	–
Loss on disposal of fixed assets	–	41,063
Non Current/Recurrent Expenditure	2,395,338	100,000
Increase in Retirement benefit obligations	370,000	(980,000)
Depreciation and Amortisation	12,184,209	6,674,118
Prior period adjustment	–	1,330,000
Cash flow from operating activities, before working capital changes	**98,845,336**	**174,280,140**
Increase in Debtors	18,930,316	(14,688,966)
Increase in Staff Loan	(39,749)	(1,480,841)
Increase in Interest Receivale	(1,450,948)	(2,751,014)
Increase in Other Receivables	(2,345,605)	(21,090)
Increase in Prepayments	(57,597)	(211,855)
Decrease in Accrued Expenses and Other Payables	1,712,842	(11,270,654)
Net Cash Flow from operating activities	**115,594,595**	**143,855,720**

Notes to the Financial Statements for the Year 01 July 2003 to 30 June 2004

18. INTERNAL CONTROL SYSTEM, RISK MANAGEMENT AND CORPORATE GOVERNANCE

The Commission further enhanced the internal control system and risk management policy. There are the Audit Committee, Investment Committee and Technical Committees in place to deal with specific issues. There is an internal auditor who reports to the audit committee and is responsible for providing assurance regarding the implementation, operation and effectiveness of internal control. The Commission has already commenced compliance of the code of Corporate Governance for Mauritius. The Commission has embarked upon a major IT development plan which inter alia includes database management/integrity, security policy aimed at enhanced risk management. There is the code of conduct for the staff with regard to ethical and operational affairs.

19. EXCHANGE RISK

The monetary assets and liabilities in foreign currencies of the Commission carry an exchange fluctuation risk. During the year, the Commission has provided for a foreign exchange translation loss of Rs 8,150,828 (previous year Rs 441,592) as at 30 June 2004, mainly due to depreciation of the US dollar to the Mauritian rupee.

20. RELATED PARTY DISCLOSURE

The Chairman of the Commission is the Managing Director of the Bank of Mauritius by virtue of Section 4 (2)(a) of the Financial Services Development Act 2001. The Commission maintains its current account with the Bank of Mauritius. The Commission has purchased Government of Mauritius Treasury Bills of Rs 111,540,443 (previous year Rs 151,860,060) from the Bank of Mauritius at market quotations.

21. CURRENCY

The financial statements have been presented in Mauritian rupees.

Risk Management

Abstract

This article underlines the importance for financial institutions to have in place a proper framework of risk management. It is believed that sound corporate governance practices are key ingredients for a successful organisation and in creating an appropriate risk management framework. The Board and Senior Management are generally expected to play an important role in this respect. Whilst illustrating the different steps comprising a typical risk management framework, this article focuses on operational risks – which have recently received much attention in both corporate and regulatory circles. Finally, the approach of the FSC as the Regulator of non-bank financial services in Mauritius is outlined briefly.

Introduction

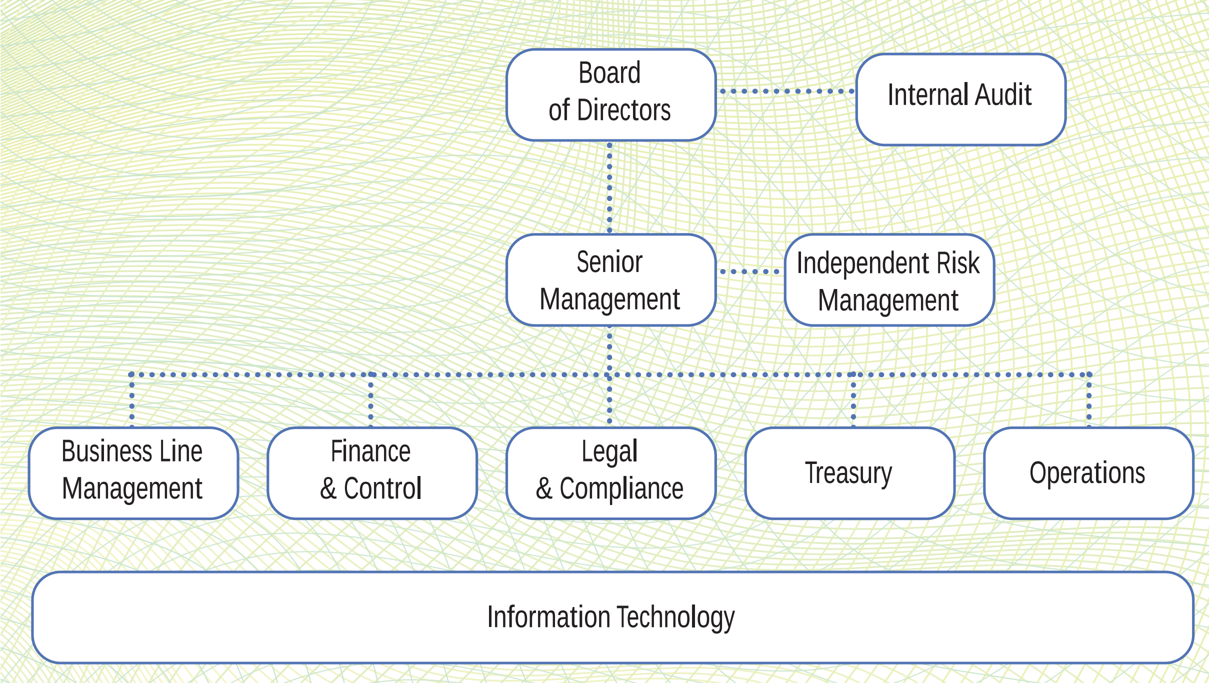
The events of September 2001, allied with corporate frauds such as Enron and WorldCom, have brought into sharp focus the need for businesses to assess the risks they face and to have appropriate risk management procedures in place to deal with those risks. A simple definition of risk can be: 'the possibility of loss, injury, disadvantage or destruction'. The importance of managing risk is becoming a vital part of sound management practice in modern financial institutions.

In recent years, the regulatory standard bar for risk management has been dramatically raised. The Securities and Exchange Commission (SEC) of the United States, the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and other regulatory agencies have developed programmes and initiatives to provide a broader view of an institution's overall risk management practices.

Sound Corporate Governance

Sound corporate governance is an essential element of a strong risk management process. Governance involves many players, each with specific assigned responsibilities to ensure that the system as a whole is sufficient to support the business strategy and ensure the effectiveness of the control mechanisms.

Chart 1: Typical Organisational Structure



Corporate governance is the general term used to describe the manner in which the business and affairs of an institution are governed by the Board of Directors and Senior Management. This includes how the institution establishes and communicates corporate objectives, oversees daily operations, considers the interests of stakeholders, aligns corporate activities and behaviour with the expectation that the institution will act in a safe and sound manner and in compliance with applicable laws and regulations and in a way that protects the interests of other interested parties.

Without the Board of Directors' oversight and Senior Management support, an organisation will have limited success in the development and implementation of a meaningful risk management programme. An institution needs to have a strong and supportive culture, which provides sponsorship for its risk management philosophy.

Risk Management can be performed on a company-wide basis involving the Board of Directors, Senior Management, Independent Risk Management, Business Line Management, Finance and Control, Legal, Treasury and Operations, with significant support from Internal Audit and Information Technology.

The Board of Directors should be proactive and aware of changes in an institution's businesses, processes or organisational structure and respond appropriately to the institution's risks.

Senior Management can be involved in the development and approval of policies and procedures as well as the establishment of risk limits according to an institution's risk tolerance and appetite. They can also periodically ensure that the policies are being complied with by instituting internal and external assessments of the institution's risk management framework.

Independent Risk Management can work in tandem with Senior Management to establish, review and monitor general operating limits and tolerances for the business lines through the use of measurement techniques under both normal and stressed scenarios. Also, Independent Risk Management can review the theoretical basis of the models used to measure risks. Members of Independent Risk Management functions should be independent of the Operations from which the risks originate.

An institution's approach to risk management should be embedded within its policies, which set out risk management standards and objectives for all key underlying business and support processes. These policies are designed to govern risk management in all business activities, facilitate the monitoring, measurement and management of these activities, reflect the internal and external environment within which the business activities take place and eventually are subject to regular review and update.

The key management initiatives that the Board of Directors can encourage and oversee directly include:

- Articulation of a clear unambiguous risk management policy that defines the organisation's expectations and the internal accountability for management of risks
- Positioning of risk management as the responsibility of each manager and employee as they go about performing their duties
- Establishment of a robust approach to risk management which provides the company with a framework for:
  - Identifying the risks related to the organisation's objectives including potential and actual barriers and critical success factors together with the identification of new risks that emerge
  - Deciding what initiatives, programmes or other actions are needed to deal with the risks identified in a positive, proactive and cost-effective way
  - Identifying or designing and implementing controls to ensure the actions are carried out as planned while at the same time ensuring appropriate information systems and systems of internal controls exist to facilitate reporting on risk exposures and mitigation strategies
  - Monitoring the entire process and reporting to the Board of Directors or relevant Committee

The Board of Directors will ensure there is an ongoing process to identify risks, measure their potential impact against a varied set of assumptions and proactively manage them while at the same time ensuring that risk management is integrated into the organisation's structure.

Operational Risks: A Relatively New Category

The broad variety of products and services that financial institutions provide, the evolution of business processes and changes in the ethical environment in which we live have all contributed to more observable exposure to operational risks.

Managers and Boards worldwide have begun to gather the data necessary to monitor and understand the growing risks inherent in their operations.

At present, there is no agreed universal definition of operational risks – because they are still evolving. At first, they were commonly defined as every type of unquantifiable risks. However, further analysis has refined the definition considerably and according to the Basel Committee, they are defined as the risks of monetary losses resulting from inadequate or failed internal processes, people and systems or from external events. Losses from external events (such as natural disasters) are relatively easier to define than losses from internal problems (such as employer/employee frauds and product flaws).

Operational risk management is becoming an issue of prime importance for financial stakeholders for the following reasons:

Changing Environment

Greater market volatility, globalisation, outsourcing, technological change, product innovation, diverse distribution channels and increasingly complex financial transactions have led to increased exposure to operational risks.

Increased Competition and Customer Demand

Reduced margins have resulted in the need to increase operational efficiency and curtail losses arising from day-to-day events such as incorrect pricing and transaction input, processing errors and system failures. All these have heightened the need for stronger controls and more effective operational risk management frameworks. To address the issue of operational risks in an efficient and effective manner, it is crucial to establish an appropriate framework within the institution. This is developed and implemented in the day-to-day procedures of the organisation.

A typical operational risk management framework is outlined in Chart 2.

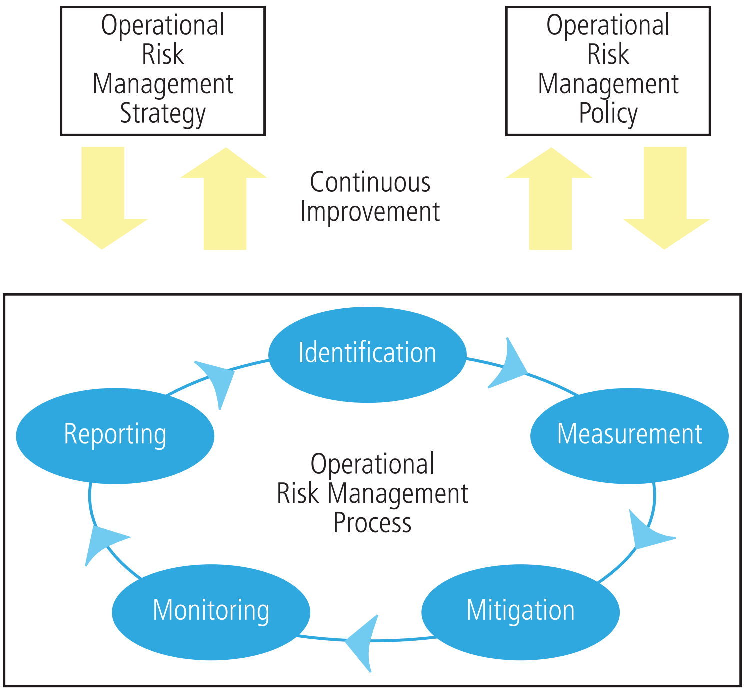
The risk management framework will normally encompass the following steps:

- Identification
- Measurement
- Mitigation
- Monitoring
- Reporting

Risk Management Strategy

To establish an effective operational risk management framework, a financial institution needs to identify its stakeholders, understand their requirements and identify its obligations towards them. This facilitates the identification of key business drivers and objectives that are relevant in the setting of the strategy. The strategic challenges it faces in delivering those objectives in fact establish the institution's operational risk management strategy. Based on these objectives, the institution

Chart 2: Operational Risk Management Framework



can design and implement an operational risk framework to identify, understand and manage operational risks, in a way which fully meets its objectives and requirements.

The responsibility for defining the operational risk management strategy and for ensuring it is aligned with the overall business objectives will normally rest with the Board.

Risk Management Policy

An institution's operational risk management framework should be embedded within its policies, which set out operational risk management standards and objectives for all important business processes.

The operational risk management policy would normally reflect the fact that the risk appetite is consistent with the strategic objectives of the institution. The policies thus create the mechanisms by which the institution identifies, measures and monitors all significant operational risks.

To ensure sound governance practice, the Board would normally approve these policies, ensure effective communication to the business lines, as well as regularly review and update the policies so that they continue to reflect the environment within which the institution operates.

Areas that operational risk management policies can include are:

- New Products
- Internal Controls
- Information Technology
- Change Management
- Human Resources
- Business Continuity Planning
- Internal Audit

The Risk Management Process

To achieve an operational risk management framework, the following processes must be implemented:

Identification

An operational risk identification process should be established that focuses both on current and future potential operational risks. In the process, consideration is given to the following aspects:

- The full spectrum of potential operational risks
- The internal and external environment in which the financial institution operates
- The institution's strategic objectives
- The products and services the institution provides

When considering operational risks, the full array of potential causes should be measured including but not limited to:

- Transaction processing
- Sales practices
- Management processes
- Human resources
- Vendors and suppliers
- Technology
- External environment
- Disasters
- Unauthorised and/or criminal activities

Measurement

Once identified, operational risks should be evaluated to determine their nature and should be targeted for mitigation. This will be accomplished by considering an estimate of the probability of occurrence and by consideration of the drivers or causes of those risks together with an assessment of the impact of the risks, before taking into account the application of control strategies. The impact is assessed not only in financial terms but also by reference to the potential effect of realisation of corporate objectives.

The institution may accordingly select and develop a model to fit the quantification of each category of operational risk. The results of the assessment will enable Management to make a comparison with its operational risk strategy and policies. Further, the assessment will help identify the risk exposures that are unacceptable for the institution and eventually select and prioritise appropriate mechanisms for mitigation.

Mitigation

As part of the operational risk management framework, Management of institutions can evaluate the adequacy of measures established in reducing the probability of an operational risk and its impact. Where necessary, steps should be taken to design and implement effective solutions to reduce operational risks to an acceptable level.

Furthermore, risk management and internal controls procedures are usually established within business lines to address operational risks. Because operational risks are institution-specific, the extent and nature of controls adopted by each financial institution will be different and the following areas can be considered:

- External responsibilities
- Change management
- Customers
- Internal controls

- Segregation of duties
- Reconciliation
- IT management systems
- Shared services
- Human resources
- Business continuity planning

Monitoring

Monitoring of operational risks usually lies with Senior Management to ensure coherence and good practice. Senior Management can establish programmes to monitor both the qualitative and quantitative assessment of the exposure to all risks, assess the appropriateness of mitigation actions, and ensure adequate controls and systems are in place and to address problems before they become major issues.

"Key Risk Indicators" can be established for operational risks to ensure the escalation of significant risk issues to appropriate levels. "Key Risk Indicators" should be regularly reviewed by internal audit to analyse the control environment, thereby ensuring business operations are conducted in a controlled manner.

Reporting

Risk reporting is another crucial step in an operational risk management framework. Management of the company should ensure that information is received by the appropriate personnel, on a timely basis and in a format that will aid the monitoring and control of the business operations. The reporting process might include information such as:

- The critical operational risks facing, or potentially facing the institution
- The risk events and issues together with intended remedial actions
- The effectiveness of actions taken
- Details of plans taken to address any risk exposure
- Areas of stress where operational risks are imminent

The information provided should be sufficient to allow:

- Board to determine the delegation of risk management tasks
- The risk profile to be evaluated against its strategies
- "Key Risk Indicators" to be monitored
- Business lines to confirm that controls over key risks have been executed successfully and failures have been avoided

The operational risk management process outlined above and summarised in Chart 2 is an iterative process and its activities should be revisited regularly.

Risk Management and Regulation

The Regulator of non-bank financial services in Mauritius has adopted a risk-based supervisory approach. It is acknowledged that risk-based supervision techniques can contribute significantly towards the supervision of financial institutions across the entire financial spectrum in both developed and developing countries.

The regulatory approach generally relies upon:

- Identification of financial system strengths, vulnerabilities and risks of its Licensees through off-site and on-site examinations
- Assessment of the observance and implementation of relevant laws and regulations, codes of good practice and related financial system infrastructure
- Assessment of financial stability
- Assessment of the Licensees' market conduct

This risk-based approach in fact places emphasis on early warning and risk management systems for early and effective intervention.

The approach also recognises the quality of risk management systems and that risks in the financial system can be systemic by nature.

The Board and Senior Management of financial institutions are encouraged to have *inter alia*:

- An active focus on risk management policy
- A risk management policy document which is well constructed, endorsed by the Board of Directors and Senior Management and which is rolled out to the business lines
- A risk management function with responsibilities for identifying and raising awareness of new and emerging risks with clear accountability to the Board
- Internal and External Audit performing an important role in reviewing the risk management framework

Conclusion

A risk management framework provides financial institutions with the possibility of identifying and controlling risks in a logical and systematic way. Risk management is not a complex process, but does require the support of the Board and Senior Management to sustain and implement basic principles on a continuing basis.

As outlined above, a properly planned and organised operational risk management framework can be relied upon to offer financial institutions a powerful tool for increased effectiveness and competitive advantages.

Special Feature Papers

Consumer Education: Understanding the Wider Context

The New Economic Era and its Challenges to Consumers of Financial Products

Introduction

The Mauritian economy has grown remarkably well during the past two decades. Per capita income has risen impressively, accompanied by a narrowing in income disparities. Social indicators have improved along with contractual savings that have risen to exceed 40% of GDP, cites an IMF/World Bank report based on a Financial Sector Assessment Programme issued in August last year.

Investment in the economy has intensified, bringing with it more jobs and development and a new economic era. Patterns of life style, consumer needs and demands have equally evolved.

The ability to save has improved for many, accompanied by a culture of increased speculation for property and spending as well as indebtedness.

At the same time, new economic realities urge the Government to gradually shift policies from a welfare state to one more reflective of a prosperous society, which demands that consumers save more to provide for their own future and that of their children.

Responses from the Industry

The financial services industry has responded to the new economic reality with an array of financial products and services to tap savings both in the banking and non-banking sectors. This industry has evolved and diversified from traditional banking to other sophisticated savings and investment products through the insurance and securities sectors and other specialised investment vehicles and more recently the expansion of global business.

New Considerations

Nonetheless, the financial sector still needs more depth to sustain and to enhance economic growth. A new culture of saving and investment needs to be inculcated in support of new economic policies.

Development and competition are opening the financial services industry to new entrants and new players, providing an increased range of products and services albeit to a population still ill-prepared for complex financial decisions. While the development of the financial sector presents challenging opportunities for business and individuals, some parameters need to be in place to ensure its sound growth. These inextricably concern the way the industry does business and the manner in which consumers are protected – which involves both the Government and the Regulator.

Challenges for the Industry

In the face of increasing competition, the industry will have to innovate to offer consumers products that reflect effectively their changing needs and expectations in terms of yield, transparency and intelligibility. The industry's ability to innovate will be based on the integrity and professionalism with which it conducts business, the degree to which consumers have demands for and understand their products; and the level of attention they pay to consumers' needs.

However, latent risks exist – that, in the pursuit of commercial objectives, consumer interests may be disregarded. Sadly, we have witnessed some such cases in the recent past.

Challenges for the Consumers

The manner in which business is conducted is crucial for consumers – who are now confronted with the challenge of making the right investment decisions in a market that offers a wider variety of choices. Consumers have to decide how much to save, or invest, when to do so and what instruments to use, and in many cases for the first time. How can the industry help? These are the new issues of our time.

The prospect of profits from investment or the necessity to save for future commitments is bringing many new entrants to the market.

In the pursuit of its economic agenda and policies of progressive disengagement from social support, the Government stands to gain in promoting changes in national attitudes towards a more dynamic saving and investment culture.

However, while the financial sector is generally sound and profitable, potential pitfalls exist. Consumers need skills to make decisions regarding financial services which may or may not be suitable for their personal circumstances.

The question remains – how prepared are they to take such decisions? Many segments of the population are relatively inexperienced and unsophisticated when it comes to financial decisions. This is a matter for both the Government and for the Regulator.

Challenges for the Regulator

Indeed, in the realisation of the Government's broader economic objectives of ensuring growth and enhancing economic welfare through the development of the financial services sector, the Regulator has the most crucial part to play. This role can be summed up in a few words: "Promoting the sound development of the financial sector by maintaining confidence in the system" – yet it is full of implications.

Basically, it entails ensuring that high standards of financial soundness, business conduct and integrity are observed by financial firms under its supervision so that investors are adequately protected from risks inherent in such markets – such as the risk of insolvency or malpractice, practitioners' bad faith or any other risks they should not reasonably be expected to assume – that could cause them to suffer financial prejudice. Should that be allowed to happen on a wide scale, market confidence would suffer a serious blow.

The Regulator's Response

Consumer protection issues are addressed throughout the FSC's work from the initial screening of operators at licensing, to the monitoring of their conduct post-licensing. The FSC's regulatory approach focuses largely on compliance with prudential norms and market discipline and stringent principles of information disclosure so that investors can make informed investment decisions.

To minimise risks of consumer prejudice, surveillance teams check for signs that institutions under our supervision might fail prudentially or might have breached rules designed to protect consumers. Risk analysis and early warning systems are being implemented to detect risks before they cause damage to market confidence.

Constraints to Ensuring Effective Consumer Protection

Yet, it is impossible for Regulators to eliminate all risks to which consumers could be exposed. As a matter of fact, it is not feasible to monitor our Licensees individually and if it were, it would be just too costly and would defeat the purpose of effective resource management. It would also unnecessarily impair the freedom and flexibility that Licensees need.

Moreover, while all prudential parameters are taken into account in our regulatory approach, the Regulator cannot take the risks out of financial products that are proposed to the public. Financial products are inherently risky and that is what generates a potential, though not guaranteed, return for investors.

Disclosure is not of much relevance to consumers if they do not possess the skills to understand the information provided to them, and the Regulator cannot practicably exercise full control over market participants to eliminate abuses.

Drawing from the Experience of Regulators in Developed Countries

Studies conducted by leading financial Regulators have revealed that all too often risks of consumer prejudice arise as a result of a lack of understanding of the intricacies of financial products which, if not managed, could cause detriment not only to individual consumers but also to market confidence, and ultimately to consumer interests.

Their understanding is that a significant way of minimising risks of financial prejudice to consumers would be to attempt to raise their awareness so that they enter the market with a better understanding of its risks and rewards.

Underlying this assumption is the fundamental truth that a well-informed investor is a better protected investor.

Consumer Protection Initiatives at the FSC

From Protection to Empowerment

In the light of these facts, the FSC has set up a Consumer Services cluster in May 2004. It has responsibilities to (i) raise consumer awareness of financial issues; (ii) address and seek informal solutions to consumer complaints brought to the FSC's attention; and (iii) look into other issues related to consumer involvement in financial markets.

Financial markets are inherently risky. Indeed, although the Commission acknowledges that it has some responsibilities towards safeguarding consumers' interests, it cannot guarantee that investors will not suffer losses. Investors are responsible for their own decisions.

Drawing from the experience of leading Regulators, the initiative to focus on consumer services aims at empowering consumers so that they become **more educated, more informed and more active** in financial decisions so they know how to protect themselves. Such work, it is believed, along with initiatives pursued by the Licensing and Surveillance Directorates, will contribute to the effectiveness of the FSC's consumer protection actions.

Our Strategic Approach

For that purpose, a strategy has been identified that aims to tackle investor protection both from a consumer and an industry perspective; to improve the financial understanding of consumers, along with the way business is conducted with regards to the sale of financial products. This two-pronged approach will enable us to be more efficient and effective in helping consumers to equip themselves to deal with the risks to which they may be exposed.

The proposals on how we shall address consumer financial literacy have been published in a Consumer Education Strategy document – developed for the FSC in April 2004. In essence, the report defines the scope of the FSC's public awareness mandate; the priority areas that the strategy will focus on; the delivery mechanisms we intend to use to reach as wide an audience as possible; and the results expected from implementation of the strategy.

Implementation Constraints

However, given the breadth of our "consumer responsibilities" and practical constraints to delivering education in all areas under our supervision, our focus for end 2004 moving to early 2005, will be to prioritise delivery in relation to areas of major concern to the broadest range of consumers now. We shall thereafter address products and services that are more likely to characterise the development of the financial services sector in the short-term.

Thus, for 2004, much of our effort will be geared towards the insurance sector – and in particular, motor and life insurance and pensions, where greater consumer concerns arise. At the time of writing, a brochure on Motor Insurance is under preparation and will soon be launched. Other insurance-related topics will be addressed at a much later stage. By mid 2005, we plan to address securities and related sectors.

The FSC Approach to Consumer Education

A significant barrier to providing consumer education is that many consumers do not know what they don't know and may be most vulnerable to being misled or making the wrong decisions.

To address this gap, we shall provide information having both an educational and advisory value.

As a Regulator, we have no marketing bias nor would it be appropriate for us to advise people or make recommendations on products. We shall restrict ourselves to explaining the principles behind the various savings and investment products available on the market, their specificity in terms of risks and returns, and the cautious approach that any investment requires. In time, we plan to introduce financial planning and literature to help consumers understand the information that the market provides.

Our objectives are to help consumers become more alert, more questioning, more demanding – but we cannot make decisions for investors or turn bad decisions into good ones. Ultimately, the consumer is always responsible for his/her own decisions.

Delivery Mechanisms

The FSC's aspiration is to address the needs of all target groups – from the financially literate and sophisticated to those that are less knowledgeable. Consequently, we shall, as appropriate, use communication functions that best serve respective needs, ranging from brochures, website postings to media releases and maybe direct assistance on consumer activities via community centres.

Industry Initiatives

Code of Market Conduct

Our determination to ensure consumers are empowered to intervene more safely and in an informed way in the market is further underlined by the efforts we have made in developing standards for incorporation into a Code, by which the insurance industry and its intermediaries should act in their dealings with consumers.

In essence, these draft standards relate to the competency, quality and professionalism of service providers and the quality of information and advice which should be made available to consumers.

The clarity of expression of legal documents used and standards to which marketing or promotional literature should be designed to avoid consumers being misled by false or inaccurate projections are also relevant for consideration. They further include the fair treatment to which consumers have a right when they make claims or complaints.

Fundamentally, the Code emphasises the necessity for service providers to identify and disclose clearly to consumers the risks inherent to specific products and to provide, in simple terms, all relevant information they may require to enter safely into a financial transaction. It also stresses the necessity for service providers to act responsibly and competently in providing advice (if they are licensed to do so) and the way they handle consumers' funds.

The Code of Market Conduct is a key element of our new policy on consumer protection. The Commission is of the view that if service providers observe the required standards, both consumers and the industry shall be properly served.

The launch of the draft Code for consultation among our stakeholders aims at giving them a chance to study and comment on the requirements before it is finalised.

The Commission would like these standards to become the norms by which the industry operates. A workshop will be organised to share with our stakeholders (including the industry and the public) what the FSC believes constitutes ethical and acceptable market practices.

Complaints Redress Mechanisms

Complaints redress facilities are a key element in the protection of consumers of financial services.

Since the beginning of the year, the Commission has had a number of difficult complaint issues to handle. Ordinarily, in the first instance, the Commission will not intervene unless regulatory issues are involved. In all other cases, we would prefer Licensees to try to work out solutions with the complainant.However, to ensure the fair treatment of consumers we have proposed in our Code the establishment of complaints handling arrangements within firms – to ensure that legitimate problems are resolved quickly and effectively.

In the event that consumers are dissatisfied with the way their complaints have been handled, they will still have the option to take the matter to the FSC. Upon implementation of the Code, this facility will be available only after the consumer has made use of internal complaints handling processes.

Complaints Database

Under the Code, the Commission requires data about complaints to be forwarded to the FSC. As a matter of fact, complaints from consumers of financial services provide intelligence data about the behaviour of our Licensees and those issues which are affecting consumers (such as problems with types of products and administrative problems with claims handling). Analysis of such information has proved useful in providing early warning to surveillance teams.

As part of a wider project, the FSC has established a complaints database to ensure that information gathered from complaints is used effectively. The data will be used to guide our public awareness initiatives.

By 2005, a number of enhancements will be made to the current complaints handling regime at the FSC with a view to improve both the service to users and coordination with licensing and surveillance operations.

Conclusion

The Commission's initiatives relating to the enhancement of consumer knowledge and protection will play a major role in helping consumers understand financial products and to use the financial system more effectively. We see them as important tools to promote confidence in the financial system.

However, consumer knowledge-building is a vast and costly undertaking that cannot be achieved in solo. A shared sense of purpose is required from the industry, consumer associations, the Government and the media.

Consumer Panels to Build a Shared Sense of Purpose towards Protecting Consumers

The FSC has in mind to set up consumer panels representative of these various components to assist us in attaining our goals. We believe such panels could be of valuable assistance not only in helping us detect problems which consumers are experiencing in financial markets and which can guide our policy decisions in relation to consumer protection, but very importantly, they can assist in keeping consumers informed of relevant initiatives.

Consumer services are not confined to education alone – nor to getting the rules and requirements right. Such services involve a constant dialogue with stakeholders and building consensus such that these requirements become the norms by which stakeholders operate, and the public's natural expectations.

It also involves implementing the necessary infrastructure and staff skills that support effective delivery of consumer protection. This will very much be our focus of attention for the coming months. Following the initial "set-up" phase, we shall focus more intensively on delivery of education programmes.

Consumer empowerment is not an event, but a process. It is a vast undertaking which we shall take by steps and it will be many years before we can enjoy the benefits it brings to all. It is a good thing to have started now!

Annex 1: Distribution of Assets of Insurance Companies – Year 2003

(Rs '000)

	ALBATROSS	ANGLO MTIUS	BAI	GFA	IOGA	ISLAND GEN	ISLAND LIFE	JUBILEE	LAMCO	LA PRUDENCE	LEADWAY	MTIAN EAGLE	MTIUS UNION	RAINBOW	SICOM	CEYLINCO STELLA	SUN	SWAN	LIC	NEW INDIA	TOTAL
House & Landed Property	–	244,271	425,475	1,500	3,320	–	49,896	0	25,489	31,785	–	55,237	111,087	54,906	145,824	59,225	31,264	–	17,769	1,626	1,258,674
Loans to Directors	–	–	32,594	–	–	–	–	0	–	10,170	–	–	–	–	5,184	2,500	–	–	–	–	50,448
Mortgages on Property	207,451	2,111,157	522,010	–	16,448	–	96,692	0	24,698	108,154	–	74,850	257,261	13,995	2,180,756	10,290	79,176	49,381	150,172	–	5,902,491
Loan on Insurance Policies	7,233	79,500	15,294	–	3,543	–	6,652	0	260	13,184	–	–	39,986	2,135	54,723	1,448	4,172	–	10,320	–	238,450
Loan on Personal Securities	–	4,220	–	–	12	–	–	0	185	1,999	–	–	–	4,556	2,223	–	–	–	–	–	13,195
Other Loans	14,919	187,384	–	–	–	139	4,727	0	–	25,964	–	1,938	29,120	–	140,100	–	41,459	8,930	–	–	454,680
Goverment Securities	–	1,615,954	217,327	–	1,507	1,860	115,833	0	–	140,151	–	–		–	1,162,027	21,287	146,180	152	766,764	125,693	4,314,735
Fixed Deposits	–	–	80,095	28,035	42,800	–	–	5,753	18,511	–	–	17,000	–	–	–	3,750	–	–	–	51,015	246,959
Other Securities & Deposits	16,132	–579,974	17,407	8,000	16,000	10,829	8,000	7,840	16,683	16,000	–	59,726	16,000	16,424	23,855	16,000	23,832	8,000	76,582	9,000	–213,664
Inv. in Related Companies	4,145	99,725	1,096,379	–	–	2,753	40,767	0	–	26,150			86,200	–	2,038,890	–	–	31,055	–	–	3,426,064
Other Investments	440,142	3,553,814	307,224	1,583	17,475	–	50,118	11,686	1,330	292,484	–	12,750	753,422	100,954	6,082,650	200	29,662	226,025	196,196	500	12,078,215
Short-Term Deposits	10,000	811,019	–	–	5,000	5,754	97,840	0	27,290	64,423	–	70,306	158,148	139	118,564	1,655	38,500	167,383	–	–	1,576,021
Outstanding Premium	66,436	37,490	18,755	6,960	1,952	42,961	13,810	0	13,505	67,953	–	110,238	111,757	30,846	36,039	10,982	41,530	141,840	4,178	34,154	791,386
Amt Receivable from Insurers	–	–	–	–	–	–	–	0	9,000	–	–	0	–	0	26,876	–	–	–	–	–	35,876
Amt Receivable from Reinsurers	56,298	8,413	3,287	–	2,405	10,385	–	0	2,579	–	–	15,785	–	25,440	47,544	–	–	105,760	–	11,668	289,564
Other Accounts Receivable	10,195	–	5,054	–	824	–	–	0	–	–	–	52,507	20,677	4,683	–	8,599	–	6,776	–	104	109,419
Interest, Dividend & Rent Receivable	21,974	305,127	336,997	–	2,406	462	10,472	0	–	7,626	–	7,688	–	530	89,507	523	1,512	2,236	8,189	–	795,249
Sundry Debtors	–	–236,901	61,811	–	–	385	–	35,009	–2,150	–	–	3,149	13,860	6,660	71,622	28,117	–	–	1,887	–5,724	–22,275
Cash on Hand	14,847	–	96	22	195	57	69	0	9	32	–	1	34	160	52,300	0	6	4	716	1	68,549
Bank Balance	39,654	50,298	55,842	3,863	799	34,167	13,304	1,767	3,160	6,602	–	15,633	90,600	5,523	113,354	1,332	29,658	13,628	31,011	8,179	518,374
Other Assets	68,932	119,666	176,151	2,080	1,632	6,713	7,061	0	8,912	32,740	–	9,849	41,331	21,973	32,631	8,192	7,760	108,528	5,441	–	659,592
Total	978,358	8,411,163	3,371,798	52,043	116,318	116,465	515,241	62,055	149,461	845,417	0	506,657	1,729,483	288,924	12,424,669	174,100	474,711	869,698	1,269,225	236,216	32,592,002

Source : audited returns and accounts

Annex 2: Distribution of Liabilities of Insurance Companies – Year 2003

(Rs '000)

	ALBATROSS	ANGLO MTIUS	BAI	GFA	IOGA	ISLAND GEN	ISLAND LIFE	JUBILEE	LAMCO	LA PRUDENCE	LEADWAY	MTIAN EAGLE	MTIUS UNION	RAINBOW	SICOM	CEYLINCO STELLA	SUN	SWAN	LIC	NEW INDIA	TOTAL
Amount Due to Insurers	–	–	–	–	–	–	–	0	–	–	–	–	–		22,149	–	–	–	–	–	22,149
Amount Due to Reinsurers	33,677	9,068	2,423	859	460	13,515	4,313	0	298	17,008	–	50,923	37,525	15,692	69,183	2,852	10,889	88,501	–	26,237	383,423
Amt. Payable to Policy Holders	–	7,202	5,688	–	–	1,971	–	0	–	–	–	–	7,965	–	18,879	–	–	–	5,587	–	47,292
Other Creditors	44,597	121,471	47,383	282	1,782	4,070	3,268	0	6,113	56,851	–	22,839	15,632	3,346	69,998	4,041	29,310	23,716	13,187	5,727	473,613
Outs. Claims Reserves	43,966	22,467	14,163	6,150	25,111	37,120	1,334	3,608	20,134	114,122	–	51,905	96,491	9,584	103,802	30,393	102,985	88,277	821	44,409	816,842
Short-Term Borrowings	–	–	4,202	1,036	–	622	8,304	0	2,122	–	–	–	–	15,805	16,000	13,922	–	–	11,647	–	73,660
Taxation	6,533	12,000		593	1,335	1,638	102	422	1,184	–	–	6,492	850	–	57,459	–	5,198	5,887	19,740	4,454	123,887
Long-Term Borrowings	–	–	6,914	–	–	–	–	0	8,550	39,263	–	–	–	19,034	653,968	15,361	–	–	–	–	743,090
Other Liabilities	11,193	75,092	109,579	–	–	2,419	4,120	0	1,238	636	–	–	25,235	3,750	3,975	8,599	1,316	30,575	1,168	–	278,895
Statutory Reserve Fund	24,195	–	2,390	3,293	1,400	3,427	–	1,992	8,000	16,876	–	24,104	25,800	5,325	20,667	1,078	16,120	64,068	–	8,241	226,976
Other Reserves	37,715	–	90,686	1,203	3,544	673	13,509	2,329	370	26,231	–	42,772	283,267	37,696	202,036	24,284	9,505	39,288	82,728	100,156	997,992
Long-Term Insurance Fund	615,677	8,099,304	2,595,144	–	50,821	–	434,733	0	37,967	467,500	–	103,179	953,246	92,216	10,264,827	55,140	217,775	–	1,132,047	–	25,119,576
General Insurance Fund	51,331	–		13,262	3,454	21,051	–	0	32,696	54,384	–	69,001	98,179	21,031	30,523	29,259	38,685	107,889	–	46,992	617,737
Other Funds	–	39,558	0	–	1,197	–	–	–	–	–	–	–	–	–	0	740	0	–	2,300	–	43,795
Profit & Loss A/C	83,074	–	411,791	365	2,214	4,959	20,558	53,704	698	28,126	–	108,775	81,293	40,446	867,203	–60,568	11,928	385,640	–	–	2,040,206
Paid Up Share Capital	26,400	25,000	81,434	25,000	25,000	25,000	25,000	0	30,091	25,000	–	26,667	104,000	25,000	25,000	49,000	31,000	35,857	–	–	584,449
Total	978,358	8,411,162	3,371,797	52,043	116,318	116,465	515,241	62,055	149,461	845,997	0	506,657	1,729,483	288,925	12,425,669	174,101	474,711	869,698	1,269,225	236,216	32,593,582

Source : audited returns and accounts

Annex 3: Long-Term Insurance Business – Companywise Summary of Revenue Accounts for the Year 2003

(Rs '000)

	ALBATROSS	ANGLO MTIUS	BAI	IOGA	ISLAND LIFE	LAMCO	LA PRUDENCE	MTIAN EAGLE	MTIUS UN ION	RAINBOW	SICOM	SICOM M. Pen	CEYLINCO STELLA	SUN	LIC .03/02	TOTAL
PREMIUM:																
Gross	148,503	853,265	1,331,656	7,180	58,519	7,170	117,098	48,381	190,929	25,694	554,075	561,911	6,546	38,900	192,710	4,142,537
Reinsurance	15,528	37,479	8,058	392	2,779	405	11,596	5,811	16,530	7,274	52,427	0	346	1,666	0	160,291
Net	132,975	815,786	1,323,598	6,788	55,740	6,765	105,502	42,570	174,399	18,420	501,648	561,911	6,200	37,234	192,710	3,982,246
INVESTMENT INCOME	15,400	621,168	630,545	6,116	42,209	115	39,364	9,448	90,306	5,906	246,501	531,223	3,359	20,695	107,813	2,370,168
OTHER INCOME	36,388	27,427	0	0	9,058	3,215	21,898	948	83	0	730	0	10	58,397	1,632	159,786
CLAIMS:																
Gross	54,714	569,204	653,986	6,384	40,396	1,119	31,745	18,674	107,521	15,622	297,695	285,910	5,406	25,256	114,730	2,228,362
Reinsurance	0	10,987	865	392	0	182	3,962	34	2,994	953	15,007	0	171	516	0	36,063
Net	54,714	558,217	653,121	5,992	40,396	937	27,783	18,640	104,527	14,669	282,688	285,910	5,235	24,740	114,730	2,192,299
COMMISSION:																
Received and Receivable	6,670	7,535	0	41	550	22	4,580	0	2,987	660	10,142	0	0	468	0	33,655
Paid and Payable	5,805	31,133	38,480	468	3,733	471	7,418	4,698	16,441	2,162	27,925	0	727	3,138	17,825	160,424
Net	865	-23,598	-38,480	-427	-3,183	-449	-2,838	-4,698	-13,454	-1,502	-17,783	0	-727	-2,670	-17,825	-126,769
ADMINISTRATION COST	27,851	124,967	356,278	1,902	10,787	807	16,536	8,511	38,310	6,242	75,715	25,383	4,522	11,806	15,877	725,494
TAXATION	0	-2,129	5,054	810	1,216	0	0	0	2,591	0	34,288	0	0	0	23,718	65,548
FUND AT BEGINNING OF YEAR	492,240	6,929,253	1,921,905	50,048	347,777	31,393	355,800	82,063	847,158	90,428	2,575,353	5,879,817	56,544	199,062	855,086	20,713,927
FUND AT END OF YEAR	615,677	8,099,304	2,595,144	53,821	402,175	37,968	467,500	103,179	953,246	92,216	2,999,173	7,265,654	55,140	217,775	978,015	24,935,987

Annex 4: General Insurance Business – Companywise Summary of Revenue Accounts for the Year 2003

(Rs '000)

COMPANY	PREMIUM Gross	PREMIUM Reinsurance	PREMIUM Net	CLAIMS Gross	CLAIMS Reinsurance	CLAIMS Net	COMMISSION Received	COMMISSION Paid	COMMISSION Net	ADMINISTRATION COST	INT. & INV. INCOME *
ALBATROSS	319,923	233,727	86,196	313,907	254,738	59,169	47,247	15,347	31,900	45,409	6,978
BAI	3,469	0	3,469	430	0	430	0	307	-307	934	1,581
GFA	36,466	12,919	23,547	19,052	5,198	13,854	531	2,255	-1,724	6,913	4,099
IOGA	10,694	2,060	8,634	9,253	2,076	7,177	645	195	450	3,280	5,589
ISLAND GEN	167,010	118,871	48,139	85,757	63,791	21,966	25,569	19,343	6,226	18,867	5,703
JUBILEE	0	0	0	40	0	40	0	500	-500	197	1,758
LA PRUDENCE	229,980	82,969	147,011	192,272	92,355	99,917	17,967	20,279	-2,312	35,572	-49,977
LAMCO	90,434	9,041	81,393	57,838	5,825	52,013	1,721	9,655	-7,934	17,478	4,874
LEADWAY	0	0	0	0	0	0	0	0	0	0	0
MTIAN. EAGLE	342,082	179,126	162,956	131,914	23,214	108,700	29,470	28,213	1,257	28,187	15,169
MTIUS. UNION	331,887	135,529	196,358	182,047	49,319	132,728	25,942	34,990	-9,048	22,139	36,471
RAINBOW	77,320	19,237	58,083	59,491	22,949	36,542	3,921	5,505	-1,584	19,552	6,246
SICOM	255,280	183,922	71,358	121,608	71,950	49,658	22,577	4,497	18,080	96,876	129,207
STELLA	83,731	2,480	81,251	52,635	9,587	43,048	445	11,906	-11,461	14,661	4,455
SUN	108,245	30,875	77,370	61,934	5,048	56,886	7,202	9,315	-2,113	23,494	16,665
SWAN	577,273	361,214	216,059	687,344	557,902	129,442	72,206	51,143	21,063	91,687	54,482
TOTAL (Local Insurers)	**2,633,794**	**1,371,970**	**1,261,824**	**1,975,522**	**1,163,952**	**811,570**	**255,443**	**213,450**	**41,993**	**425,246**	**243,300**
NEW INDIA3/2002	95,354	26,336	69,018	41,151	5,584	35,567	4,679	12,250	-7,571	8,576	12,044
TOTAL (Foreign Insurers)	**95,354**	**26,336**	**69,018**	**41,151**	**5,584**	**35,567**	**4,679**	**12,250**	**-7,571**	**8,576**	**12,044**
GRAND TOTAL	**2,729,148**	**1,398,306**	**1,330,842**	**2,016,673**	**1,169,536**	**847,137**	**260,122**	**225,700**	**34,422**	**433,822**	**255,344**

* Interest and Investment Income

Licensed NBFIs as at 30 June 2004

INSURANCE COMPANIES

1. Albatross Insurance Company Ltd
2. Anglo Mauritius Assurance Society Ltd
3. British American Insurance Co. (Mtius) Ltd
4. CeylincoStella Insurance Company Ltd
5. G.F.A. Insurance Ltd
6. Indian Ocean General Assurance Ltd
7. Island General Insurance Co. Ltd
8. Island Life Assurance Co. Ltd
9. Jubilee Insurance (Mauritius) Ltd
10. Lamco International Insurance Ltd
11. Leadway Insurance Co. Ltd
12. Life Insurance Corporation of India
13. Lloyds
14. Mauritian Eagle Insurance Company Ltd
15. Mauritius Union Assurance Company Ltd
16. New India Assurance Company Ltd
17. La Prudence (Mauricienne) Assurances Ltée
18. Rainbow Insurance Company Ltd
19. Seagull Insurance Company Ltd *
20. Secura Global Insurance Co. Ltd *
21. State Insurance Company of Mauritius Ltd
22. Sun Insurance Company Ltd
23. Swan Insurance Company Ltd

** in process of liquidation*

CAPITAL MARKET OPERATORS

Collective Investment Schemes

1. Barclays Collective Investment
2. Espitalier Noël Investment Trust
3. Indian Ocean Privatisation & Equity Fund/ Hennessy Investment Trust
4. The Mauritius Fund Limited
5. Multipliant Unit Trust/Multipliant General Fund
6. National Equity Fund
7. The National Mutual Fund/NMF General Fund/ NMF Property Trust
8. NIT Unit Trust
9. The Penny Indexed Fund
10. The Penny Yield Fund
11. Policy Growth Fund/Policy Unit Trust
12. Port-Louis Fund Limited
13. SBM Unit Trust
14. SICOM Unit Trust
15. Sugar Investment Trust

Capital Market Intermediaries

Stockbroking Companies

1. ASMO Securities & Investment Ltd
2. Associated Brokers Ltd
3. Capital Market Brokers Ltd
4. Cavell Securities Ltd
5. Compagnie des Agents de Change (CAC) Ltée
6. First Brokers Ltd
7. General Brokerage Ltd
8. MCB Stockbrokers Ltd
9. Newton Securities Ltd
10. Ramet & Associates Ltée
11. SBM Securities Ltd

Others

1. Capital Asset Management Ltd
2. Cirne Financial Services Ltd
3. Confident Asset Management Limited
4. Hong Kong Shanghai Banking Corporation
5. MCB Investment Management Company Ltd
6. SIC Fund Management Ltd
7. Tomfin Asset Management Ltd

SPECIALISED FINANCE INSTITUTIONS

1. Ecocredit Ltd
2. La Prudence Leasing Finance Co. Ltd
3. SBM Lease Finance Co. Ltd

FINANCIAL SERVICE PROVIDERS AND MARKET PROFESSIONALS

Management Companies

1. AAMIL Ltd
2. Abacus Financial Services (Mauritius) Limited
3. ABC Global Management Services Ltd
4. AMAS Trust (Mauritius) Limited
5. Ambit Corpfin International Inc.
6. Anderson Ross Consulting Limited
7. Anex Management Services Limited
8. Asiaciti Trust Mauritius Limited
9. Associated Consultants Ltd
10. BCM (Trustees) Limited
11. BL Financial Services (Mauritius) Limited
12. Bhumishq Financial Services Ltd
13. Businessconsult
14. BYB Offshore Companies Management Ltd

Licensed NBFIs as at 30 June 2004

15. C & M Worldwide Services Ltd
16. CITCO (Mauritius) Limited
17. CITCO Trustees (Mauritius) Limited
18. Cititrust (Mauritius) Limited
19. CKLB International Management Ltd
20. Claridges Trust Company (Mauritius) Limited
21. Commonwealth Trust (Mauritius) Limited
22. Copex Management Services Ltd
23. Corporate & Chancery Group Ltd
24. Curatus Trust Company (Mauritius) Limited
25. DTOS Ltd
26. Deutsche International Trust Corporation (Mauritius) Limited
27. Equity Trust (Mauritius) Limited
28. Federal Trust (Mauritius) Limited
29. Fideco Global Business Services Ltd
30. Fidei Finance International Limited
31. Financial Trust (Mauritius) Limited *(Name changed to Simcocks Trust (Mauritius) Limited on 27.07.04)*
32. First Island Trust Company Ltd
33. Frontière Finance Ltd
34. FWM International Limited
35. GenPro Consulting (Mauritius) Inc.
36. Global Wealth Management Solutions Ltd
37. GMG Trust Ltd
38. Halifax Management Limited
39. Hauteville Limited
40. Hemery Trust (Mauritius) Limited
41. Horwath Corporate Finance Limited
42. HTM Trustees Limited
43. ING Trust (Mauritius) Limited
44. Intercontinental Trust Limited
45. International Financial Services Ltd
46. International Management (Mauritius) Ltd
47. Inter-Ocean Management Limited
48. Investec Trust (Mauritius) Limited
49. Jupiter Management (Mauritius) Limited
50. Kestrel Financial (Mauritius) Ltd
51. Key Financial Services Limited
52. Knights & Johns Management Ltd
53. Kross Border Trust Services Limited
54. L & P Corporate Services Limited
55. Legis International (Financial & Management) Services Ltd
56. Lex Consult Offshore Services Ltd
57. Lindfield (Mauritius) Limited
58. Loita Management Services Limited
59. Maigrot-Koenig
60. Mauritius International Trust Company Limited
61. MauriTrust Consulting & Management Limited
62. Multiconsult Ltd
63. Mutual Trust Management Mauritius Limited
64. OCRA (Mauritius) Limited
65. Offshore Incorporations (Mauritius) Limited
66. PCL Legal Services (Mauritius) Ltd
67. Portcullis Trust (Mauritius) Ltd
68. Port Louis Management Services Ltd
69. Quorum Overseas Limited
70. Rothschild Trust (Mauritius) Limited
71. SCF (Mauritius) Ltd
72. Schindlers Trust Mauritius Limited
73. SCI Essell Offshore Services
74. Sovereign Trust (Mauritius) Limited
75. Standard Bank Trust Company (Mauritius) Limited
76. Temple Corporate Services
77. Trident Trust Company (Mauritius) Ltd
78. Trustlink International Limited
79. Turnstone Trusts and Securities Limited
80. Voet & Co (Mauritius) Limited
81. Warwick Trust (Mauritius) Limited

Corporate Trustees (Trust Service Providers)

1. AAMIL Trustees Ltd
2. A.M.S. Trustees (Mauritius) Limited
3. Anchorage International Trust Limited
4. APG Trustee Corporation
5. BCB (Mauritius) Limited
6. Bermuda Trust (Mauritius) Limited
7. BL Trustees (Mauritius) Limited
8. CKLB International Trustees Ltd
9. COPEX Trustees Ltd
10. Dinard Trustees Ltd
11. DTOS Trustees Ltd
12. Fairfield Trustees Ltd
13. HSBC Trustee (Mauritius) Ltd
14. IFS Trustees
15. IMM Trustees Ltd
16. ITL Trustees Ltd
17. Lucre International Trustee Company Ltd
18. MC Trust Ltd
19. Mutual Trust Company Mauritius Limited
20. Origin Trust Limited
21. PMSL Trustees Ltd
22. Southern Global Trust Company Ltd
23. The Meridian Trust Co. Ltd
24. The Oceanic Trust Co. Ltd

Licensed NBFIs as at 30 June 2004

Captive Managers (Managers of Captive Insurance Business)

1. Agulhas Captive Insurance Services Limited
2. Aon Captive Insurance Management (Mauritius) Limited
3. Guardrisk Insurance Management Limited
4. Investec Management Services (Mauritius) Limited
5. Mutual Trust Insurance Management Limited
6. Specialised Insurance (Mauritius) Captive Management Company

Insurance Brokers

1. Alexander Forbes (Mauritius) Ltd
2. BritAm Ltd
3. Brokers and Consultants Limited
4. Chartered Brokers Ltd
5. City Brokers Ltd
6. Cover Age Co. Ltd
7. Ebrokers Ltd
8. Geric Limited
9. INRE Management Services Ltd
10. Medibroker Ltd
11. MIB Ltd

Others

1. Actuarial Consultancy Services
2. Athena Investment Club
3. Bacon, Woodrow & Legris Ltd
4. Chic Investment Club
5. Consiglio Investment Club
6. DCC Investment Club
7. DMH Associates Ltd
8. Eagle Investment Club
9. Feber Associates Ltd
10. GML Trésorerie Ltée
11. Galileo Portfolio Services
12. HSBC – Marketing and Sales of Structured Products
13. Long Investment (Mauritius) Ltd
14. Pension Consultants and Administrators

Abbreviations & Acronyms

AGOA	African Growth and Opportunity Act
AML/CFT	Anti-Money Laundering & Combating the Financing of Terrorism
BoM	Bank of Mauritius
CDS	Central Depository and Settlement Co. Ltd
CIS	Collective Investment Scheme
CISNA	Committee for Insurance, Securities and Non-Banking Financial Authorities
COMESA	Common Market of Eastern and Southern Africa
CSO	Central Statistics Office
CPIS	Coordinated Portfolio Investment Survey
COSSE	Committee of the Southern African Development Community Stock Exchanges
DTAT	Double Taxation Avoidance Treaty
EPZ	Export Processing Zone
ESAAMLG	Eastern and Southern African Anti-Money Laundering Group
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FIAMLA	Financial Intelligence and Anti-Money Laundering Act 2002
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FSAP	Financial Sector Assessment Programme
FSC	Financial Services Commission
FSD Act	Financial Services Development Act 2001
FSF	Financial Stability Forum
GBC 1	Category 1 Global Business Company
GBC 2	Category 2 Global Business Company
GDP	Gross Domestic Product
GDFCF	Gross Domestic Fixed Capital Formation
GNS	Gross National Savings
IAIS	International Association of Insurance Supervisors
ICT	Information & Communications Technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
JSE	Johannesburg Stock Exchange
KYC	Know Your Client
MC	Management Company
MOU	Memorandum of Understanding
NBFI	Non-Bank Financial Institution
NPF	National Pension Fund
NSF	National Savings Fund
NCCTs	Non-Cooperative Countries and Territories
OECD	Organisation of Economic Co-operation and Development
OFC	Offshore Finance Centres
OTC	Over-the-Counter
ROSC	Report on the Observance of Standards and Codes
SADC	Southern African Development Community
SAFE	South Asian Federation of Exchange
SBC	Stockbroking Company
SEC	Securities and Exchange Commission
SEM	Stock Exchange of Mauritius Ltd
SEMATS	Stock Exchange of Mauritius Automated Trading System
SEMDEX	Stock Exchange of Mauritius all-shares Index
SEM-7	Stock Exchange of Mauritius 7 largest eligible shares of the official list Index
SEMTRI	Stock Exchange of Mauritius Total Return Index
SIPF	Sugar Industry Pension Fund
SME	Small and Medium Enterprise
SMIDO	Small & Medium Industries Development Organisation
VAT	Value-Added Tax
WTO	World Trade Organisation