"To be an internationally recognised financial supervisor committed to the sustained development of Mauritius as a sound and competitive financial services centre"

CONTENTS

MEMBERS OF THE BOARD

B.R. Gujadhur MA (ECON)

Chairman

Managing Director Bank of Mauritius

Prior to his appointment as Chairman of the Financial Services Commission in August 2001, Mr Gujadhur has had a long career with the Bank of Mauritius, of which he is currently the Managing Director. Previous positions occupied by him include the post of Director of Banking Supervision at the Bank of Mauritius. He has extensive experience of the financial sector of Mauritius.

D. Basset SC MA (Oxon)

Vice Chairman

Legal Practitioner, Basset Chambers

Mr Basset was sworn in before the Supreme Court of Mauritius and admitted to the Mauritian Bar in 1975. Mr Basset was the Master & Registrar in Seychelles in 1985. After being in the judicial service for 10 years, Mr Basset joined the banking sector and was the Branch Manager of BNPI in Mauritius. He returned to the legal profession in 1990 and has provided his expertise in numerous working committees relating to company law matters such as the Mauritius Law Reform Commission and the Company Law Advisory Committee. In November 2000, along with other colleagues of the Bar he set up Basset Chambers. His main areas of practice are company law, commercial law and civil litigation.

R. Chellapermal FCCA

Director, Financial Policy Analysis,
Ministry of Finance.

Mr Chellapermal was admitted as a member of the Chartered Association of Certified Accountants in 1980. He joined the Ministry of Finance in 1983 after working in the private sector for 6 years. At the Ministry, Mr Chellapermal has been involved in various projects relating to the financial services sector including the establishment of the Stock Exchange, review of company law and the regulatory framework governing the offshore sector. He has also served on various committees including the Company Law Advisory Committee and the Mauritius Accounting and Auditing Standards Committee.

J. Lallchand PhD CANTAB

Manager, Rogers Financial Services

Dr Lallchand is currently working in a senior management position in the financial services sector of the Rogers Group, a company with some 140 subsidiaries. He has also worked for two years in the Planning & Development Department of Rogers & Co. Ltd and was actively engaged in the planning and restructuring exercise of the entire Group in 1999-2000. He has also worked for the World Bank and Tate & Lyle Head Office (London). Dr Lallchand is a Board Member of the Mauritius Tourism Authority. He has carried out significant research on regional financial centres and capital markets in emerging economies.

R. Makoond MSc TOURISM PLANNING

Executive Director Joint Economic Council

Prior to his present responsibilities at the Joint Economic Council, Mr Makoond was the Deputy Secretary General of the Mauritius Chamber of Commerce & Industry until 1993. He has also worked in the public service for the Ministry of Commerce, Ministry of Economic Planning & Development and the Ministry of Tourism. Mr Makoond is a member of the Mauritius Negotiating Team on the ACP – EU relations and the WTO Standing Committee. He is also involved at policy level in a number of institutions such as the Business Parks of Mauritius and the Board of Investment. Mr Makoond is a Director of the European Centre for Development Policy Management, a Dutch foundation.

Y. Pat Fong BSc (ECON) FCA

Partner Kemp Chatteris Deloitte & Touche

Mr Pat Fong started his audit career in the United Kingdom in 1960 and moved to Mauritius in 1963 and became Partner of Kemp Chatteris Deloitte & Touche in 1966. His audit assignments have focused on banks and other financial institutions. Mr Pat Fong is a member of the Business Conduct Committee, set up under the Securities (Central Depository, Clearing and Settlement) Act 1996. He is currently acting as liquidator of the Mauritius Cooperative Central Bank Ltd under the supervision of the Bank of Mauritius.

A. Timol BSc (ECON) D.E.A (ÉCONOMIE MATHÉMATIQUE ET ÉCONOMÉTRIE)

Director Financial Services, Ministry of Economic Development, Financial Services and Corporate Affairs

Mrs. Timol has been working in the public service for the last twenty-one years, starting as an Economist in the Ministry of Economic Planning and Development to become Deputy Director of the Budget Bureau and the Economic Affairs Department in the Ministry of Finance before acceding to her present position. She has also worked as a Senior Lecturer in Mathematical Economics and Econometrics at the University of Mauritius from 1992 to 1995. Mrs. Timol has been closely associated with the development of the financial services sector over the last 10 years and has been at the forefront of the recent legislative, institutional and regulatory reforms in this sector.

KEY OBJECTS & FUNCTIONS

VISION

To be an internationally recognised financial supervisor committed to the sustained development of Mauritius as a sound and competitive financial services centre.

KEY OBJECTS

The Financial Services Commission was effectively set up on 1 December 2001 upon the promulgation of the Financial Services Development Act 2001. The key objects of the Commission are to:

(a) ensure the sound conduct of business in the financial services sector;

(b) elaborate policies which are directed to ensuring the fairness, efficiency and transparency of financial and capital markets in Mauritius;

(c) ensure, in collaboration with the Bank of Mauritius, the soundness and stability of the financial system in Mauritius.

KEY FUNCTIONS

(a) To license, regulate, monitor and supervise the conduct of business activities in the financial services sector;

(b) To carry out investigations and take measures to suppress illegal, dishonourable and improper practices, market abuse and financial fraud in relation to any activity in the financial services sector;

(c) To set rules and guidance governing the conduct of business in the financial services sector;

(d) To establish norms and standards in order to preserve and maintain the good repute of Mauritius in the financial services sector;

(e) To establish and maintain such links and liaison with international agencies in the field of financial services as may be necessary for the furtherance of its objects.

I am pleased to present the first Annual Report of the Financial Services Commission (FSC). 2001 was a landmark year in the field of financial regulation in Mauritius. By enacting the Financial Services Development Act 2001 (FSDA), Government took the bold decision to establish a framework for the integrated regulation of financial services in Mauritius. The establishment of the FSC was predicated on the recommendations made in the Report of the Steering Committee appointed by the Honourable Minister of Economic Development, Financial Services and Corporate Affairs, which was chaired by Mr Dev Manraj, former Financial Secretary.

Following the proclamation of the FSDA in August 2001, and more fully on 1 December 2001, the FSC has taken over all the regulatory and supervisory functions of the former Stock Exchange Commission (SEC), the Insurance Division of the Ministry of Economic Development, Financial Services and Corporate Affairs (MEDFSCA) and the Mauritius Offshore Business Activities Authority (MOBAA). I am indebted for all the good work carried out by previous Chairmen of Boards and Executives of these organizations, which forms the basis on which the furtherance of FSC's objectives will be pursued.

Since its establishment last year and in accord with its Vision Statement, the FSC has embarked on an ambitious plan to realise the vision it has set for itself, notably to rise to a globally recognised financial supervisor committed to the sustained development of Mauritius as a sound and competitive international financial services centre.

The immediate tasks before the FSC are twofold: first, to establish high and common standards of regulation, to the extent possible, for the diverse non-bank financial activities falling within its remit and, second, to keep even pace with international regulatory developments to match the objective of the Authorities to preserve the image of Mauritius as a modern, respected and well-regulated financial centre.

To address the issue of "comprehensiveness" of the regulatory framework as contemplated, several initiatives have been taken. First, the Government of Mauritius has enlisted the financial assistance of the World Bank on a multi-pronged approach to the provision of effective regulatory services to the financial community. This project, spanning a period of two years, entails the development of an adequate and comprehensive legislative package to support the continued adoption of sound prudential and market conduct regulatory standards, putting in place procedural guidelines in line with international best practices and embarking on a sustained training programme for FSC staff to be equipped with the appropriate skills for integrated regulation. Secondly, as an effective regulator and in keeping with the FSC's objective to work with the grain of the market, the FSC has opened up avenues for close co-operation and consultation with market participants in a bid to build substance by drawing on the expertise of the participants.

Last year, Mauritius' compliance with the 40 Recommendations of the Financial Action Task Force (FATF) was tested by a team of external evaluators who carried out an FATF type mutual evaluation of the jurisdiction. We have come out quite successfully in that evaluation. Its main recommendation, that Suspicious Transactions Reports (STRs) on money laundering should be filed directly with the Financial Intelligence Unit (FIU), has already been implemented by enacting the Financial Intelligence and Anti-Money Laundering Act 2002 (FIAML). On the initiative taken by Government, we are undergoing this year a Financial Sector Assessment Programme (FSAP) conducted jointly by the International Monetary Fund (IMF) and the World Bank (WB).

The FSAP is designed to assist governments, central banks, and national supervisory agencies in assessing financial sector strengths, weaknesses, and vulnerabilities. The assessments highlight the linkages between financial system development and macro economic outcomes and aim to strengthen the contribution of the financial system to growth and development. The expected outputs from the current FSAP mission are threefold: (i) an analysis of the structure, soundness and vulnerabilities of the financial system, (ii) an assessment of the observance of international standards and codes, and (iii) a review of financial sector infrastructure and governance framework. As a result, it will identify whether our financial system is inherently stable, what are its development needs, and a coordinated and sequenced action plan that may be formulated for the financial sector.

The timing of the FSAP exercise coincides well with the current efforts of the FSC to achieve improved standards of regulation. There is no doubt that the FSAP assessments and recommendations for the various components of the financial services sector will add greater value to our on-going efforts to develop and give better and well directed substance to the financial sector. Our willingness to undergo high level international assessments shows how exactly we wish to position the jurisdiction in the international community.

In order to sustain its reform programme, the FSC is aiming to instil a compliance culture in the industry it regulates by adopting a new approach in the discharge of its supervisory duties. As elaborated further in the Report, the FSC has initiated work on a range of guidelines and compliance related documents for consultation and adoption by the global business industry. The insurance sector and the securities industry are receiving similar attention.

Section 14 of the FSDA enables

institutions carrying out financial services which were not regulated heretofore to apply to the FSC for a licence. Since the start of its operations, the Commission has authorised a number of institutions involved in leasing, treasury management, fund management, investment management and asset management. It is expected that a greater number of similar institutions will seek to be licensed and regulated by the Commission in the coming period under this provision of the law especially when product based legislation relating to collective investment schemes and pension funds will be passed.

The bulk of the reforms undertaken will inevitably lie on legislative changes that need to be brought about to redress certain components of the non-bank financial sector. Significant progress has been achieved so far in preparing four new pieces of legislation. A new Long Term Insurance Bill, a Short Term Insurance Bill, a Pensions Bill and a Securities Bill are all in the process of being finalised and will soon be available for public consultation. In the chronology of events, regulations, rules and guidelines will be prepared to cover prudential standards and codes on market conduct.

With the new regulatory framework in place, the FSC will establish an Annual Supervision Action Plan. This plan will prioritise the calendar of regular onsite compliance visits based on the risk profile of the regulated entities. Work undertaken in this respect will not only enhance the required openness and transparency of our financial sector but it will also emphasise our commitment to international initiatives to fight financial crime. This work will be done in cooperation and in consultation with the industry. The well-being of market participants and the protection of the reputation and integrity of the financial centre of Mauritius will be the FSC's uppermost considerations.

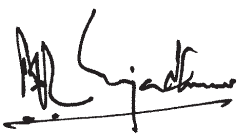
The disastrous events of 11 September 2001 have amplified the responsibility of financial regulators around the world in countering the financing of terrorism. The FSC has contacted its licence holders in order to ascertain whether there are any links between their clients and terrorist organisations and individuals listed by the United Nations Security Council (UNSC) Sanctions Committee. I am glad to report that so far the responses from our licence holders indicate that there are no links between the terrorist groups and the licensees. However, we shall continue to be vigilant and constantly follow up with our licence holders.

The next few years will continue to be challenging for the Commission. As the regulatory landscape evolves and as the FSC assumes a more prominent role as an integrated regulator, the Mauritius financial system will be called upon to increasingly adopt international best practices. This move will undoubtedly stretch our staff resources to produce far more effort in time

CHAIRMAN'S STATEMENT

to come. I am pleased with the degree of maturity shown by Management and our staff members in their new environment since they were joined together under one roof in mid-2002 at the fourth floor of the Port Louis Harbour Front Building. I rely on them as well as on additional staff members who will soon be recruited to continue the daunting assignment we have given ourselves.

Finally, I must say how fortunate I am to be surrounded in both our moments of difficulty and success by the Board Members whose unflinching commitment to work has enabled us to push this far the agenda of the Commission. They have all been extremely generous with their time to attend to the work of the Commission. Had it not been for the breadth of their experience and vision as well as their rigorous approach to regulation, I would not have had the opportunity to serve the underlying objectives of the FSC so well.



B.R. Gujadhur
Chairman

This first Annual Report of the Financial Services Commission denotes the first and crucial stage in the process of developing an integrated supervision of the financial sector in Mauritius. It should not be mistaken for the desired end result. It announces a process of change. It heralds a new regulatory structure and a new approach to the supervision of financial services, markets and intermediaries to meet the overall objective of maintaining the stability of the financial system, and of promoting confidence in its strength and integrity. The Commission has as mandate conferred by Parliament the regulation, licensing and supervision of non-bank financial institutions generally.

The Report covers mostly that part of the last financial year starting effectively from 1st December 2001 when, by the proclamation of the full text of the FSDA, the operations of the SEC, the Insurance Division of the MEDFSCA and the MOBAA were brought under the sole administrative authority of the Commission. On that date, 60 of the staff of those institutions accepted the offer of employment with the Commission and were enlisted on its establishment. This transfer gave rise to one of the most daunting aspects of the integration process: that of managing the human resources within the context of change. For the first time, staff who had little interaction previously, who had different backgrounds and outlooks, were called upon to work together and share the common responsibilities of a supervisory authority across a multi-sectoral range of financial institutions and activities. The physical dispersion of the staff of the Commission at the beginning in three different locations a mile away from one another did not facilitate the task of integrating the personnel. They took up the challenge with the maturity and goodwill that were required to create cohesion within the Commission. It would be most becoming at this early opportunity to pay tribute to the staff's commitment to the Commission and its objects. Moving last June to its new premises at the Harbour Front, the Commission could at last bring all its members under one roof. The design of the office with its open spaces describes the new work culture that is developing at the Commission, based on openness, neighbourliness, co-operation and discretion. It will allow for the emergence of a unique corporate culture reflected by the values of service, competence and integrity most relevant to our mission. It is expected that by next year the staff of the Commission will have through internal consultation created its own Code of Ethics.

Another area of immediate concern in the first months of operation of the Commission was the change of regime applicable to Global Business activities. This change was occasioned by both the Companies Act 2001 (CA) and the FSDA. It had a direct impact on the substance of the business as much as on the procedures for registering a Global Business Company (GBC). A coordinating committee consisting of different government departments and authorities was set up to consider the representations made by the industry concerning the implementation of the new laws. The fact that the Committee was only a consultative and coordination facility devoid of any executive powers helped to elicit more easily the collaboration of the various participants. By end June 2002, most of the hundred items of representations made by the Management Companies (MCs) and others had been dealt with satisfactorily.

While managing the change, the Commission was alerted to the pressing issues of the day. From its first days, it tackled the ongoing investigations that had been started by its predecessors. Such exercises provided occasions to draw from the variety of experiences and skills of each group of the staff, and to conceive innovative approaches and solutions. The several chapters that follow further in this Report, tend generally to support the assumption that licensing had been the particular expertise of the Global Business Unit, surveillance of market conduct that of the Securities Unit while the Insurance Unit within the Commission had a particular knack at applying prudential capital requirements. So as not to confuse the industry, care has been taken to maintain the pattern of supervisory interaction as far possible as obtained before the setting up of the Commission, while slowly moving internally to a functional matrix. With the direct experience of handling the various aspects of the work, and taking into account the existing resources, it is likely that the structure of the Commission will soon evolve and settle along functional lines in order to respond most effectively to its objectives. The Commission's work focuses on three essential aspects: regulating, licensing, and supervising. Support services, such as information technology, administration and finance, provide the necessary backing to these core lines of activities.

In the area of Global Business activities, consultations have already started on a number of subjects. Following such consultations, new rules on licence application forms and procedures are being introduced. Operational procedures for MCs are also being prepared for consultation by the industry. With the introduction of the qualification of the “fit and proper" test in all licensing processes under section 14 of the FSDA, consultation is being held to establish criteria in the determination of the qualification. Another proposal concerns the subject of compliance testing. An update on the money laundering Guidance Notes is equally under preparation. Similar papers are being adapted for consultation and subsequent adoption for the securities and insurance businesses. Global Business has been under severe stress lately not only because of the general economic environment, but also because of the changes brought in by the local legislation. A new approach is envisioned for the Global Business sector: it will no more be the objective to develop statistical numbers of GBCs but rather to focus on the value they bring to the Mauritius economy. The establishment of businesses of substance is the key to enhancing the value-added in this industry, as the provision of services by local MCs and other service providers grow. The statistics shown further in this Report demonstrate that, even with less incorporations, value addition can be greater. Moreover, it is intended as a matter of good governance to carry out a cleansing of the register of GBCs by eliminating all those who are not active or have unduly failed to meet their annual fees. Only then will a clear and faithful picture of the industry be obtained. This is the outcome of the segregation of regulatory and promotional roles previously vested in the MOBAA. Distinct from the Commission, the Financial Services Promotion Agency is today explicitly mandated by law to carry out promotional activities for the sector, while the Commission deals solely with regulation and supervision.

The securities and the insurance laws have been examined for the purpose of identifying gaps in the regulation and practices. A new Bill is being prepared in each of the areas of business. It is planned that the draft legislation will be available for consultation in the course of next year and scheduled for examination by Parliament before next April. In the elaboration of the legislation, optimal use will be made of the review to be conducted jointly by the IMF and the WB in the context of the FSAP. Consideration will no doubt be given to the recommendations made by the mission. After preparation, the draft Bills will be submitted to the Minister having responsibility for the subject of financial services regarding the issue on consultation with the public.

Pending the new legislation, the Commission has attended to its duties with the regulatory tools it has under the present laws. It chose to conduct on-site visits when institutions evinced signs of financial weakness or where there appeared evidence of misconduct.
It is developing an approach to supervision based on risk. Already two principles are guiding its supervisory actions. Firstly, regulatory tools are applied in accordance with the risk profile disclosed by the financial institutions so that there is a parity between the nature and degree of risk and the severity of the sanction. Secondly, while forbearance may be justified in limited circumstances, the Commission cannot and will not condone failure by financial institutions to meet the capital and solvency requirements established under the law, since such failures may entail a risk to the stability of the financial system, or may seriously indent confidence in the system.

In the course of its activities over the past months, the Commission has identified a few areas of the financial services industry that are not covered by legislation and thus escape regulatory purview. Using its broad licensing powers under section 14 of the FSDA, the Commission will be providing some fundamental prudential conditions of operations. This has already been done for group treasury management, leasing activities, and consideration is being given to identifying licensing conditions applicable to fund managers and custodians.

The coming year is crucial to the Commission for its future development. Recruitment of staff stands high on the agenda. It is the intention of the Commission to double its staff by the end of the coming financial year. Linked with recruitment, its in-house training programme will span over the coming years. The Commission is acutely aware that the quality of its regulatory services will depend on its capacity to recruit and retain high calibre staff, though some measure of outsourcing is inevitable. With the adoption of new laws governing the insurance and securities industries and other areas of the financial sector, it will have to define its supervisory approach and clearly inform the regulated entities of their responsibilities. The need is already felt to establish closer and formal ties with the Bank of Mauritius in a joint pursuit to maintain financial stability and confidence in the financial system. Equally, linkages will have to be established with other public authorities like the FIU and the Registrar of Companies (ROC). International co-operation is another subject that will occupy the Commission.

The project is highly ambitious. It will need all the support of its stakeholders to drive the changes required to make the FSC *"an internationally recognised financial supervisor"*. Without proper consultation and dialogue in good faith, the venture may take longer than what the international financial scene may allow us.

Rajahbalee

M. I. RAJAHBALEE
Chief Executive

OFFICIAL MARKET

Market Analysis

Trading takes place on a daily basis via a fully automated trading system, the Stock Exchange of Mauritius Automated Trading System (SEMATS).

As at end of June 2002, 44 domestic companies were listed on the Official List (against 48 at end June 2001), offering the following securities 30 equities, 9 investment funds and 14 debentures, and with a total market capitalisation of Rs 32,866 million. In 2001, total market capitalization stood at Rs 36,385 million.

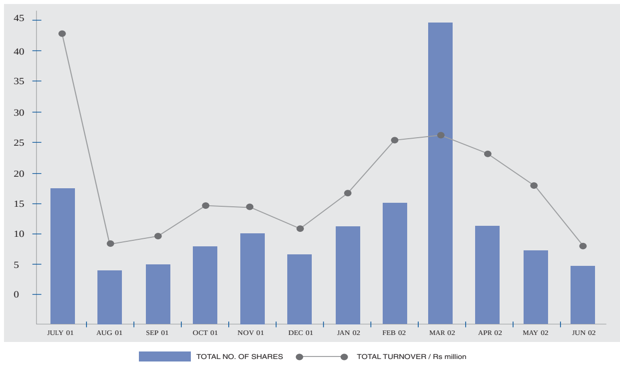
Two securities namely The Delphis Bank Ltd and Mauritius Fund Ltd, were de-listed during fiscal year 2002. The former as part of the Commission's enforcement activity and the latter as a result of the Fund converting from a close-ended investment company into an open-ended Mauritian unit trust fund.

An amount of approximately Rs 616 million was raised during the period from fresh issues of securities on the exchange.

Equities and Investment Funds

Turnover for fiscal year June 2001 to July 2002 amounted to Rs 1,939 million as against Rs 1,398 million last year, representing a 39% growth over last year's performance. During the first semester, total turnover averaged Rs 153 million while figures improved by 15% to Rs 175 million over the second semester. The market registered particularly high turnover in March 2002 mainly attributable to a substantial transaction in the shares of Courts (Mauritius) Ltd.
Volume traded for the period amounted to nearly 143 million shares representing a 71% increase over the same period last year.

Figure 1: Volume & Turnover on Official Market (2001-2002)



For the first six months ending December 2001, average volume traded amounted to approximately 9 million shares while during the second semester, average volume traded was marked by an increase of 7 million shares. The performance of the Official Market is displayed in Figure 1.

Debentures

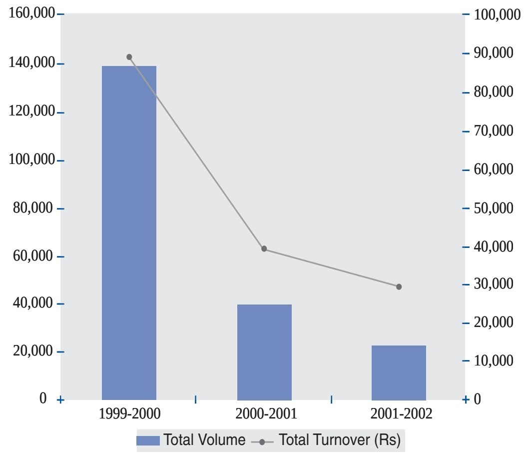
As at end June 2001, 8 companies issued 19 different types of debentures with different maturities and interest rates. During the period, Rs 1,862 million worth of debentures were redeemed and there were no new issues.

SECURITIES SECTOR

At end of June 2002, only 5 companies issued 14 different types of debentures. As indicated in Figure 2, the debenture market has been on a downward trend mainly attributed to the removal of fiscal incentives granted to debenture issues.

Stock Market Indices

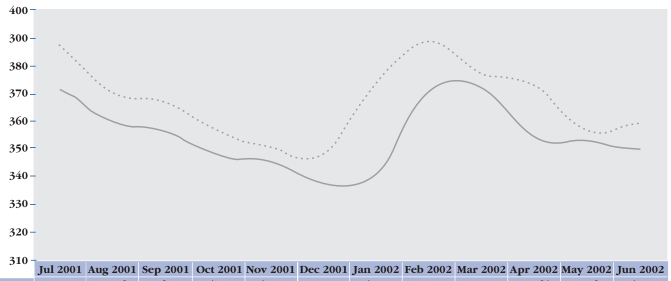
Figure 2: Trends in Listed Debentures



The all share index, SEMDEX and the SEM-7 are the main market indices.

The SEMDEX is an index of all listed shares where each stock is weighted according to its share in the total market capitalisation. The SEMDEX started the period under review at 386.02 points, plummeting to 337.22 in December 2001 and rising to a peak of 388.91 points in February 2002. The SEMDEX average monthly spread for the first semester ending December 2001 stood at 10.26 points against 14.71 points in the second semester. Trends on the SEMDEX are indicated in Figure 3.

Figure 3: Trends in SEMDEX (2001-2002)

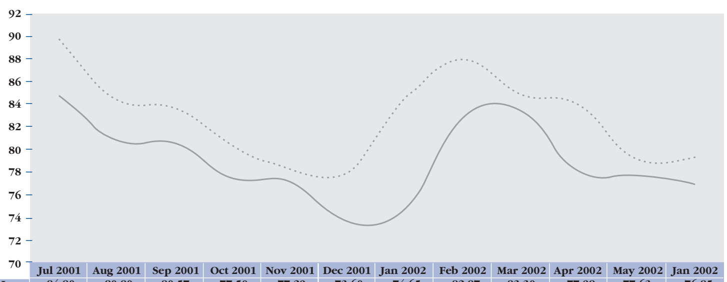


	Jul 2001	Aug 2001	Sep 2001	Oct 2001	Nov 2001	Dec 2001	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jun 2002
Low	371.71	359.60	356.13	347.35	345.09	337.22	341.02	370.92	372.17	353.64	351.69	349.09
High	387.65	370.06	366.83	356.20	349.89	348.02	373.88	388.91	376.75	372.62	355.98	358.65

Low High

The SEM-7, launched in March 1998, is an index matching international standard comprising the seven largest shares on the Official List measured in terms of market capitalisation, liquidity and investment criteria. The SEM-7 started the period under review at 90.58 points and closed at 79.17 points on 1st July 2002. A high of 89.82 points was registered in July 2001 and a low of 73.60 in December 2001. The SEM-7 average monthly spread for the first semester ending December 2001 stood at 3.31 points against 4.32 points in the second semester. Trends on the SEM-7 are shown in Figure 4.

Figure 4: Trends in SEM-7 (2001-2002)



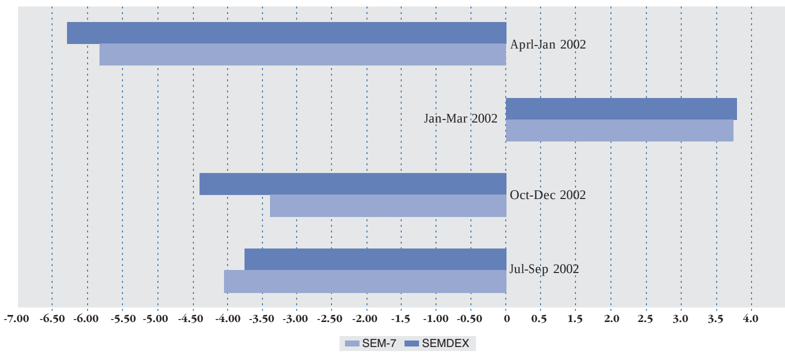
	Jul 2001	Aug 2001	Sep 2001	Oct 2001	Nov 2001	Dec 2001	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jan 2002
Low	84.80	80.80	80.57	77.50	77.29	73.60	74.65	82.87	83.30	77.98	77.63	76.85
High	89.82	84.35	83.65	80.33	78.29	77.95	84.44	87.89	84.85	83.84	79.02	79.17

Low High

Index Volatility

The volatility of SEMDEX and SEM-7 relative to their quarterly average returns, as measured by the coefficient of variation, are shown in Figure 5. For the third

Figure 5: Volatility of SEMDEX & SEM-7 (2001-2002)

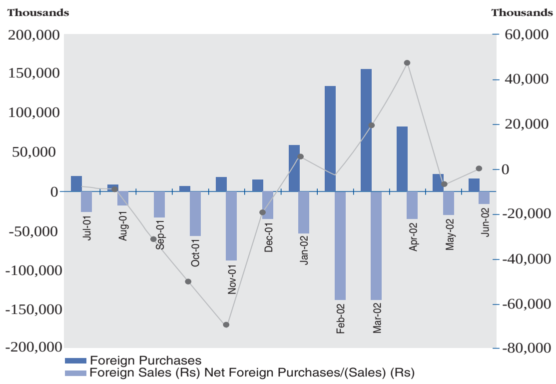


quarter, both indices posted a positive figure which is indicative of improved market trends.

Foreign Investment

Foreign portfolio investment which had been on the decline since July 2001 reached was lowest in November 2001 with a gradual pick up thereafter to a high of approximately Rs 48 million. Total foreign buying for the period amounted to Rs 533 million whereas total sales reached Rs 659 million with a resultant net foreign sales of Rs 126 million, as indicated in Figure 6.

Figure 6: Foreign Investment (2001-2002)



Market Capitalisation

As at end of June 2002, the Banking and Insurance sector had the largest share of market capitalisation although the proportion declined from 34% in June 2001 to 29% in June 2002. The Commerce and Industry sectors' market capitalisation shares have also registered a corresponding decline of 8% and 10% respectively for the period under review. General trends indicate a rise in the share of market capitalisation for the Investment, Leisure and Hotels, Sugar and Transport sectors. Shares of market capitalisation per economic sectors as at end June 2001 and end June 2002 are displayed in Figures 7.1 and 7.2 respectively.

Figure 7.1: Share of Market Capitalisation (June 2001)

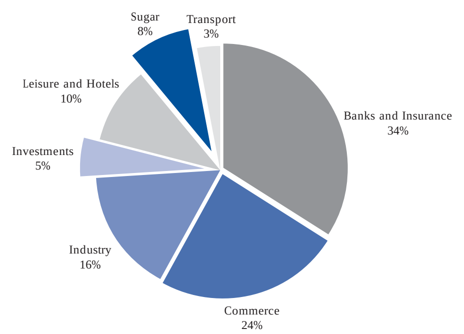
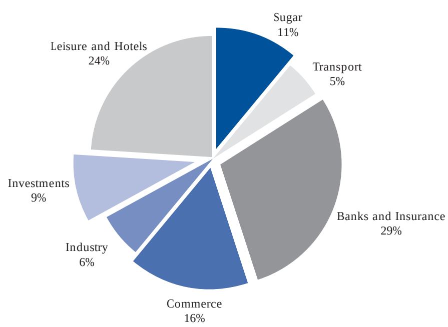


Figure 7.2: Share of Market Capitalisation (June 2002)



SECURITIES SECTOR

Turnover and Volume

In terms of their share in total market turnover the Banking and Insurance, Leisure and Hotels and Sugar sectors registered a rise of 3.22 %, 8.77% and 1.61% respectively in the period under review. Other sectors, namely Commerce, Investment, Industry and Transport registered a decline in their share of total turnover ranging from 4.02% to 4.56% during the same period. The changes in share of total market turnover per economic sectors for the period under review are indicated in Figure 8. The Commerce, Leisure and Hotels sectors registered an improvement in their contribution to total market volume as depicted in Figure 9.

Figure 8: Share of Total Market Turnover (%)

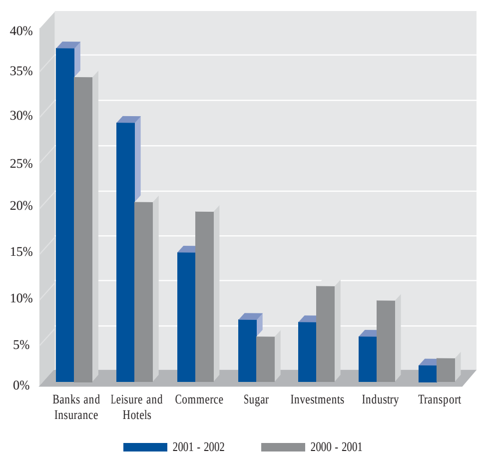
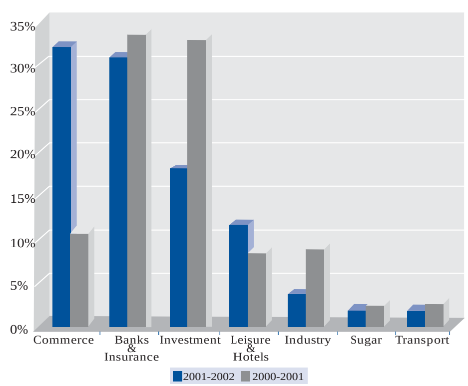


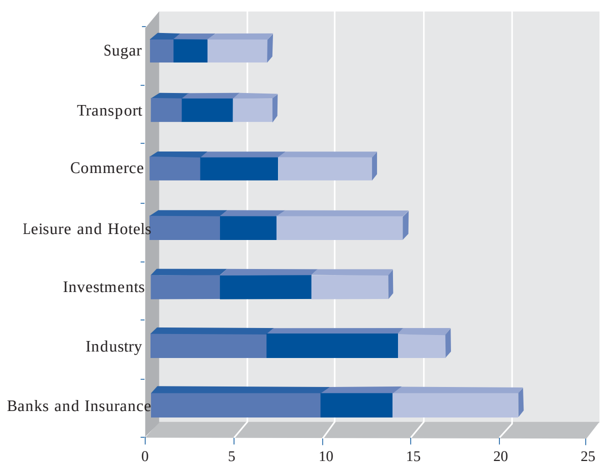
Figure 9: Share of Total Volume (%)



Liquidity

Figure 10 gives an indication of the level of liquidity as measured by the turnover ratio by sector. It is noted that the Commerce, Leisure and Hotels, Sugar, Banking and Insurance sectors have recorded a rise in their turnover ratios for the fiscal year 2002 as compared to 2001.

Figure 10: Turnover Ratio by Sector (%)



THE OTC MARKET

Listed Securities

As at end of June 2002, 72 companies were quoted on the OTC market compared to 68 companies as at end of last year. There were 6 new entrants on the market while two other companies withdrew from the OTC market.

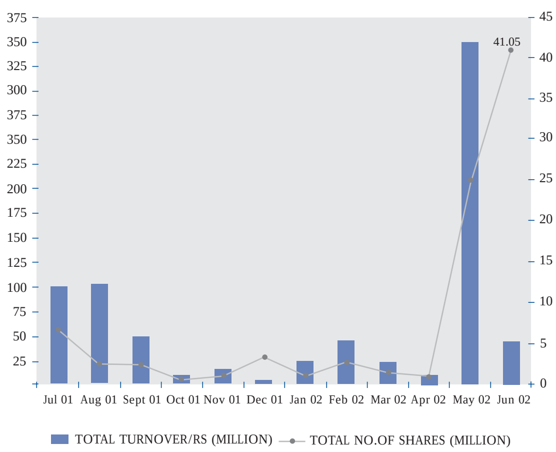
The new entrants were Albatross Insurance Company Ltd, Compagnie Mauricienne de Commerce Ltd, Compagnie Mauricienne d'Hypermarche Ltd, Maurilait Production Ltd, Marina Village Hotels Ltd & Union Flacq S.E Co Ltd. Those which withdrew included Investment Holding Ltd and Knitting Fabrics Ind Ltd.

Market Turnover

For the period under review, total OTC turnover amounted to approximately Rs 783 million against Rs 808 million. During the first semester, total turnover averaged Rs 48 million while figures almost doubled to Rs 83 million for the second semester. Turnover reached an all time high of Rs 349 million attributed mainly to exceptionally high volume transactions in the shares of Compagnie Mauricienne de Textile Ltd and Marina Village Hotel Ltd.

Total volume traded for the period amounted to nearly 90 million shares compared to a lower amount of 50 million shares last year. Average volume of transactions for the first semester was approximately 3 million shares rising to 12 million shares during the second semester. The OTC market trends are shown in Figure 11.

Figure 11: OTC Market Trends (2001-2002)



OUTLOOK

Looking beyond fluctuations experienced by international stock markets, the African and South East Asian region are expected to continue attracting foreign investors' interests. Securities markets in the region are upgrading rapidly in terms of technological developments in a bid to provide an efficient platform for trading and thus to capture a more significant share of global business. Past experience has shown that foreign investments head towards countries with the lowest risk factors. This implies that offering the best standards of transparency, liquidity, products, infrastructure, regulation and costs of intermediation would go a long way to attract investors' interest to our regional markets.

DEVELOPMENTS ON THE EXCHANGE

In light of trends and challenges on the international capital markets, both the SEC and the stock market operator, the Stock Exchange of Mauritius Ltd. (SEM), have enhanced their operational procedures to improve services and reinforce the Exchange's competitive edge. The FSC is committed to the promotion of regulations that require more disclosure and timely dissemination of corporate information for the benefit of investors and the general public.

SECURITIES SECTOR

TRENDS IN SECURITIES SUPERVISION AND REGULATION

Securities legislation, which in the past had centered around the Stock Exchange Act 1988, is now complemented by the FSDA, which adds to it new elements of regulation, much clearer regulatory objectives as well as stronger supervisory and investigative powers for the FSC.

The new Securities Bill which will be introduced shortly, aims to provide a sound framework for securities trading and to ensure consistency in investment regulation and to foster higher professional standards among market intermediaries. The provisions contained in the proposed Bill will go through a consultative process with all stakeholders prior to its finalisation.

IMPLEMENTATION OF RISK BASED SUPERVISION

Capital adequacy requirements are crucial to assess insolvency risks of market participants and have polarised attention of regulators in international forums like International Organisation of Securities Commissions (IOSCO) and International Association of Insurance Supervisors (IAIS). The SEM and the Central Depository and Settlement Co Ltd (CDS) have in place appropriate infrastructure and rules that govern financial resource requirements, "FRR", for stockbroking companies. The Commission has high on its agenda the implementation of a framework that extends capital adequacy requirements to licensees in the securities industry.

IMPLEMENTATION OF INTERNATIONAL STANDARD LISTING RULES

In 2001, the SEC and the SEM adopted Listing Rules that demand higher standards of conduct and disclosure from companies, boards of directors and management in line with international standards. The Listing Rules also provide ongoing requirements with regard to disclosure of financial information.

INVESTIGATIONS & ENFORCEMENT

In line with the FSC's statutory object to promote the sound development of the capital market and to ensure investor's protection, the Commission is committed to effective enforcement. In 2001, investigations were made in a number of companies for transgression of the securities law.

Air Mauritius Ltd

In August 2001, the press reported allegations of fraud and corruption against certain officers of Air Mauritius Ltd.

For the purposes of its enquiry Air Mauritius appointed an external auditor, Messrs Ernst & Young to investigate the affairs of the company. Given the magnitude of the sums allegedly involved, a Technical Committee led by the FSC was set up to monitor both the conduct of the enquiry and the implementation of the redress mechanism it recommended. A report was submitted by the auditors.

The Technical Committee met with the auditors and highlighted issues in the report which in its view would have required more analysis. The FSC led discussions in close collaboration with the companies involved to remedy the situation while preventing further erosion of investor confidence. Measures recommended by the auditors were implemented by the listed company. The Board of Air Mauritius and Rogers took the decisions that were needed to comfort their investors and demonstrated their willingness to put in place a train of measures to tighten control procedures.

Delphis Bank Ltd

The Commission investigated a case of duplicate issue of shares to the major shareholders of another listed company, Delphis Bank Limited. The investigation lead to the suspension of Delphis Bank Ltd from the Official List in March 2002 and the revocation of its banking licence by the Bank of Mauritius. The case was further investigated and a detailed report compiled. It was concluded that action should be taken against Delphis Bank Ltd. for contravening provisions of the CA. The matter was referred to the ROC for further action. The Secretary and an ex-Chief Executive of Delphis Bank Ltd. were arrested and the investigation is being pursued by the Police. The business of the bank has been taken over since 7 September 2001 by a new entity, First City Bank Ltd whilst Delphis Bank Ltd. has been put into receivership.

MARKET MANIPULATION COMPLAINTS

Following complaints received at the FSC regarding suspected market manipulation on some shares, a thorough investigation was carried out. Trade data were analysed and various persons who traded in those shares and intermediaries involved in the trades were questioned.

Though no concrete evidence was found that would enable the FSC to establish a case of market manipulation the Commission was satisfied that the investigation had a dissuasive effect on persons trying to act against established good practices.

INTERNATIONAL REGULATORY ORGANISATIONS

The Commission has participated actively in the work of international regulatory organisations including the IOSCO, and the Committee for Insurance, Securities and Non-Banking Financial Authorities (CISNA).

SECURITIES SECTOR

IOSCO

The SEC has been a member of the IOSCO since 1992, and has regularly attended IOSCO Annual Conferences. The IOSCO is an international body that comprises securities regulators of both developed and emerging markets.

It consists of a Technical Committee comprised of developed economies and an Emerging Markets Committee regrouping the emerging markets. As an active ordinary member of the IOSCO, the Commission has not only demonstrated its commitment to the development of the securities industry but has also asserted its firm willingness to regulate the local market according to the principles of good securities regulation, developed by the IOSCO. Self- assessment surveys on the extent of the Commission's adoption of these principles were prepared and sent out during the year under review.

CISNA

The FSC is also a member of the CISNA, a regional organisation comprising regulators of capital markets, retirement funds, collective investment schemes and insurance companies in the Southern African Development Community (SADC). The main objectives of the CISNA can be summarised as follows:

- To establish sound regulatory frameworks with the aim of promoting and maintaining confidence in the financial systems in the SADC region.
- To prepare and promote a comprehensive and harmonised regional market in investment services, insurance and retirement funds, and capital markets.
- To prepare the region's regulatory framework for free flow of capital within SADC.

CISNA is a subcommittee of the Finance and Investment Sector Coordination Unit (FISCU) of the SADC. Its objective is to promote the coordinated development of non-banking regulatory activities in the region.

CISNA members have prepared a Strategic Plan to harmonise regional capital market regulations and to provide training of regulators. A Multilateral Agreement will be finalised under the aegis of CISNA for the sharing of information among regional regulators.

In other areas the Commission continues to strengthen cooperation with its counterparts through information exchange and technical cooperation.

CORPORATE HIGHLIGHTS

Official Market

The United Basalt Products Ltd (UBP)

- UBP Ltd concluded a major transaction which involved the sale of its surplus freehold land at Trianon to Highway Properties Ltd.
- The sale transactions for a total amount of Rs 98.4 million had a significant effect on the financial results of the group.

The Mauritius Commercial Bank Ltd (MCB)

- In June 2002, the Board of MCB Ltd examined the impact of the Madagascar crisis on the operations of the Bank.
- A decision was taken to increase the general provisioning levels in UCB Madagascar and on the Bank's overall exposure to the EPZ sector.

New Mauritius Hotels Ltd (NMH)

- Regarding the restructure of NMH Ltd, the Listing Committee issued a conditional acceptance letter to the company in October 2001 concerning the proposed listing of Ordinary shares of NMH Ltd.
- The FSC later in December 2001 gave its approval for the circulation of the restructure documents to the shareholders of all companies involved.
- NMH Ltd however failed to comply with all conditions set down by the Listing Committee.
- The company had to submit a fresh application in this regard which is currently being examined by the FSC.

British American Insurance Co. (Mtius) Ltd (BAI)

- In November 2001, BAI executed an Agreement with Globe Financial Management Plc "Globe" to merge the two companies' operations in Malta.

Delphis Bank Ltd (DBL)

- The shares of DBL were withdrawn from the Official List on 13 March 2002 following enquiries carried out by the FSC into serious matters which had come to its attention.
- The Commission found that DBL had acted inappropriately with regard to the re-issue of its existing share certificates.
- DBL also failed to honour its commitments regarding the reimbursement of loans made to its related parties and the re-domiciliation of its three major shareholders.

SECURITIES SECTOR

Happy World Foods Ltd (HWF)

- In November 2001, HWF received an offer to participate in the equity capital of the company running "Centre Commercial Phoenix".
- This proposal was not accepted by the Board of HWF.

Courts (Mauritius) Ltd

- In March 2002, the parent company of Courts (Mauritius) Ltd, Courts (Overseas) Ltd, concluded the acquisition of the 33.3% interest of Protea Furnishers (SA) Pty Ltd in Courts (Mauritius) Ltd.
- This came as a result of the strategic decision by the parent company of Protea Furnishers (SA) Pty Ltd, Profurn of South Africa, to focus its resources on its core businesses and exit from all joint ventures.

Mon Tresor and Mon Desert Ltd (MDMT)

- In July 2001, MTMD disposed of its interest in Mon Tresor (Holiday & Leisure) Ltd, a company quoted on the OTC market.
- In November 2001, MTMD Ltd made a press announcement pursuant to section 13.23 (a) of the new Listing Rules regarding the sale of 7,000 A of land to the Sugar Investment Trust Ltd.

Mauritius Union Assurance Company Ltd (MUA)

- In November 2001, MUA effected a Rights Issue of 2,040,000 ordinary shares at Rs 20 per share in the proportion of one new Ordinary share for every three existing ordinary shares payable in two calls.
- In December 2001, the company continued with an Employee Share Scheme that consisted of an issue of 160,000 new Ordinary shares to its employees at a price of Rs 20 each.
- Finally, MUA decided to make a Bonus Issue in the proportion of one new share for every four shares held.

Gamma Civic Ltd

- In October 2001, Gamma Civic Ltd entered into a strategic alliance with Holcim through the subscription by Holcim of an indirect minority stake in Ciments de L'Océan Indien Limitée.

Air Mauritius Ltd

- In October 2001, the Board of Directors of Air Mauritius Ltd appointed Messrs Ernst & Young (South Africa) to carry out an independent investigation into alleged fraud and financial malpractices at Air Mauritius.

The Mauritius Chemical and Fertilizer Industry Ltd (MCFI)

- MCFI had signed an Agreement with the Malawi Development Corporation, a state-owned company responsible for development projects in Malawi, in line with its objective to expand its activities on the African market.

Belle Mare Holding Ltd (BMH)

- In December 2001, BMH decided to sell all the shares it held in Constance Plage Ltd to Constance Industries Ltd, a subsidiary company of Constance Hotels Services Ltd, itself an Associated company of BMH.

The OTC Market

Tropical Paradise Co Ltd

- In June 2002, Tropical Paradise Co Ltd approved a significant restructuring of its capital. The restructuring consisted of:

- a reduction of the par value of the 1,250,000 ordinary shares in issue from Rs 100 each to Rs 80 each;
- the sub-division of these ordinary shares of Rs 80 each into 10 million ordinary shares of Rs 10 each;
- a Bonus Issue to ordinary shareholders in the ratio of one ordinary share for every four ordinary shares held.
- The company afterwards decided to effect a Rights Issue to its ordinary shareholders in the ratio of one ordinary share for each ordinary share held after the Bonus Issue.

Medine Sugar Estates Co Ltd

- In March 2002, Medine Sugar Estates Co. Ltd decided to approve a Rights Issue of 4,347,030 ordinary and 902,970 preference shares in the ratio of:

- one ordinary share for every ordinary share held;

- one preference share for every preference share held;

  The offer price of each new share was Rs 40.

Espitalier Noel Investment Trust Ltd (ENIT)

- ENIT Ltd made an offer to Savannah Sugar Estates Co Ltd and Mon Desert Alma Co Ltd respectively regarding the 100% acquisition of the Ordinary share capital of Savannah S.E Investments Ltd and Mon Desert Alma Investments Ltd.

Flacq United Estates Ltd (FUEL)

- In November 2001, the shareholders of FUEL unanimously voted in favour of the acquisition of Mon Loisir Co Ltd by FUEL. That course of action was adopted by FUEL in line with the centralisation of its sugar operations which have already started.

Floreal Knitwear Ltd

- In August 2001, Floreal Knitwear Ltd approved a re-organisation plan leading to the creation of an integrated textile unit known as CIEL Textile Ltd.
- Shares of Floreal Knitwear Ltd were withdrawn from the OTC list in September 2001 and were replaced by those of CIEL Textile Ltd.

Investments Holding Co Ltd

- In July 2001, Investments Holding Co Ltd resolved to carry out a voluntary winding up of the company.
- Trading in the shares of that company on the OTC market stopped in August 2001.

Unit Trusts

Mauritius Fund Ltd

- In August 2001, the Mauritius Fund Ltd "MFL" received the final approval of the authorities in Mauritius for the re-structure of its existing Fund and the creation of a new sub-fund under the existing Penny Unit Trust.
- The new fund which is known as 'The MFL Fund', has been established under the Unit Trust Act of 1989 and is an open-ended unit trust fund.
- That re-structure *inter-alia* comprised the transfer of the existing assets of MFL, save its net current assets (including cash), into 'The MFL Fund' in exchange for units.
- The transfer had been effected as an off-market transaction.
- MFL was eventually de-listed from the Stock Exchange in both Mauritius and London.

SICOM General Fund

- In June 2001, the SICOM General Fund was constituted under the SICOM Unit Trust with SICOM Financial Services Ltd as the Manager, and the Mauritius Commercial Bank Ltd acting as Trustee.
- Although subscription was closed in June, the Fund started to operate as from July 2001.
- The Fund is open-ended and has been established for a period of fifty years.
- The total value of the SICOM General Fund as at 31 December 2001 stood at Rs 65.04 million whereas the net amount of income available for distribution out of the Fund for the second semester of 2001 was Rs 2.52 million.

SBM Universal Fund

- The SBM Universal Fund was created in early June 2002 having as Manager, the SBM Mauritius Asset Managers Ltd and Sun Insurance Co Ltd, acting as Trustee.
- The Fund operates as an open-ended investment fund investing both locally and overseas subject to some investment restrictions and has a maximum duration of ninety nine years.

PROSPECTS

Mauritius has a relatively short history in terms of a formalised capital market. The progress both in terms of market activity and evolution of the regulatory framework has been well sustained. Efforts are ongoing to lift the operational scope of the market and enhance the regulatory environment. At the same time, the increased scope and sophistication of the domestic market, as well as the global trend towards more rigorous application of regulation and control with regard to financial services have raised the benchmark for the evaluation of the regulatory framework, and the Commission is set to meet the new challenges.

The SEM's commitment to implement international standards are fully recognised. However the fact that the SEM remains essentially a one-product exchange will make it particularly vulnerable to competition from its Asian and South African neighbours which operate more diversified market structures and have the added advantage of a good scale of business. Moreover, there is scope for raising the utilisation rates of its high level infrastructure. In order to adjust to the challenges of globalised financial markets, the SEM will need to develop new competitive strengths to capture both global investors' interests and respond to local needs.

The FSC will fully support the setting up of appropriate mechanisms to promote and assist the SEM in the implementation of new measures to this effect. It is noted however that the task to achieve a more efficient and dynamic capital market will require an even greater commitment on the part of all stakeholders.

STOCKBROKING COMPANIES

Stockbroking Company	Contact Details
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Associated Brokers Ltd ✉ 3rd Floor, Labama House Sir William Newton Street Port-Louis	Tel (230)212 3038 Fax (230)212 6690 Email abl@intnet.mu
Capital Markets Brokers Ltd ✉ Suite G09, Ground Floor, St James Court St Denis Street Port-Louis	Tel (230)212 1336 Fax (230)212 8238 Email cmb@intnet.mu
Cirne Stockbrokers Ltd ✉ 6th Floor, Harbour Front Building John Kennedy Street Port-Louis	Tel (230)211 3311 Fax (230)211 3676 Email contact@cirnegroup.com
First Brokers Ltd ✉ Ground Floor, BAI Building 25 Pope Hennessy Street Port-Louis	Tel (230)211 0582 Fax (230)211 0584 Email fbl@bai.intnet.mu
General Brokerage Ltd ✉ 8th Floor, Les Cascades Building 33 Bis Edith Cavell Street Port-Louis	Tel (230)208 7010 Fax (230)212 9867t Email gbl@intnet.mu
MCB Stockbrokers Ltd ✉ Raymond Lamusse Building MCB Head Office Sir William Newton Street Port-Louis	Tel (230)202 5245 Fax (230)208 9210 Email mcbstockbrokers@mcb.co.mu
Ramet Associés Ltée ✉ 16, Queen Street Port-Louis	Tel (230)212 2661 / 212 3535 Fax (230)208 6294 Email rametass@intnet.mu
SBM Securities Ltd ✉ Level 6, State Bank Tower 1 Queen Elizabeth 11 Avenue Port-Louis	Tel (230)202 1437 Fax (230)202 1710 Email sbmsecurities@sbm.intnet.mu
Newton Securities Ltd ✉ Level 8, Happy World House Sir William Newton Street Port-Louis	Tel (230)208 8626 / 212 6741 Fax (230)208 8749 Email newton@intnet.mu
Cavell Securities Ltd ✉ 18 Edith Cavell Street Port-Louis	Tel (230)208 0808 / 208 4802 Fax (230)208 1674 Email cavell@intnet.mu

INSURANCE SECTOR

OVERVIEW

The September 11th attacks had serious effects on the insurance and re-insurance industry worldwide. Several large re-insurance companies in Europe and the USA had to close down as a result of massive claims on property and liabilities by individuals and corporate bodies. Mauritius has not been insulated from the prevailing higher risks which characterised business. New pressure on the cost of re-insurance rippled world wide and in Mauritius, bidding premium charges up across the industry.

Insurance companies are becoming an important segment of the domestic financial sector, offering a variety of insurance services ranging from long term insurance business, such as life assurance, pensions and permanent health insurance, to general insurance business, such as fire, motor, workmen's compensation, employer's liability and miscellaneous insurances.

As at 30 June 2002, 23 insurance companies including three foreign insurers were licensed. Total assets for the period ending June 2001 stood at Rs 23,972 million. There have been no new entrants in the industry.

Long term insurance funds and general insurance funds amounted to Rs 18,592 million and Rs 523 million respectively as at end June 2001.

Total gross premiums for long term insurance business amounted to Rs 3,247 million, while gross premiums for general insurance business stood at Rs 2,087 million for the period ending June 2001.

Contribution of the sector to GDP has fluctuated around an average of 17.7% over the past three years.

The major share of business is effected by three leading groups of companies representing almost 75% of assets, 83% of retained profits, 63% of net worth and 78% of life premiums.

Although the other 20 insurers are competing for the remaining market share, it is expected that the insurance sector in the economy will assume greater importance with enhanced economic activities, riskier job environment and an ageing population.

REGISTERED INSURERS

As indicated in Table 1, the total number of insurers registered under the Insurance Act 1987 as at 30 June 2002, stands at 23 of which, 3 are foreign insurers.

Table 1: **Number of Registered Insurers**

Type of business	Local	Foreign	Total
Long Term Insurance business only	3	1	4
General Insurance business only	5	2	7
Long Term and General Insurance business	12	0	12
Total	20	3	23

The companies involved in both long term and general insurance are all locally based. For the past three years the number of both local and foreign insurers have not evolved significantly except for the deregistration of a foreign insurer, Munich Reinsurance Company of Africa Ltd in 2001.

A list of registered insurers is found in Annex 1.

INSURANCE INTERMEDIAIRES

The number of insurance intermediaries registered over the past five years is indicated in Table 2. A rising trend in the number of those intermediaries is observed.

Table 2: **Number of Insurance Agents, Brokers and Salesmen**

Registered Intermediary	1998	1999	2000	2001	2002
Insurance Agents	94	106	114	144	169
Insurance Brokers	7	7	8	8	9
Insurance Salesmen	2,236	2,361	2,416	2,512	2,571

TOTAL ASSETS

The insurance sector, as a major component of the financial system, continues to play an important role in the socio-economic development of the country. The total assets of registered insurers which constituted 16.3% of GDP in 1997 have grown to 18.2% of GDP in 2001, as indicated in Table 3.

Table 3: **Contribution of Assets to GDP**

Year	1997	1998	1999	2000	2001
Total Assets (Rs Million)	14,130	16,672	18,635	21,123	23,972
% of GDP	16.3	17.0	17.3	17.7	18.2

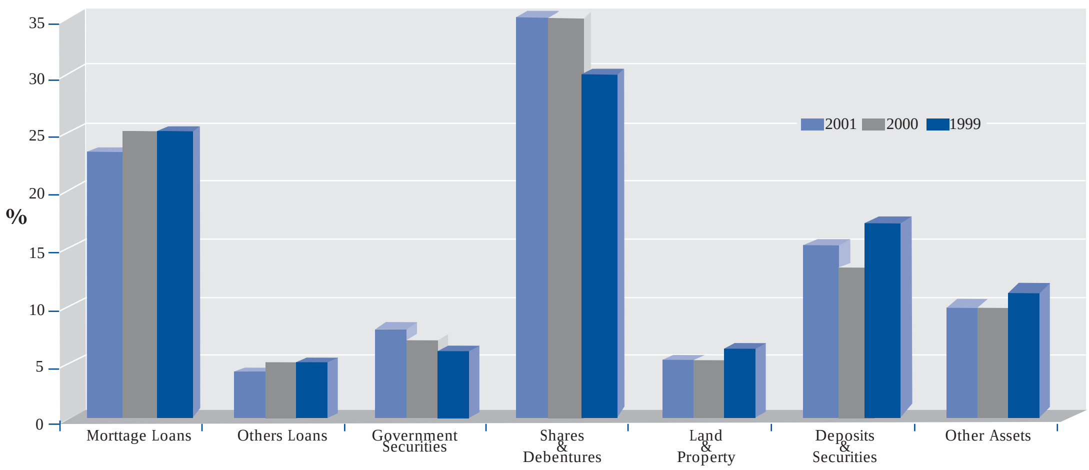
Total assets in 2001 exceeded Rs 23.9 billion, representing an increase of 13.5 % over the last year. It is also observed that the total assets of insurance companies have grown by 29% over the period 1999-2001.

The distribution of assets of insurance companies is provided in Annex 2.

Figure 1 indicates that out of the total assets of Rs 23,972 million in 2001, mortgage loans amount to 23% of total assets in 2001 compared to 25% in 2000 and 1999.

The share of land & property has decreased from 6% in 1999 to 5% in 2000 and 2001. The share of Government securities has increased from 6% in 1999 to 8% in 2001, and that of shares & debentures from 30% in 1999 to 35% in 2000 and 2001.

Figure 1: Breakdown of Assets of Insurance Companies (1999 – 2001)



Distribution of the assets and liabilities of individual registered insurers for the year 2001 are provided at Annexes 3 and 4 respectively.

LONG TERM INSURANCE BUSINESS

Premium and Investment Income

The gross premium income in respect of long term insurance business increased from Rs 2,770 million in 2000 to Rs 3,247 million in 2001, registering an increase of 17%, as indicated in Table 4. A summary of revenue accounts for each registered insurer for the year 2001 is found at Annex 5.

Table 4: **Gross Premium & Investment income**

Year	2000	2001
Gross Premium (Rs million)	2,770	3,247
Investment Income (Rs million)	1,410	1,581
Total	4,180	4,828

Given the long term nature of life insurance business, income arising from the investment of funds plays an important role. However, we note a decline in investment income, which was 51% of the gross premium income in 2000, and 49% in 2001.

Benefits Payment

Payment of benefits associated with life insurance policies arise in the event of death, disability or survival at a specified age or date. It may represent a benefit on maturity or an agreed date under a life insurance policy or a periodical payment under an annuity or pension contract. The surrender of a policy before its due expiry date may also involve payment of a sum to the life assured.

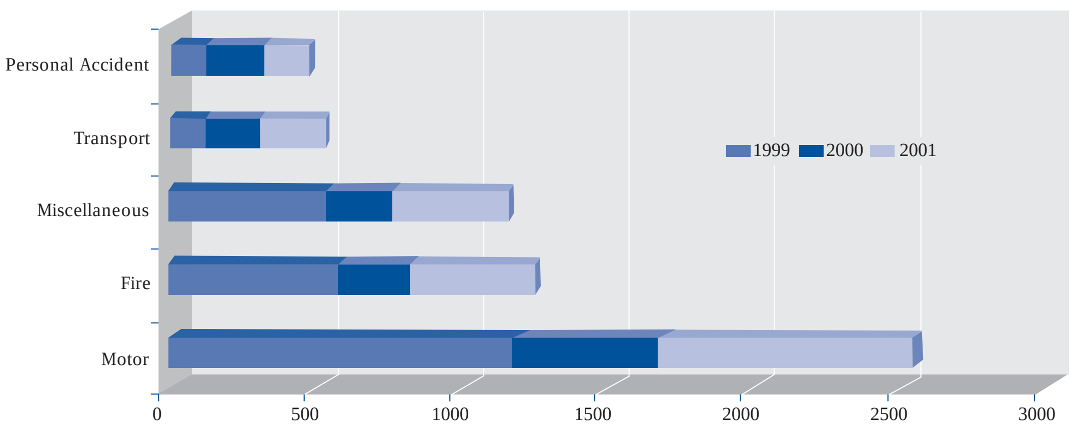
We note that total payment of benefits have increased from Rs 1,400 million in 2000 to Rs 1,639 million in 2001, an increase of 17%. Survival benefits payable under endowment policies and annuity payments accounted for 72% of the total payments in 2001 as against 71% in 2000. Approximately 6% of the total benefits were paid in respect of death during the year 2001. The proportion of bonus cashed to total payments has decreased from 12% in 2000 to 11% in 2001.

GENERAL INSURANCE BUSINESS

Premium Income

The gross premium income in respect of general insurance business increased from Rs 1,966 million in 2000 to Rs 2,087 million in 2001, representing a growth of 6% as compared to 9% in 2000. The premium income for general insurance business for the period 1999 - 2001 and its distribution over the five classes of business are displayed in Figure 2.

Figure 2: Gross Premium Income for General Insurance Business (Rs million)



INSURANCE SECTOR

The share of fire insurance business remained at the same level of 20% of total premium income in 2000 and 2001, while motor insurance business has increased from 44% in 2000 to 45% in 2001. Miscellaneous accident insurance business comprising several sub-classes has decreased its share of total premium income from 21% in 2000 to 18% in 2001. Transport insurance business is at the level of 9% of total premium income in 2001 as against 8% in 2000. The share of personal accident insurance business in 2001 has increased to 8% from 7% in 2000.

Claims Experience

Claims paid in relation to gross premium provide an indication of the profitability of the business operations. The incurred claims amount is arrived at by adding the year end outstanding claims provision to the actual claims payments made during the year and deducting these from the outstanding claims provision of the previous year. The incurred claims position is thus dependent on the accuracy of the estimates for outstanding claims.

Considering the different classes of general insurance business altogether, it is noted that the claims ratio has decreased from 59% in 2000 to 53% in 2001. The gross claims ratio in respect of fire insurance business is at 24% in 2001 as against 30% in 2000 and that of miscellaneous insurance business has decreased from 79% in 2000 to 61% in 2001. As regards motor insurance business, the claims ratio has increased from 73% in 2000 to 74% in 2001.

A summary of revenue accounts in respect of general insurance business for the year 2001 is provided in Annex 6.

LEGISLATIVE CHANGES

The FSDA, and the Insurance Act 1987 (as amended) set out the legal framework for the conduct of insurance business in Mauritius. The Insurance Act 1987 does not apply to the Sugar Insurance Fund Board, the African Reinsurance Corporation, Lloyds - an association of underwriters - and some organisations that provide insurance benefits incidentally to their main activities.

The FSDA and the Insurance Act 1987 (as amended) confer upon the FSC powers to ensure compliance with their provisions by registered insurers and insurance intermediaries, which, inter alia, require that business is conducted on the basis of sound insurance principles. Thus, supervision not only requires a scrutiny of the statutory returns and accounts but also other aspects of insurers' business such as the maintenance of the statutory deposits at the level laid down in the Act, the constitution and maintenance of the statutory reserve fund, investment in securities prescribed by law, the proper investment of funds in general, adequate reinsurance arrangements, margin of solvency, etc.

With a view to improving the financial position of insurance companies, certain provisions of the Insurance Regulations 1988, issued under the Insurance Act 1987, were amended in 2000 to increase the paid up share capital of insurers to Rs 20 million with effect from 1 July 2000 and to Rs 25 million as from 1 July 2001.

New Legislation

The Insurance Act 1987 is presently being reviewed and a new draft Insurance Bill is currently under preparation to address regulatory issues such as risk-based capital, solvency margin requirements, management of assets, corporate governance, internal controls, etc.

The new Bill will segregate life and non-life insurance so as to minimise contagion and insolvency risks in the event of company failures. It will address the issues of good Corporate Governance and internal control systems making it compulsory for the Board of Directors to manage their business on a sound basis and to address consumer complaints. The Insurance Bill will go through a consultative process with all stakeholders before being submitted to Parliament.

COMPLAINTS

The Commission has received an increasing number of complaints from policyholders, consumer organisations, insurers and third parties against certain insurance companies regarding the unsatisfactory handling of motor claims. Enquiries have been carried out with a view to settle claims in genuine cases.

The number of written complaints registered for the period 1 July 2001 to 30 June 2002 is 257 as against 180 for the period 1 July 2000 to 30 June 2001.

ENFORCEMENT ACTIONS

Investigations were carried out on four companies for suspected non compliance with the insolvency and statutory reserve requirements of the law. One company was suspended and an administrator was appointed.

INSURANCE SECTOR

INTERNATIONAL REGULATORY ORGANISATIONS

IAIS

The FSC is a member of the International Association of Insurance Supervisors (IAIS) based in Basle, Switzerland. The IAIS comprises national insurance regulators and supervisors from over 100 jurisdictions. Established in 1994, the IAIS contributes to global financial stability through :

- Developing cooperation among members.
- Setting international standards on insurance regulation.
- Assisting members in complying with IAIS standards at national and international levels.
- Coordinating work with other national and international financial institutions.

Insurance Company	Contact Details
Albatross Insurance Company Ltd ✉ 22 St George Street Port-Louis	Tel (230)207 9007 Fax (230)208 4800 Email headoffice@albatross.mu
Anglo Mauritius Assurance Society Ltd ✉ Anglo Mauritius Building 10 Intendance Street Port-Louis	Tel (230)202 8600 Fax (230)208 8956 Email anglomtius@intnet.mu
British American Insurance Co. (Mtius) Ltd ✉ 25 Pope Hennessy Street Port-LouisFax	Tel (230)202 3600 (230)208 3713 Email bai@intnet.mu
G.F.A. Insurance Ltd ✉ Corner 5 Bourbon & Royal Streets Port-Louis	Tel (230)210 3148 Fax (230)210 3801 Email gfa@intnet.mu
Indian Ocean General Assurance Ltd ✉ 35 Corderie Street Port-Louis	Tel (230)212 4125 Fax (230)212 5850 Email iogaltd@intnet.mu
Island General Insurance Co Ltd ✉ 5th Floor, Labourdonnais Court Labourdonnais Street Port-Louis	Tel (230)212 8594 Fax (230)212 8684 Email island.ins@intnet.mu
Island Life Assurance Co Ltd ✉ Ken Lee Building, Edith Cavell Street Port-Louis	Tel (230)210 8686 / 89 Fax (230)210 8690 Email islandlife@intnet.mu
Jubilee Insurance (Mauritius) Ltd ✉ 4th Floor, PCL Building 43, Sir William Newton Street Port-Louis	Tel (230)210 3678 / 210 3985 Fax (230)212 7970 Email jubileem@intnet.mu
Lamco International Insurance Ltd ✉ 12 Barracks Street Port-Louis	Tel (230)212 2221 / 212 4494 / 12 Fax (230)208 0612 Email lamco@intnet.mu
La Prudence (Mauricienne) Assurances Ltee ✉ 2nd Floor, Barkly Wharf Le Caudan Waterfront Port-Louis	Tel (230)208 8935 / 212 3396 Fax (230)208 8936 Email prudence@intnet.mu

REGISTERED INSURERS

Insurance Company	Contact Details
Leadway Insurance Co. Ltd ✉ Pearl House 16 Sir Virgil Naz Street Port-Louis	Tel (230)208 4076 / 211 9050 Fax (230)211 9960 Email leadway@intnet.mu
Life Insurance Corporation of India ✉ John Kennedy Street Port-Louis	Tel (230)208 1485 / 212 5316 Fax (230)208 6392 Email liccmm@intnet.mu
Llyods ✉ 10 Dr Ferriere Street Port-Louis	Tel (230)208 2811 Fax (230)208 8782 Email llyods@intnet.mu
Mauritian Eagle Insurance Company Ltd ✉ 1st Floor, IBL Building Caudan Waterfront Port-Louis	Tel (230)212 4877 Fax (230)208 8608 Email meagle@intnet.mu
Mauritius Union Assurance Company Ltd ✉ 4 Leoville L'Homme Stree Port-Louis	Tel (230)207 4185 Fax (230)212 2962 Email mua@intnet.mu
New India Assurance Company Ltd ✉ 3rd Floor, Bank of Baroda Building 15 Sir William Newton Street Port-Louis	Tel (230)208 1442 / 210 4774 Fax (230)208 2160 Email niasurance@intnet.mu
Rainbow Insurance Company Ltd ✉ Rainbow House 23 Edith Cavell Street Port-Louis	Tel (230)212 5767 Fax (230)208 8750 Email raininsu@intnet.mu
State Insurance Company of Mauritius Ltd ✉ Sir Celicourt Antelme Street Port-Louis	Tel (230)208 5406 Fax (230)208 7662 Email email@sicom.intnet.mu
The Stella Insurance Company Ltd ✉ 36 Sir William Newton Street Port-Louis	Tel (230)208 0056 Fax (230)208 1639 Email stellain@intnet.mu
Sun Insurance Company Ltd ✉ 2 Corner Barracks & St George Streets Port-Louis	Tel (230)208 0769 Fax (230)208 2052 Email suninsco@intnet.mu
Swan Insurance Company Ltd ✉ 6-10 Intendance Street Port-Louis	Tel (230)207 3500 / 211 2001 Fax (230)208 6898 / 211 2034 Email swan@intnet.mu

(Percent of total)

	1997	1998	1999	2000	2001
Mortgage Loans	30	26	25	25	23
Other Loans	8	5	5	5	4
Government Securities	7	9	6	7	8
Shares & Debentures	22	26	30	35	35
Land & Property	6	7	6	5	5
Deposits & Securities	16	16	17	13	15
Other Assets	11	11	11	10	10
TOTAL (Rs '000)	14,129,693	16,672,435	18,634,611	21,123,373	23,971,659

ANNEX 3 DISTRIBUTION OF ASSETS OF INDIVIDUAL REGISTERED INSURERS

Rs '000	ALBAT-ROSS	ANGLO MTIUS	BAI	GFA	IOGA	ISLAND GEN	ISLAND LIFE	JUB-ILEE	LAMCO	LA PRU-DENCE	LEAD-WAY	MTIAN EAGLE	MTIUS UNION	RAIN-BOW	SECURA	SICOM	STELLA	SUN	SWAN	LIC	MUNICH RE	NEW INDIA	TOTAL
House & Landed property	-	325,654	292,072	544	3,250	9,260	50,652	776	13,750	31,785	-	57,119	114,636		-	108,906	60,394	39,370	-	121,970	-	2,304	1,232,442
Loans to Directors	-	-	37,046	-	-	-	-	-	-	10,157	13,939	-	-	0	-	6,093	2,500	-	-	-	-	-	69,735
Mortgages on Property	195,516	1,880,531	628,035	-	10,324	-	124,234	-	18,905	119,657	-	51,065	284,167	18,913	-	2,046,908	13,008	83,481	40,784	81,656	-	-	5,597,184
Loan on Insurance Policies	7,493	68,559	8,623	-	4,948	-	-	-	256	14,911	-	-	37,448	1,802	-	40,919	1,038	3,371	-	7,713	-	-	197,081
Loan on Personal Securities	-	3,687	-	-	24	-	-	-	215	2,576	-	-	-	3,906	-	7,093	-	-	-	-	-	-	17,501
Other Loans	16,549	431,214	-	-	-	2,550	9,882	-	49	20,487	-	0	35,108	-	-	90,853	-	60,736	21,711	27,417	-	-	716,556
Goverment Securities	-	79,291	150,613	-	592	-	32,133	-	-	0	-	-	-	-	-	1,255,643	-	0	1,794	438,802	-	71,628	2,030,496
Fixed Deposits	-	-	43,354	25,543	13,000	-	1,000	-	3,695	-	4,500	-	-	-	-	-	-	6,555	-	-	-	34,716	132,363
Other Securities & Deposits	16,000	917,481	16,000	8,000	16,000	12,443	47,116	16,000	16,764	16,000	8,016	75,749	16,000	16,015	8,000	23,855	16,000	91,461	8,000	20,092	8,000	8,000	1,380,992
Inv. in related companies	61,435	99,725	297,629	-	-	2,080	40,988	-	-	26,150		-	86,446	-	-	1,492,341	-	-	6,293	-	-	-	2,113,087
Other Investments	253,658	1,490,485	308,795	3,890	20,354	-	68,603	7,456	3,155	143,213	-	15,300	348,858	126,696	5,100	3,074,893	200	27,618	261,838	11,165	-	500	6,171,777
Short Term Deposits	21,500	771,980	-	-	25,782	4,775	-	-	27,820	53,199	-	47,583	102,998	168	-	143,481	4,545	2,000	161,285	(-147,628)	-	-	1,514,744
Outstanding Premium	83,005	25,550	25,367	7,150	1,304	32,214	4,435	28,549	11,388	33,063	4,590	-	83,077	22,850	7,963	28,155	4,237	38,387	113,586	5,743	98,752	33,453	692,818
Amt receivable from Insurers	-	-	-	-	-	-	-	-	13,000	-	-	70,246	-	18,141	224	25,301	-	-	-	-	18	-	126,930
Reinsurers	11,839	5,142	-	-	498	10,685	-	-	1,318	9,109	1,277	7,373	0	-	-	15,726	-	-	-	-	-	4,679	67,646
Other Accounts receivable	7,615	-	-	-	0	-	-	-	0	0	-	4,413	7,069	627	16,261	-	0	265	7,566	-	-	73	43,889
Interest, Dividend & Rent Receivable	10,420	169,264	75,776	-	2,577	916	3,896	-	90	7,152	-	-	-	1,716	-		253,060	476	4,381	8,700	46,994	-	-	585,418
Sundry Debtors	-	20,519	167,531	-	-	355	75	585	-1,285	2,566	-	1,896	16,841	2,576	-	65,415	29,101	(-4,000)	-	1,614	-	(-748)	303,041
Cash in Hand	10,941	-	61	14	82	13	158	-	2	25	17	4	25	1,452	20	18,995	0	7	4	218	-	5	32,043
Bank Balance	60,333	45,677	42,446	542	3,211	22,559	3,605	2,567	868	12,432	31	34,286	77,615	16,877	529	20,682	319	16,607	3,464	10,011	47,451	(-1,629)	420,483
Other Assets	10,359	33,339	274,918	1,437	8,099	1,750	2,823	-	7,369	18,183	1,034	10,899	47,387	22,845	1,503	28,754	16,422	7,217	26,473	4,622	-	-	525,433
Total	766,663	6,368,098	2,368,266	47,120	110,045	99,600	389,600	55,933	117,359	520,665	33,404	375,933	1,257,675	254,584	39,600	8,747,073	148,240	377,456	661,498	925,645	154,221	152,981	23,971,659

Annex 4

DISTRIBUTION OF LIABILITIES OF INDIVIDUAL REGISTERED INSURERS

Rs '000	ALBAT-ROSS	ANGLO MTIUS	BAI	GFA	IOGA	ISLAND GEN	ISLAND LIFE	JUB-ILEE	LAMCO	LA PRU-DENCE	LEAD-WAY	MTIAN EAGLE	MTIUS UNION	RAIN-BOW	SECURA	SICOM	STELLA	SUN	SWAN	LIC	MUNICH RE	NEW INDIA	TOTAL
Amount due to Insurers	-	-	-	-	-	-	-	-	224	-	-	-	-		7,284	8,262	-	-	-	-	65,804	-	81,574
Amount due to Reinsurers	4,904	11,547	6,965	413	322	4,433	2,413	5,122	-	16,285	-	31,284	31,633	6,959	8,117	34,265	2,436	2,560	2,711	-	-	11,921	184,290
Amt. payable to Policy Holders	-	4,738	12,077	-	16	1,795	-	-	-	-	-	-	5,293	-	-	14,998	-	-	-	4,842	-	-	43,759
Other Creditors	37,260	45,736	91,401	102	-	7,164	2,524	16,098	2,548	16,356	384	5,840	11,801	3,824	1,807	90,957	2,668	14,290	17,043	49,179	-	1,499	418,481
Outs. Claims Reserves	44,740	7,677	13,848	5,764	22,465	47,097	359	3,680	14,041	50,336	7,877	28,665	82,311	10,318	1,721	105,289	47,855	105,801	83,625	1,244	-	36,819	721,532
Short Term Borrowings	-	-	3,955	820	-	846	9,741	322	5,433	-	196	-	-	4,473	3,666	12,500	25,892	-	-	6,236	-	-	74,080
Taxation	7,676	12,000		76	1,192	-	1,022	-	503	2,044	-	5,550	2,712	-	-	42,325	-	2,195	9,163	5,557	2,300	3,936	98,251
Long Term Borrowings	-	-	13,170	-	-	-	257	-	-	43,340	-	-	110,000	23,040	-	167,740	13,189	-	-	-	-	-	370,736
Other Liabilities	11,067	59,572	197,349	-	2,918	650	507	442	2,464	803	-	-	5,377	3,865	-	1,779	9,398	-	25,640	858	-	-	322,689
Statutory Reserve Fund	20,053	-	2,391	3,004	1,000	1,584		922	7,000	12,886	-	17,724	18,795	4,000	842	19,407	-	10,112	59,363	-	11,750	5,962	196,795
Other Reserves	23,545	-	1,146	-	1,436		-	-	5,386	6,250	-	41,620	50,895	83,538	-	94,348	9,289	1,126	39,288	-	40,008	58,319	476,194
Long Term Insurance Fund	477,846	6,196,552	1,770,978	-	53,574	409	347,777	-	26,351	272,617	-	68,576	748,927	61,150	-	7,482,023	52,063	178,228	-	855,086	-	-	18,592,157
General Insurance Fund	46,159	-	949	13,263	3,176	9,948	-	5,123	27,374	37,779	8,383	62,785	81,905	20,256	10,683	30,523	9,861	30,185	89,579	-	-	34,525	522,456
Other Funds	-	5,276	29,450	-	-	-	-	-	-	-	-	-	-	-	-	45,000	-	1,268	-	2,643	-	-	83,637
Profit & Loss A/C	67,013	-	123,153	(-1,322)	3,908	674	-	(-5,776)	959	36,969	(-8,436)	87,222	45,226	8,161	19,520	572,657	(-63,411)	6,691	299,229	-	34,359	-	1,187,756
Paid Up Share Capital	26,400	25,000	81,434	25,000	20,038	25,000	25,000	30,000	25,076	25,000	25,000	26,667	62,800	25,000	25,000	25,000	39,000	25,000	35,857	-	-	-	597,272
Total	766,663	6,368,098	2,368,266	47,120	110,045	99,600	389,600	55,933	117,359	520,665	33,404	375,933	1,257,675	254,584	39,600	8,747,073	148,240	377,456	661,498	925,645	154,221	152,981	23,971,659

ANNEX 5 LONG TERM INSURANCE BUSINESS REVENUE ACCOUNTS

Rs '000	ALBAT-ROSS	ANGLO MTIUS	BAI	IOGA	ISLAND LIFE	LAMCO	LA PRU-DENCE	MTIAN EAGLE	MTIUS UN ION	RAIN-BOW	SICOM	STELLA	SUN	LIC	TOTAL
PREMIUM :															
Gross	105,739	777,409	856,533	6,279	53,737	6,265	83,283	31,965	153,530	17,486	931,844	5,745	40,051	176,742	3,246,608
Reinsurance	13,148	26,419	13,584	315	1,732	1,021	6,276	3,524	11,667	3,192	41,093	374	1,087	0	123,432
Net	92,591	750,990	842,949	5,964	52,005	5,244	77,007	28,441	141,863	14,294	890,751	5,371	38,964	176,742	3,123,176
INVESTMENT INCOME	4,557	541,287	195,267	5,772	31,687	146	26,198	6,469	72,964	5,761	576,741	3,374	18,830	92,261	1,581,314
OTHER INCOME	32,580	13,586	0	6	6,714	2,477	848	3,899	122	2,000	767	2,105	51	1,063	66,218
CLAIMS :															
Gross	28,370	392,419	478,346	8,713	21,458	2,969	22,071	14,865	84,618	14,405	473,663	5,722	16,702	106,637	1,670,958
Reinsurance	0	9,696	2,678	961	82	27	1,586	2,998	1,127	0	12,051	0	271	0	31,477
Net	28,370	382,723	475,668	7,752	21,376	2,942	20,485	11,867	83,491	14,405	461,612	5,722	16,431	106,637	1,639,481
COMMISSION :															
Received and receivable	2,998	2,382	0	31	240	203	2,839	0	2,545	363	8,433	0	0	0	20,034
Paid and payable	5,559	24,524	40,353	169	4,289	689	5,233	2,654	13,816	1,046	25,378	72	4,211	17,264	145,257
Net	(2,561)	(22,142)	(40,353)	(138)	(4,049)	(486)	(2,394)	(2,654)	(11,271)	(683)	(16,945)	(72)	(4,211)	(17,264)	(125,223)
ADMINISTRATION COST	22,537	125,433	155,183	1,781	9,807	922	12,332	9,282	33,075	6,370	77,162	2,573	11,179	33,407	501,043
TAXATION	350	0	0	602	1,367	0	0	0	555	0	13,395	0	0	5,098	21,367
FUND AT BEGINNING OF YEAR	402,051	5,383,365	1,426,123	52,105	306,498	23,010	215,000	55,857	666,693	60,766	6,589,877	50,687	155,666	738,008	16,125,706
FUND AT END OF YEAR	477,846	6,196,552	1,770,978	53,574	347,777	26,351	272,617	68,576	748,927	61,150	7,482,023	52,063	178,228	855,086	18,591,748

ANNEX 6

GENERAL INSURANCE BUSINESS REVENUE ACCOUNTS

COMPANY	PREMIUM			CLAIMS			COMMISSION			ADMINISTRATION COST	INT. & INV. INCOME *
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Received	Paid	Net		
ALBATROSS	220,836	147,101	73,735	114,993	70,147	44,846	38,517	11,611	26,906	36,965	7,795
BAI	9,075	0	9,075	1,687	0	1,687	0	1,331	(1,331)	4,605	17,373
GFA	24,939	4,292	20,647	20,314	4,702	15,612	565	1,818	(1,253)	5,779	3,880
IOGA	8,857	916	7,941	5,402	246	5,156	275	128	147	2,941	4,049
ISLAND GENERAL	112,936	95,433	17,503	53,210	40,355	12,855	25,834	12,112	13,722	18,805	4,467
JUBILEE	52,200	2,552	9,648	25,362	19,140	6,222	13,028	4,947	8,081	12,626	3,036
LA PRUDENCE	169,119	45,007	124,112	89,793	25,042	64,751	13,615	18,395	(4,780)	25,240	17,500
LAMCO	78,081	9,952	68,129	56,459	8,186	48,273	1,564	8,057	(6,493)	11,324	3,791
LEADWAY	25,508	4,550	20,958	17,154	31,052	(13,898)	0	3,028	(3,028)	6,079	915
MAURITIAN EAGLE	230,301	111,157	119,144	105,472	19,120	86,352	22,872	16,124	6,748	19,341	13,252
MAURITIUS UNION	255,340	91,531	163,809	137,434	21,335	116,099	21,595	26,748	-5,153	17,069	30,286
RAINBOW	72,640	18,392	54,248	46,017	9,424	6,593	4,306	3,609	697	22,242	5,053
SECURA	36,172	8,022	28,150	34,688	30,844	3,844	659	5,896	-5,237	5,245	849
SICOM	148,329	86,125	62,204	55,933	23,922	32,011	14,688	2,118	12,570	77,730	67,871
STELLA	25,430	1,356	24,074	27,125	8,498	18,627	438	1,833	(1,395)	7,383	7,536
SUN	70,685	10,316	60,369	43,923	2,054	41,869	2,097	5,299	(3,202)	16,899	15,796
SWAN	461,610	280,216	181,394	225,195	126,319	98,876	68,689	46,570	22,119	77,906	57,639
TOTAL (Local Insurers)	*2,002,058*	*956,918*	*1,045,140*	*1,060,161*	*440,386*	*619,775*	*228,742*	*169,624*	*9,118*	*368,179*	*261,088*
MUNICH RE	5,233	5,168	65	5,502	3,677	1,825	772	523	249	370	5,139
NEW INDIA (March 2001)	80,006	14,523	65,483	43,572	6,178	37,394	4,140	9,282	(5,142)	6,775	12,481
TOTAL (Foreign Insurers)	*85,239*	*19,691*	*65,548*	*49,074*	*9,855*	*39,219*	*4,912*	*9,805*	*(4,893)*	*7,145*	*17,620*
GRAND TOTAL	**2,087,297**	**976,609**	**1,110,688**	**1,109,235**	**450,241**	**658,994**	**233,654**	**179,429**	**54,225**	**375,324**	**278,708**

* Interest and Investment Income

GLOBAL BUSINESS SECTOR

The year under review has been marked by a number of significant international events that have affected the Global Business sector, namely:

- Uncertainties and disturbances in the financial markets;
- A slowing global economy that started in the middle of 2000;
- Shrinking of offshore business following the OECD listing of tax havens and other international organisations' reviews of offshore jurisdictions;
- The tragic events of 11 September 2001 in the USA;
- The collapse of Enron and subsequent corporate failures in USA;
- The decision by the High Court in New Delhi to overturn the Central Board of Direct Taxes' circular of April 2000;
- Changes in the tax regime in South Africa.

Mauritius has not been insulated from the slowing of the global economy. While we will never know how much business we might have attracted had other conditions prevailed, we know from figures at our disposal (such as those presented below) that the pace of growth in the number of applications for Global Business Companies (GBCs) has slowed.

The tragic events of 11 September 2001 in the USA and the indescribable human tragedy that ensued had societal and economic implications that were felt world-wide.
The collapse of Enron in December 2001 (described as the largest filing for bankruptcy in the history of the United States) and subsequent corporate failures (including the corporate governance questions arising) daunted confidence further.

Closer to home, the implications of the assessment issued by the tax authorities in Mumbai (in March 2000) on certain Foreign Institutional Investors (operating in India although based elsewhere) reached a turning point at the end of May 2002. The Central Board of Direct Taxes (CBDT) issued a circular in April 2000 which stated that a Tax Residence Certificate (TRC) issued by the Mauritian authorities constituted sufficient evidence that a FII was domiciled in Mauritius. The circular was consequently quashed by a Delhi High Court order, which stipulated that Mauritius TRCs were being abused by third-country residents to benefit from the provisions of the Mauritius – India Double Taxation Avoidance Treaty. On 4 October 2002, the Mauritian based Global Business Institute Ltd (GBI) filed a special leave to petition with the Supreme Court of India, appealing against the High Court Order. The Government of India and the CBDT had also filed a similar appeal before the apex court. The cases filed by the Government of India and GBI were heard together and both parties challenged the power of the Indian income tax authorities to question the residency of a Mauritian entity, since determination of such residency is the sovereign right of the Mauritius government.

On 18 November 2002, the Supreme Court of India ruled that the Delhi High Court Order of May 2002 be stayed. The implication of the stay of the Order means that the CBDT circular remains in force until the final adjudication of the cases by the Supreme Court.

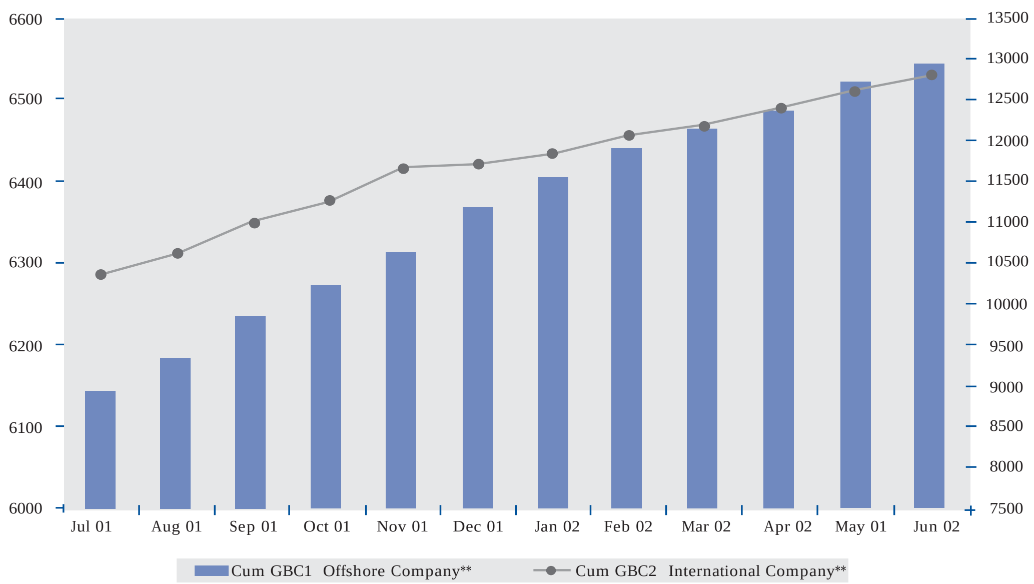
A NEW FRAMEWORK

Against a backdrop of the developments described above, the legislative changes during the course of the year have charted a new landscape for the financial services sector, including the Global Business sector. The Companies Act 2001 (inter alia) repealed the International Companies Act and the Financial Services Development Act 2001 repealed the Mauritius Offshore Business Activities Act with effect from 1 December 2001 and introduced the concept of "Qualified Global Business". With the repeal of these two Acts, neither Offshore Companies nor International Companies exist any longer - they have been replaced by Category 1 Global Business Companies (GBC1) and Category 2 Global Business Companies (GBC2) respectively.

GLOBAL BUSINESS APPLICATIONS

According to section 19 of the Financial Services Development Act, Qualified Global Business is "*…any business or other activity – specified in the Second Schedule and which is carried on from within Mauritius with persons all of whom are resident outside Mauritius and which is conducted in a currency other than the Mauritius currency…*". An analysis of the growth in the number of applications approved from persons who conduct offshore global business is indicated in Figure 1 and Table 1 below.

Figure 1: Analysis of Monthly Applications Approved *



** Cumulative figures represent all companies on register, including those companies that have been struck off*
*** Prior to 1 December 2001, GBC1 and GBC2 were termed as Offshore Companies and International Companies respectively.*

Table 1: Analysis of Annual Applications Approved

Type	1 July 2001	30 June 2002	Change	Change (%)
GBC1	6142	6546	404	6.6
GBC2	10368	12803	2435	23.5
Total	16510	19349	2839	17.2

MANAGEMENT COMPANIES

Management Companies (MCs) are domestic companies. In order for a company to act as a Corporate Trustee or as a Qualified Trustee, a Management Licence must be held. Therefore, Management Licences in issue include licences for both those legal persons acting as MCs per se and also for those acting as Trustees.

As at 30 June 2002, there were 94 MC licences in issue – which represents an increase of 1 in the absolute total as at July 2001. Table 2 below indicates the number of MCs and Trustees that were licensed at the end of the period under review and compares the figures with those twelve months before.

Table 2: Analysis of MCs

Type	1 July 2001	30 June 2002
Management Company	75	75
Trustee	18	19
Total	93	94

An exercise was initiated during the course of the year to check in detail, the audited financial statements submitted by MCs for financial years ended in 2001. All holders of Management Licences are required (under Section 24 (4) (a) of the FSDA) to submit audited financial statements within six months of the end of the financial year to which they relate.

The analysis that was undertaken indicates that the aggregate profit of 71 companies analysed amounted to US$10.59 million.

Table 3: Analysis of Aggregate Profits of MCs (2001)

	Number of MCs	% of MCs	Aggregate Profit (US$ million)	% of Aggregate Profit
	12	17%	9.5	90%
	59	83%	1.09	10%
Total	71	100%	10.59	100%

Table 3 indicates that the aggregate profit generated by MCs is highly concentrated with 17% of the total number of MCs producing 90% of the total aggregate profits. Further, profitability of the 5 highest profit generators constituted 70% of the total of MCs.

The aggregate turnover of all the 71 MCs was US$29,171,301 with the turnover of 12 MCs accounting for 72% (US$21,035,743) of the total turnover.

Table 4 indicates the profits before tax generated by the MCs during the last four years. It is observed that the profits slightly decreased by 5% in 1999 but subsequently increased by 35% in 2000 and 15% in 2001.

Table 4: Annual Profits Before Tax of MCs

Year	2001	2000	1999	1998
Profit before tax (US$ million)	10.6	9.2	6.8	7.2
No. MCs registered	76	72	53	45

The Commission estimates that the value added to the national GDP by MCs in 2001 was US$ 15,537,179.

The analysis carried out indicates that a number of MCs do not have the critical mass needed to generate any meaningful level of profit. In the coming months, the Commission will be discussing with these companies their future plans.

The review of the audited financial statements of the MCs has been a very fruitful exercise and has provided a substantial amount of useful information for market policy and regulatory purposes. It is very likely that the exercise will be repeated.

COLLECTIVE INVESTMENT SCHEMES

The number of Collective Investment Schemes (CIS) has increased by one per month on average. At the end of the period under review, the total on the register was 221 (this total excludes those schemes already wound up or in the process of being wound up). Figure 2 below analyses the structure adopted by each of the CIS that have been licensed whilst Figure 3 indicates the geographic distribution of the CIS.

Figure 2: Analysis of CIS by Type

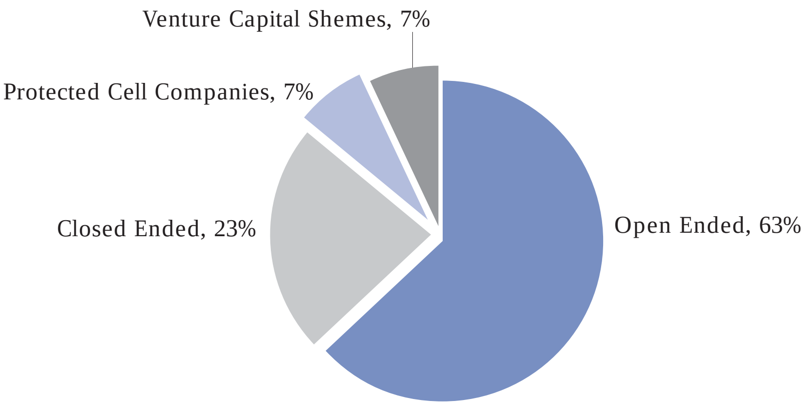
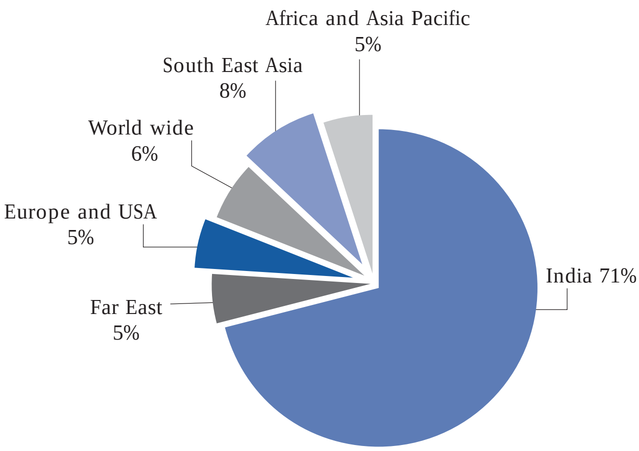


Figure 3: Geographic Analysis of CIS Source of Business



The aggregate Net Asset Value of all the schemes licensed by FSC is US$ 6.76 billion as at 30 June 2002.

REGULATORY WORK

During the year under review, the FSC investigated around 60 GBCs. The vast majority of these investigations are on-going.

In the period under review, representatives of the Commission have had the opportunity to meet licensees on a regular basis both at the Commission's premises and externally. We have also met with the Association of MCs on a regular basis.

Lastly, in this respect, we have also accepted invitations to take part in special meetings convened by licensees.

A number of on-site visits to MCs have been initiated so far. These visits will follow a more systematic approach in future, and in line with an overall Supervision Action Plan which is currently being worked out by the Commission.

A Guide to Fit and Proper Test has been issued to the industry for consultation.

APPLICATION FORMS

The Commission invited comments from licensees on new Application Forms that have been prepared with a view to streamline information on applicants for Global Business and to enable the FSC to minimise the time spent in processing applications. By the end of the period under review two drafts of the Forms had been prepared and were under discussion. Meanwhile the "temporary forms" that were issued on 30 November 2001 remained operational. The Commission has since issued the final version of the forms.

ANTI MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM

The FSC has ensured that as new information was made available from the United Nations Security Council Sanctions Committee on proscribed persons, the Commission has requested all its licence holders to examine closely their records and report any possible links between their client companies and listed terrorist organisations and individuals. No report of dealings with any of the proscribed persons has been received. This process will continue and the onus is on licensees to conduct this type of checking on an on-going basis – without being prompted by the Commission. We note with satisfaction that some licensees who have been inspected on-site are already carrying out a continuous review of their records to detect any possible links.

Meanwhile, work on the production of a Code on the Prevention of Money Laundering and Terrorist Financing has reached an advanced stage. The Code was issued recently to the industry for consultation.

CONCLUSION

The year under review brought into focus a number of changes in the operating environment simultaneously. The changes arising from the adoption of new legislation and new rules have been addressed. Much has been learned in the process by both the FSC and the industry. It is expected that the pace of change will abate in the financial year ending June 2003. This will give time to practitioners to adapt more fully to all the ramifications of the new legislation. It will also open up new avenues for productive collaboration between the staff of the FSC and members of the industry. Accordingly, the FSC looks forward to contribute to the further development of the Global Business sector in the year that lies ahead.

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ING Trust (Mauritius) Limited ✉ 355 Barkly Wharf Le Caudan Waterfront Port Louis	Tel (230)210 7275 Fax (230)210 7285 E-mail ingtrust@intnet.mu
Insinger de Beaufort Trust (Mauritius) Ltd ✉ Felix House 24 Dr. Joseph Rivière Street Port Louis	Tel (230)216 4888 Fax (230)216 4889 Email insinger@intnet.mu
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Knights & Johns Management Ltd ✉ Suite 350, Barkly Wharf Le Caudan Waterfront Port Louis	Tel (230)211 0852/53 Fax (230)211 0936 Email kjm@intnet.mu
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Warwick Trust (Mauritius) Limited *Formerly known as Financial Trust (Mauritius) Limited* ✉ 6th Floor, Max City Building 21 Remy Ollier Street Port-Louis	Tel (230)217 1300 Fax (230)217 1305 Email warwicktrust@intnet.mu
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The countering of money laundering and combatting terrorist financing have now become an integral part of the agenda of many countries and a number of multilateral institutions. Over the past years, and more particularly in 2001, Mauritius has been actively engaged in adopting a series of measures in responding to the international battle against money laundering and terrorism.

During the course of the year, three important pieces of legislation were adopted in Parliament, namely the Prevention of Terrorism Act, the Prevention of Corruption Act, and the Financial Intelligence and Anti Money Laundering Act. These legislations have provided a comprehensive framework to address simultaneously the problems of terrorism, fraud, corruption and money laundering which are all inter-linked and have taken a new dimension following the 11 September 2001 terrorist attacks in the USA and the new trends on the international level regarding money laundering.

Mauritius has committed itself to implement the UN Security Council Resolution (UNSC) 1373 on Terrorism which was adopted unanimously by the UN and which makes the measures mandatory on all Member States. Mauritius has also fully endorsed the Common Position of the Council of the European Union on terrorism. Our country is also presently party to a number of International Conventions relating to terrorism, among which is the 1999 International Convention for the Suppression of Financing of Terrorism.

Financing of terrorism constitutes an important aspect of the overriding acts of terrorism. In this respect the Prevention of Terrorism Act has considered this component of terrorism by defining terrorist financing and its criminalisation. The Financial Action Task Force (FATF) which is the principal anti-money laundering multilateral organisation in the world, has extended its authority to combat terrorist financing as well. The FATF has made a number of special recommendations on the prevention of terrorist financing and has called on its member states as well as other countries to implement these recommendations. It is to be noted that a number of these recommendations have been implemented in the Prevention of Terrorism Act and the Financial Intelligence and Anti Money Laundering Act – these are summarised below:

- Countries should ratify the relevant UN instruments, which includes the UNSC 1373 and the other resolutions.
- To criminalise financing of terrorist acts and organisations.
- To freeze and confiscate assets and resources of terrorists.
- To provide for Suspicious Transaction Reports (STRs) that relate to terrorism.
- To provide for international assistance on investigations and prosecution of terrorist financing.

PREVENTION OF ECONOMIC CRIME & TERRORIST FINANCING

In engaging itself in fighting money laundering, Mauritius has adhered to a number of international conventions, organisations, and initiatives among which are:

- The FATF's 40 recommendations
- The Vienna 1988 Convention
- The UN Minimum Standards Against Global Money Laundering

Mauritius has participated actively in the FATF style regional body called the Eastern and Southern Africa Anti-Money Laundering Group which was created in 1999.

Furthermore, the Financial Sector Assessment Programme which is currently being carried out, contains a component relating to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). The methodology used by the FSAP is based on reviews relating to the FATF (40 AML Recommendations and 8 CFT Recommendations) and the supplementary criteria prepared by the FATF. The FSAP assessment aims at reviewing the current AML/CFT legal framework, institutional capacity and effectiveness of supervised financial sector activity, and activities subject to criminal law. In addition, the FSAP assessment includes reviews on customer identification requirements, record keeping, monitoring and reporting of suspicious activities, compliance and audit, and cooperation with supervisors and competent authorities. The ultimate assessment culminates in an AML/CFT Report on Observance of Standards and Codes (ROSC).

The Financial Intelligence and Anti Money Laundering Act provides for the establishment of a Financial Intelligence Unit ("FIU") which is the "…central agency in Mauritius responsible for receiving, requesting analysing and disseminating to the investigating and supervisory authorities disclosures of financial information…". A distinction is made between "intelligence" (which falls within the remit of the FIU) and "investigation" (which falls within the remit of the Independent Commission Against Corruption - ICAC). The FIU enables a clear distinction between detection and the gathering of intelligence on the one hand and enforcement and investigation on the other. The FIU is an intermediary position between the financial sector and the investigative body and can, therefore, contribute more effectively in monitoring anti-money laundering procedures in cooperating with other investigatory and supervisory agencies.

The Financial Intelligence and Anti Money Laundering Act, which has superseded the Economic Crime and Anti Money Laundering Act 2000 retains many of its predecessor's anti money laundering provisions – it has also strengthened many other provisions, among which is the fight against terrorism financing. STRs have been more broadly defined to include terrorism as a predicate offence.

The FIU reports to the ICAC on terrorism financing, and most importantly, the confidentiality provisions relating to the Bank of Mauritius and the FSC may be relaxed in specified circumstances for terrorism financing.

The compliance culture the FSC is aiming to instil, is directed towards inculcating a culture amongst its licence holders of being constantly alerted on the risks associated with money laundering and terrorist financing. One aspect of this culture would be to develop a degree of sensitivity towards STRs. One method of achieving this is to familiarise licence holders with the legislation, regulations and guidance notes that have been and will be published.

Stockbroking companies, insurers and insurance intermediaries are encouraged to develop their own compliance procedures manual for providing guidance to staff and standardising procedures, and to adopt appropriate mechanisms regarding STRs.

The FSC has just completed the preparation of guidance notes in the form of a Code, which has been circulated for consultation. The Code is a statement of minimum criteria that the FSC will use to assess how licensees conduct their business. It describes the integral role of effective "Know Your Customer" procedures and imposes an obligation upon licensees to verify the identity of "Applicants for Business" (and their "Principals"). The Code introduces the concept of "Eligible or Group Introducer" on whom licensees may rely in respect of identifying “Applicants for Business”. Existing clients must be identified - in the same way the Code proposes new clients must be identified. Lastly in this respect, the Code identifies some of the procedures that licensees should adopt in respect of anti money laundering.

The Code applies to MCs but additional Codes will be published in due course in respect of the other non-banking financial businesses that the Commission supervises. Practitioners must realise that potentially - at this very moment - but certainly on an on-going basis, money launderers will consider whether and if so how they can use Mauritius to launder their money. Perversely, our good reputation is an attraction in itself. Our common role is to thwart their plans by making such abuse so difficult and costly that they will give up.

Money launderers are most vulnerable to detection at the “placement” stage of the process. However, it is probable that Mauritius is more exposed to “layering” and “integration” than to placement. There is more than one reason for this. Firstly, there is a statutory limitation that applies to payments in cash. Secondly, a very large amount of money is likely to be obvious because of its size relative to the average amount that flows through the financial system in Mauritius. After placement, money launderers frequently try to create a web of financial structures (including trusts and corporate entities) through which they channel many transactions to make detection impossible or at least as difficult as possible.

Consequently, money launderers are likely to try to use MCs to assist them to establish trusts and corporate vehicles, thus making them very vulnerable at a stage in the money laundering process where identification of the true purpose of the people involved is difficult to detect. In order to assist MCs to prepare adequately, the first Code has been addressed to them.

However other precautions should also be taken. For example, it is advisable to read and to update on the types of scams that have taken place elsewhere. Typologies described above are excellent resources that can be used for this purpose. Licensees are encouraged to develop Anti Money Laundering and Terrorist Financing Procedures Manuals. On-going training (both in house and external) should be offered to all members of staff of licence holders – but especially to those involved in procedures that lead to the acceptance of new clients. The Commission believes that every licensee should appoint a Money Laundering Reporting Officer – who should be trained specifically for this role.

Our financial sector has an important role in the development of our economy, and it is imperative that its reputation and credibility be preserved. Perversely, the same attributes that create the potential for an efficient payments system and that facilitate mobility of capital within an international financial services centre can be used very easily to launder money or to raise money for terrorist activity. In order to defend Mauritius from those who would abuse our financial system, we need to adopt an appropriate compliance culture. Effective anti-money laundering procedures will be an integral part of such a culture.

It is hoped that licensees will realise the importance of establishing appropriate controls and procedures or where such exist already to consider whether and if so how they might be refined. Meanwhile, the FSC is open to provide assistance to licensees with regards to any operational issues that might arise in respect of AML/CFT concerns.

Licensees have been made aware already of the Commission's intention to institute on-site compliance testing. The first cycle of visits will include a particular focus on anti money laundering and verification of identity procedures already established by licensees including the application of the "Know Your Customer" criterion. Licensees are reminded that failure to take appropriate measures to guard against the licensee or its services being used to commit or to facilitate a money laundering offence constitutes an offence.

INTRODUCTION

Corporate Governance is a matter which has become the major preoccupation of many nations world wide as its impact on a nation's economic health, development and social progress cannot leave policy makers indifferent. Sometimes defined as a "*field of economics that investigates how to secure or motivate efficient management of corporations*" or again as "*the ways in which suppliers of finance assure themselves of getting a return on their investment*" it may be useful to give the OECD definition which is more or less consistent with the one presented by Sir Adrian Cadbury. The OECD defines corporate governance as "*the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers and stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance*"

Some commentators believe that too narrow a view is taken when one speaks of corporate governance. It should describe all the influences affecting institutional processes including those for appointing regulators involved in organising the production and sale of goods and services. It thus includes all types of organisations whether incorporated under the law or not.

Globalisation and liberalisation of economies as well as the spate of financial crises and scandals are pushing the issue of corporate governance to the forefront. As Mr J. Wolfensohn, President of the World Bank said: "*to-day, the need for proper governance is not only of companies but of countries which have to demonstrate that they have credible systems of governance and regulation to take a rightful place in the global economy*".

CORPORATE GOVERNANCE DEVELOPMENTS IN MAURITIUS

For some years now, Corporate Governance has been very high on the agenda of the Mauritian Government. The corporate governance framework in Mauritius needed to be strengthened to make it fairer and more transparent with the objective of ensuring that the public retains its faith in the free market system. Priority has been to undertake reforms that would empower boards to supervise companies better, make accounting practices more transparent, and make auditing more effective. It is considered that good Corporate Governance is a means of achieving a sustainable regime of economic and social objectives.

Thus, the fundamental principles of good governance – accountability, transparency, responsibility, fair treatment, meritocracy, management disciplines, and fight against corruption - need to be ingrained in all public and private organisations. To that end a concerted effort of all stakeholders (regulators, policy makers, directors, investors, and employees) is needed for achieving higher standards of responsibility and transparency. In this respect, Government has, amongst other initiatives to improve the corporate governance regime in Mauritius, established a Committee on Corporate Governance in September 2001.

The Term of Reference of the Committee is to strengthen the competitiveness of companies in the global market. The work of the Committee has been directed at:

- raising awareness on the significance of corporate governance,
- forging consensus on concepts and methods of corporate governance, and
- developing and implementing action plans in collaboration with all stakeholders.

The tasks of the Committee were to :

(a) review all work done to date in relation to corporate governance in Mauritius,

(b) assess the challenges and needs of the corporate sector,

(c) review existing institutional capacity (in Mauritius and overseas) for promotion of corporate governance through education and information, and

(d) study the operation of institutions which promote corporate governance on the regional and/or international arena.

Based on its findings, the Committee is currently considering the introduction of a "Code of Best Practice on Corporate Governance" in Mauritius. It has to that effect established five task teams to undertake this exercise. The task teams are being assisted by Mr Mervyn King, the author of the King II Report in South Africa.

The Bank of Mauritius issued its own Guideline on Corporate Governance in January 2001 under section 20 of the Bank of Mauritius Act. The Guideline which came into effect on 1 June 2001, applies to all banks, domestic and offshore, and non-bank deposit-taking institutions. They take into account the relevant requirements of the Banking Act and the Companies Act. The Joint Economic Council has on its part issued its Model Code of Ethics for Directors and Employees of Private Sector Companies.

Another major input in the drive to establish proper corporate norms for Mauritian companies is the assessment undertaken as part of a joint World Bank – IMF programme of ROSC. The assessment provides a benchmark against the relevant OECD Principles of Corporate Governance of listed companies in Mauritius.

THE ROSC

The OECD Principles of Corporate Governance focus mainly on publicly traded companies. Though the importance of conducting an assessment of listed companies cannot be underestimated, restricting the study of corporate governance to publicly traded companies would limit investigation into the most efficient institutional arrangements for undertaking productive activities. However the study was a good starting point as it revealed from the outset that even among our 'best blue chip' corporations there were some important structural weaknesses in ownership structure which could render compliance with codes of corporate governance already well established in many developed markets difficult. The assessment recognises that the enactment of the Companies Act 2001, the Listing Rules and the consolidation of financial regulation within the Financial Services Commission have enhanced shareholder protection and contributed to corporate governance improvements. But it highlighted the need for a review of company law as well as ensuring that the forthcoming securities legislation contains corporate governance provisions that will contribute to improvements in the practice of corporate governance at least among financial institutions.

Government has also requested the WB–IMF team to conduct an ROSC assessment on Accounting and Auditing Services with a view to assessing the comparability of Mauritius accounting and auditing standards with International Accounting Standards (IAS) and International Standards on Auditing (ISA), respectively; and the degree to which Mauritian corporate entities comply with established accounting and auditing standards in Mauritius. The preliminary assessment exercise has already been completed and in December 2002, an official of the WB will be in Mauritius to complete the assessment on-site. Government has also recently requested a ROSC on Insolvency and Creditor Rights. This initiative aims at identifying principles and guidelines for sound insolvency systems and for the strengthening of related debtor-creditor rights.

There has also been other initiatives taken to foster sound Corporate Governance. The Joint Economic Council of Mauritius has issued its Model Code of Conduct. Some companies, like the State Investment Corporation, have published their own internal guidelines for Corporate Governance.

Furthermore, after the Asian crisis, during the last decades of the last century the most important international financial institutions have come forward with best practice standards that have to be complied with by countries participating in the global financial system. International Standards have been developed by major policy initiatives to help financial regulators formulate prudential policies, increase transparency and improve institutional and market infrastructure. For instance, the Basle Committee has established core principles for effective banking supervision, the IOSCO has published its Objectives and Principles of Securities Regulation while the IAIS has developed Insurance Supervisory Principles. These standards are expected to reinforce the stability of the international financing system. It is in the self-interest of the FSC not only to implement these standards but to adhere to them as much as possible. The basic responsibility for ensuring the implementation and monitoring of the standards rests with the FSC as the Regulator for the non-banking financial services. The FSAP exercise which is being conducted jointly by the World Bank and the IMF will indicate the extent to which Mauritius conforms to these standards and any gap or non-conformity will need to be identified.

The Bank of Mauritius and the FSC, which are both members of the above standard-setting organisations, will need to comply with the standards set by these bodies which are aimed at ensuring that FSC has processes that can identify risks, limit contagion and reduce the vulnerability of the financial system.

CONCLUSION

From a regulatory viewpoint, corporate governance rules will play a prominent role in assisting the Regulator to reach its objective of both maintaining financial stability and protecting consumers. These rules will focus on:

(i) the structure and responsibilities of the Board of Directors,

(ii) the role of Directors,

(iii) disclosure,

(iv) transparency and exchange of information,

(v) accounting and auditing standards,

(vi) independence of external auditors,

(vii) risk and risk management systems

It is not as a matter of chance that Corporate Governance assumes such an importance in the regulatory framework but it has asserted itself as an indispensable implement in proper regulation.

THE ROLE OF THE FSC IN CORPORATE GOVERNANCE

The FSDA has entrusted to the FSC the very important mandate of ensuring "*with the collaboration of the Bank of Mauritius, the soundness and stability of the financial system in Mauritius*".

Generally one speaks of financial stability (which is the result of financial soundness at its optimum) when a financial system is capable of efficiently allocating resources and absorbing shocks, preventing these from exercising a disruptive effect on the real economy or on other financial systems. To ensure both soundness and stability, the FSC must be able to assess the macro risk profile – the existence of risks to the overall financial system. This can be done only if a system of laws, regulations and practices which promote the culture of openness, transparency, and fairness is put in place for the governance of institutions whose activities have an impact on the Mauritian financial system

These laws and the quality of their enforcement by Regulators and the Courts are essential elements of Corporate Governance. The FSC is by virtue of section 13 of the FSDA empowered to monitor and enforce compliance with the relevant Acts (The Insurance Act, The Stock Exchange Act and others). These pieces of legislation provide for the protection of investors' rights, disclosure and accounting rules, rules governing the issue and sale of securities, related party transactions, meeting of shareholders and voting and fiduciary duties of Directors of companies. The FSC's role is duly supported by Government. In July 2002, the Finance Act 2002 amended the FSDA, in sections 26 and 27, to provide the FSC with effective powers and resources to obtain information, to inspect books and records of companies at their business premises and to seize documents for investigation purposes.

The FSC's role in promoting sound Corporate Governance practices extends considerably beyond enforcement. The FSC is also responsible for disclosure of information, the oversight of the operation of the Stock Exchange and licensing of providers of financial services. Thus, the FSC cannot afford to take a narrow view of Corporate Governance. The financial institutions, markets falling under its purview must comply with corporate governance guidelines aimed at mitigating risks common to their enterprises and demonstrate that they have risk management systems in place.

More importantly, the FSC recognises that corporate governance has become a well established global issue. International supervisory organisations have highlighted its importance. Whilst governance is important for a public or private entity, for a Regulator it is critical to the economy's well being. When the capital formation process is disrupted because of inefficient regulation it distorts the way resources are allocated throughout society.

REPORT OF THE AUDIT COMMITTEE TO THE CHAIRMAN OF THE BOARD OF FINANCIAL SERVICES COMMISSION.

At the 28th Board meeting of the Financial Service Commission (FSC) held on 11 November 2002, the Board decided to establish an Audit Committee (the Committee), operating under its written charter. The Committee consists of three non-executive Board members, namely Mr Yon Yan Pat Fong (Chairman), Mr Radha Krishna Chellapermal and Dr Jawaharlall Lallchand. The Secretary of the Board, Mr R. Sokappadu acts as secretary of the Committee meetings.

1. Terms of Reference

The Role of the Committee as detailed in the Charter is to evaluate the effectiveness of the system of internal control, to ensure that the commission is conducting its affairs ethically in compliance with the pertinent laws and regulations 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 Management, External Auditors and the Committee

Management has the primary responsibility for the Commission's financial statements and the reporting process, including the system of internal controls. Chokshi & Chokshi Chartered Accountants, as the external auditors for the FSC for the period under review, are responsible for performing an independent audit of the FSC'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

In this context, the Committee has met and held discussions with management and the external auditors. The external auditors represented to the Committee that FSC's financial statements were prepared in accordance with the International Accounting Standards and accounting principles generally accepted in Mauritius and at international level. The Committee has reviewed and discussed the financial statements with the external auditors, with and without management present, and provided its advice and guidance on a number of issues raised by the external auditors.

4. Conclusion

In reliance on the reviews and discussions referred to above, the Committee is satisfied with the quality of financial reporting and recommends that the Board approve the audited financial statements for inclusion in FSC's Annual Report 2001-2002.

The staff structure set up with a view to integrate the activities of the non-banking financial institutions appears to be developing reasonably well. As and when new legislations are being introduced and existing legislation revamped, certain key positions which are at present still vacant need to be filled. Serious consideration needs to be given to the appointment of an internal auditor and a legal compliance officer so that the critical risk areas may be addressed.

5. Auditors Remuneration

Fees relating to the assignment of the external auditors for the period under review amount to US$ 9,500 plus out of pocket expenses.

The Committee has reviewed the above fees and is of the view that they are reasonable and fair and are not incompatible with the external auditors' independence.

The Committee supported the decision of the Board that the appointment of external auditors for the next two years will be made through a tender exercise.

Yon Yan Pat Fong (Chairman)

Radhakrishna Chellapermal (Member)

Jawaharlall Lallchand (Member)

The management presents its report and the audited financial statements of the Commission for the period ended 30 June 2002.

REVIEW OF ACTIVITIES

The Financial Services Commission (the Commission) has been established on the 01 August 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 MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible to prepare 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, management 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 as 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.

Management confirms:

- that they have complied with the above requirements in preparing the financial statements;
- that they have not received directions from the Minister for Economic Development, Financial Services and Corporate Affairs (the Minister) with respect to and pertaining to the functioning and accounts of the Commission;

Management is responsible for keeping proper 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.

M. I. RAJAHBALEE
CHIEF EXECUTIVE

02 December 2002,
Port Louis, Mauritius.

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 period ended 30th June, 2002 which are set out on pages 84 to 97. These financial statements have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 87 to 89.

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 period and of the state of affairs, of the Commission, as at 30 June 2002;
- in relation to the accounts, this Act has been complied with and no directions have been received from the Minister;
- 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.

Mitil

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

02 December 2002
Port Louis, Mauritius.

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BALANCE SHEET AS AT 30 JUNE 2002

	NOTE	Rs
ASSETS		
Fixed assets		
Tangible	4(a)	20,241,609
Intangible	4(b)	1,082,930
		21,324,539
Non current assets	6	2,311,948
Current assets		
Debtors and prepayments	7	39,883,850
Treasury Bills		105,615,475
Bank and cash balances	8	74,584,410
Bank deposits		546,574
		220,630,309
		244,266,796
LIABILITIES		
Non current liabilities		
Retirement benefit obligations	10	7,710,000
Current liabilities		
Creditors and payables	11	75,847,113
		83,557,113
NET ASSETS		160,709,683
REPRESENTED BY GENERAL FUND	9	160,709,683

Approved by the Board of the Commission on 2 December 2002
Signed on their behalf

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

The accounting policies on pages 87 to 89 and the notes on pages 90 to 97 form an integral part of these financial statements

INCOME AND EXPENDITURE STATEMENT FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

	NOTE	Rs
INCOME		
Fees		92,699,309
Interest	12	5,877,317
Grant	13	100,000,000
		198,576,626
EXPENDITURE		
Salaries and allowances	14	28,852,989
Training and seminars	15	2,225,888
Legal and professional fees		1,668,997
Office and administrative	16	12,529,885
Depreciation and amortisation	4(a) &(b)	1,907,741
Non recurrent	17	24,000,000
		71,185,500
SURPLUS OF INCOME OVER EXPENDITURE		127,391,126
Exchange fluctuation gain		126,801
TRANSFER TO FUND		127,517,927

The accounting policies on pages 87 to 89 and the notes on pages 90 to 97 form an integral part of these financial statements

AUDITED FINANCIAL STATEMENTS

CASH FLOW STATEMENT FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

	NOTE	Rs
Cash Flow from operating activities	18	**124,413,370**
Cash Flow from investing activities		
Interest		5,877,317
Assets transferred from MOBAA		(4,555,485)
Assets transferred from SEC		(654,712)
Fixed Assets		(18,022,083)
Treasury Bills		(105,615,475)
Non Current Asset		(2,311,948)
Net Cash (used in) from investing activities		**(125,282,386)**
Cash flow from financing activities *		
Receipt of grant		100,000,000
Non Recurrent Expenditure		(24,000,000)
Net Cash (used in) from financing activities		**76,000,000**
Net Increase in Cash/cash equivalents		75,130,984
Cash/Cash Equivalents at 30 June 2002		75,130,984

* *These include finance for use in operating activities*

The accounting policies on pages 87 to 89 and the notes on pages 90 to 97 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

1. ESTABLISHMENT

The Commission has been established under the Financial Services Development Act 2001 on 1 August 2001 to regulate the non banking financial services sector. The initial economic dependency of the Commission has been on the appropriations from the Government of Mauritius. All assets and liabilities of Mauritius Offshore Business Activities Authority (MOBAA), Stock Exchange Commission (SEC) and the Government in respect of the Insurance Division, have been transferred to the Commission with effect from
1 December 2001.

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. The presentation of the financial statements in accordance with the International Accounting Standards and generally accepted accounting principles 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

Grant received as initial financial support to the Commission from the Government has been recognised as income for the period.

Revenues arising from processing, annual licence, registration and brokerage, where no significant uncertainty as to its collectibility exist, have been accounted on accrual basis.

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.

Non recurrent expenditure represents funding of Financial Services Promotion Agency (FSPA).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

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 is 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.

2.5 *Tangible Fixed Assets and Depreciation*

Assets are recorded at cost of acquisition except in respect of assets transferred from Mauritius Offshore Business Activities Authority (MOBAA), Stock Exchange Commission (SEC) and Insurance division of the Government of Mauritius, in respect of which the written down value as at 30 November 2001 has been taken as the acquisition cost.

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
Renovations / Fitting out at office premises over the lease period	

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

2.6 *Intangible Assets*

Computer Software transferred from MOBAA and not having any estimated useful life has been amortised fully.

Computer Software development costs are considered as Intangible Assets and will be amortised over the period of utilisation.

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*

Assets and liabilities denominated in foreign currencies are translated to Mauritian rupees at the rates of exchange ruling at the end of the financial year. Transaction during the year are translated at the rates of exchange ruling at the date of transaction. 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 *Comparatives*

This being the first accounting period, the figures for the previous year are not applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

3. TRANSFER OF ASSETS, RIGHTS AND LIABILITIES

In terms of section 31 of the Financial Services Development Act 2001, the following assets and liabilities as per audited financial statements of the respective bodies as at 30 November 2001 and rights and obligations on as is where is basis have been transferred to the Commission on the 01 December 2001

	MOBAA	SEC	INSURANCE DIVISION	TOTAL
	Rs	Rs	Rs	Rs
Fixed assets	4,555,485	654,712	-	5,210,197
Non current assets/liabilities	2,246,858	(1,360,000)	-	886,858
Net current assets	27,634,836	(540,135)	-	27,094,701
General fund	34,437,179	(1,245,423)	-	33,191,756

All the licensing, fees thereto which *inter alia* include pertaining to prior years, regulatory and monitoring rights stand vested under the Commission.

Fixed deposits, representing statutory security deposit certificates of insurance companies, held with the Insurance division of the Government amounting to Rs.343,530,067 have been transferred to the custody of the Commission

All the pension liabilities with their corresponding respective funds, pertaining to the employees transferred other than those of the Insurance division of the Government of Mauritius, stand vested with the Commission. In respect of those of and pertaining to Insurance division, the additional liabilities, if any, would be appropriately dealt with in the year of retirement.

All the contingent liabilities in respect of the pending law suits with claims estimated at Rs. 9,078,550 stand transferred to the Commission. Consequential claims arising therefrom cannot be quantified. The Commission is of the view that the liabilities, if any, that may arise therefrom shall be appropriately dealt with in the year of settlement of the claims.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

4. FIXED ASSETS

(a) Tangibles

	MOTOR VEHICLE	FURNITURE	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	RENOVATION	TOTAL
	Rs	Rs	Rs	Rs	Rs	Rs
COST						
Transfer from MOBAA *	999,299	1,269,699	611,764	554,463		3,435,225
Transfer from SEC *	150,549	75,364	-	428,799	-	654,712
Transfer from Insurance Division						
Govt. of Mauritius	-	-	-	-	-	-
Purchase	-	-	3,547,704	129,750	13,222,406	16,899,859
At 30 June 2002	1,149,848	1,345,063	4,159,467	1,113,012	13,222,406	20,989,796
DEPRECIATION						
Charge for the period	134,149	156,924	332,428	124,686	-	748,187
At 30 June 2002	134,149	156,924	332,428	24,686	-	748,187
NET BOOK VALUE						
At 30 June 2002	**1,015,699**	**1,188,139**	**3,827,039**	**988,326**	**13,222,406**	**20,241,609**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

(b) Intangibles

	Rs
COST	
Computer software transfer from MOBAA *	1,120,260
Purchases	39,295
Computer software- Development in progress	1,082,929
At 30 June 2002	2,242,484
AMORTISATION	
Charge for the period	(1,159,554)
At 30 June 2002	**(1,159,554)**
NET BOOK VALUE	
At 30 June 2002	1,082,930

** Net book value as at 30 November 2001 has been taken as cost to the Commission*

5. CAPITAL COMMITMENTS

The Commission leases office accomodation at Harbour Front Building, Port Louis. The lease expires on 31.12.2005 and the rentals payable upto the date of expiry amount to Rs 31,677,072 (amount due within one year Rs 9,050,592

The Commission is in the process of developing computer software for internal use and the amounts committed under the contract not provided for is Rs 1,534,044 (amount due within one year Rs 1,534,044)

Other capital commitments not provided for Rs Nil.

6. NON CURRENT ASSETS

A special fund is being managed by State Insurance Company of Mauritius Ltd. (SICOM) on behalf of the Commission to provide for pension of an employee who took early retirement during the previous year in the former MOBAA which has now been transferred to the Commission. As at 30 June 2002 the balance is Rs 2,311,948.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

7. DEBTORS AND PREPAYMENTS		Rs
Debtors (Unsecured, considered good)		
Debtors		15,669,351
Staff loan		
Receivable within one year	2,900,785	
Receivable beyond one year	7,683,251	10,584,036
Other receivables		10,110,772
Prepayments		
Prepayment		152,602
Accrued interest on Treasury bills		3,367,089
		39,883,850

8. BANK & CASH BALANCES	
Cash in hand	549
Bank Balances	74,583,861
	74,584,410

9. GENERAL FUND	
Balance transferred from MOBAA	34,437,179
Balance transferred from SEC	(1,245,423)
Balance transferred from Insurance Division	-
Surplus for the year	127,517,927
At 30 JUNE 2002	160,709,683

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

10. 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.

	Rs
Present value of funded obligations	20,960,000
Fair value of plan assets	(15,430,000)
Transferred from SEC	1,330,000
Unrecognized actuarial gain	850,000
Liability in the balance sheet	**7,710,000**

The amount recognised in the Income and Expenditure Account are as follows:

Current Service cost	770,000
Interest cost	1,240,000
Expected return on plan assets	(1,048,959)
Total included in staff cost	**961,041**
Actual return on plan assets	790,000
Movement in liability recognised in the balance sheet	
As determined by the Actuarial Valuation	6,470,000
As taken over from the Stock Exchange Commission	1,330,000
Expense for the year	961,041
Contribution paid	(1,051,041)
As at the close of the year	**7,710,000**

The principal actuarial assumptions used for accounting purposes were:

Discount rate	10.50%
Expected return on plan assets	11%
Future salary increase	5%
Future pension increase	7.50%

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

11. CREDITORS & PAYABLES

	Rs
Accruals	3,211,800
Other Creditors	14,316,907
Prepaid Licence Fee	58,318,406
	75,847,113

12. INTEREST

Treasury Bills	5,002,280
Bank Deposits	532,535
Staff Loans	206,156
Non current asset	136,346
	5,877,317

13. GRANT

Grant from the Government of Mauritius	100,000,000
	100,000,000

14. SALARIES AND ALLOWANCES

Staff Salaries and Allowances	23,628,805
Passage Benefits	1,135,575
Board and Committee Fees	2,567,500
Travelling	1,341,197
Staff Welfare	179,912
	28,852,989

15. TRAINING AND SEMINARS

Overseas Conferences and Seminars	1,850,052
Staff Training	375,836
	2,225,888

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

16. OFFICE AND ADMINISTRATIVE EXPENSES

	Rs
Rental & Maintenance of Office Premises	8,816,222
Post, Telephone, Internet and Fax Charges	951,928
Electricity	690,776
Stationery	639,145
Subscriptions	569,914
General office expenses	671,450
Vehicle Expenses	190,450
	12,529,885

17. NON-RECURRENT EXPENDITURE

Included under Non-Recurrent Expenditure is an amount of Rs. 24,000,000, being contribution made by the Commission to the Financial Services Promotion Agency, in terms of the provisions of section 37(13)(a) of the Financial Services Development Act 2001. In terms of post balance sheet event, as per section 37(13)(a) of the Financial Services Development Act 2001 as amended by Act No. 20 of 2002, the economic dependency of FSPA on the Commission shall cease as from 01 July 2002.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 AUGUST 2001 TO 30 JUNE 2002

18. EXPENDITURE TO NET CASH FLOW FROM OPERATING EXPENSES

	Rs
Surplus of Income over Expenditure	127,517,927
Adjustments for:	
General Fund transferred from MOBAA	34,437,179
General Fund transferred from SEC	(1,245,423)
Interest Income	(5,877,317)
Government Grant	(100,000,000)
Non Recurrent Expenditure	24,000,000
Increase in Retirement benefit obligations	7,710,000
Depreciation and Amortisation	1,907,741
Cash flow from operating activities, before working capital changes	88,450,107
Increase in Debtors	(15,669,351)
Increase in Staff Loan	(10,584,036)
Increase in Interest Receivale	(3,367,089)
Increase in Other Receivables	(10,110,772)
Increase in Prepayments	(152,602)
Increase in Accrued Expenses and Other Payables	75,847,113
Net Cash Flow from operating activities	124,413,370

19. INTERNAL CONTROL SYSTEMS, RISK MANAGEMENT AND CORPORATE GOVERNANCE

This being the first accounting period, the Commission is in the process of establishing internal control and risk management policies. The commission has taken steps to endeavour best corporate governance practices and *inter alia* has set up an audit committee and other technical committee.

20. CURRENCY

The financial statements have been presented in Mauritian Rupees.

ABBREVIATIONS & ACRONYMS

AML / CFT	Anti Money Laundering & Combatting the Financing of Terrorism
CA	Companies Act 2001
CBDT	Central Board of Direct Taxes
CDS	Central Depository and Settlement Co. Ltd.
CISNA	Committee for Insurance, Securities and Non-Banking Financial Authorities
FATF	Financial Action Task Force
FIAML	Financial Intelligence and Anti Money Laundering Act 2002
FIU	Financial Intelligence Unit
FSAP	Financial Sector Assessment Program
FSC	Financial Services Commission
FSDA	Financial Services Development Act 2001
GBC	Global Business Company
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
ISA	International Standards on Auditing
ICAC	Independent Commission Against Corruption
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
MEDFSCA	Ministry of Economic Development, Financial Services and Corporate Affairs
MC	Management Company
MOBAA	Mauritius Offshore Business Activities Authority
OECD	Organisation of Economic Cooperation and Development
OTC	Over The Counter
ROC	Registrar of Companies
ROSC	Report on Observance of Standards and Codes
SADC	Southern Africa Development Community
SEC	Stock Exchange Commission
SEM	Stock Exchange of Mauritius Ltd.
SEMATS	Stock Exchange of Mauritius Automated Trading System
STR	Suspicious Transactions Report
TRC	Tax Residence Certificate
UNSC	United Nations Security Council
WB	World Bank

Exchange Rates (as at 30 June 2002)

1 US$ = Rs 29.6
1 EUR = Rs 28.7

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