Financial Services Commission
Mauritius

ANNUAL REPORT 2012

Contents

Financial Services Commission

Vision

To be an internationally recognised Financial Supervisor committed to the sustained development of Mauritius as a sound and competitive Financial Services Centre

Mission

- promote the development, fairness, efficiency and transparency of financial institutions and capital markets in Mauritius;
- suppress crime and malpractices so as to provide protection to members of the public investing in non-banking financial products; and
- ensure the soundness and stability of the financial system in Mauritius.

Chairperson's Statement

I was appointed Chairperson of the Financial Services Commission (FSC) in 2012 and it is a pleasure for me to sign this statement today. The financial services sector is today a vital pillar of the Mauritian economy. The prospects this represent are extensive for a regulator such as the FSC, not only in terms of maintaining the competitiveness of the sector but also in forging and sustaining a robust regulatory framework with the right balance between the need for regulation and business development. In the face of these challenges, the Board of the FSC has a greater role to play in supporting, fostering and ensuring that the corporate values and strategic objectives of the organisation are implemented.

In the year 2012, the FSC spared no efforts in implementing the changes required to ensure its main aim of having a regulatory framework which is objective, efficient and effective. To maintain the long-term strategic goal of having a sound and well-reputed financial centre in Mauritius, the FSC has:

- focused on more cooperation and relationships with other regulatory bodies around the world by encouraging more exchange of information;
- invested a lot of time and resources in recruiting high caliber staff in its 2012 recruitment plan;
- set proactively and met a rigorous agenda for conducting on-site inspections of all management companies; and
- initiated a more open dialogue approach with its licensees and other stakeholders by conducting various speaker-series, workshops and conferences.

The work supporting these efforts has involved considerable energy, time and extensive collaboration across all areas of the FSC's team. But progress must continue, the FSC is now embarked in a bold programme to be more responsive to its licensees and the public in general. Such responsiveness from the FSC is essential for the development of the financial services sector.

While the FSC has been ploughing assiduously in order to be on track for the delivery of its strategic objective of 2012 - 2014 and its operational goals, there is still a lot to be done. The financial services sector including Global Business remains a dynamic and ever changing one contributing to 10.3 per cent of the Mauritius GDP in 2012. The financial services segment today employs more than 14,000 persons and is one very important sector of the Mauritian economy. It is well known that Mauritius has strong historical, economic and cultural ties with Asia but in the midst of the world economic upheaval, there has been an increased demand to diversify and put more focus on new ventures and horizons. Therefore, it is no surprise that our effort has been veered towards Africa. Mauritius is now being more and more heralded as one of the major, if not, the leading investment platform into Africa. And this is not an accidental happening; our island has one of the most stable and successful economies in Africa and is ranked high in terms of competitiveness, investment climate and governance. There is no doubt that the FSC, as the regulator of financial services other than banking, continues to play a major role in maintaining investors confidence and ease of doing business in our jurisdiction.

The continuous effort of becoming a major business hub to service the region generates a need to ensure that we capitalise on our sound regulatory framework, international best practices, fairness, efficiency and transparency of financial institutions and markets. In my statement last year, I talked about having to re-engineer the financial services sector in relation to changing needs and challenges in our business environment. I am happy to say that Mauritius is on the right track. We have widened the scope of application of our laws to accommodate for more market players. For example in 2012 alone, we saw the introduction of the Foundations Act 2012 and the Private Pension Schemes Act 2012.

As regulator for the insurance industry, the FSC has been very instrumental in helping to set up a compensation fund for local road accidents when the tortfeasor cannot be traced. This is an innovative idea which is being implemented in 2013. However, with continuous business development, the challenge for financial centres remains to ensure that their reputation is not infringed by identification with financial crime and other abusive practices. In addition to the constant threats of imminent financial scams and scandals, the implementation of an effective enforcement programme has become urgent for regulators around the world. On the local scene, Mauritius was plagued by a series of Ponzi and pyramid schemes recently and the FSC is leaving no stone unturned to eliminate such criminal activities from our jurisdiction. The FSC has also been actively involved in several financial literacy initiatives targeting differrent categories of the population including the youth.

FSC became signatory of the International Organisation of Securities Commissions Multilateral Memorandum of Understanding concerning consultation and cooperation and the exchange of information on 16 May 2012. The FSC also forms part of both international (International Association of Insurance Supervisors, International Organisation of Securities Commissions, International Organisation of Pension Supervisors), and regional bodies (Southern African Development Community through Committee for Insurance, Securities and Non-Bank Financial Authorities) and fully supports international initiatives aimed at combating money laundering and terrorist financing and at promoting exchange of information. It is clear that to maintain sound and well-reputed Mauritius IFC, a sound regulatory standards and collaboration with local and international regulatory counterparts are essential.

Therefore, I believe that the challenge for this year is to enhance collaboration among authorities so that there is better coordination and a more holistic approach in order to help eradicate financial crimes.

As already expressed, the effort required from the FSC is substantial and I would like to thank the Chief Executive, staff, and the Heads of the Commission for their unrelenting endeavour and thank my fellow Board members, who have seen their workload increase substantially over the period.

Marc Hein
Chairperson

Chief Executive's Statement

The year 2012 was crucial for regulatory organisations across the world. The Mauritian economy remained stable, though vulnerable. The financial sector proved resilient and continued to grow, albeit at a significantly slower pace than before the crisis began. Against this backdrop, it was imperative for us to analyse and assess the significant challenges facing regulators which were subject to forces difficult to forecast and assess, let alone control. Despite a difficult and challenging macroeconomic environment, the FSC was able to continue to fulfill its statutory functions, address many of the main issues and tasks confronting it and achieved a significant body of progress both internationally and domestically.

The current economic, financial and regulatory crises have, as a general rule, made the role of regulators riskier and more complex. "Micro-supervision" that is, the scrutiny of individual components without regard to the whole structure, is no longer appropriate. The resilience and stability of financial systems and individual financial institutions depend on both macro and micro-prudential regulation. It is imperative to adapt to a world in which much more interdisciplinary input is needed.

The experience of the past few years has shown that the choice of methods, priorities and timing for execution are important. Overzealous regulation stifles entrepreneurship and overestimated risk, leading to a disproportionately high risk weight imposed by regulators, constricts economic growth. Differing regimes across sectors engender counter-productive regulatory arbitrage. Therefore, to avoid this trap, balanced and effective regulation must be subject to continuous monitoring and cost-benefit analysis.

At the beginning of the year 2012, we looked at whether our strategies and operations were responding to the current economic situation. This rethinking included considerations of:

(a) whether our remit was comprehensively defined and adequately specified and whether there was clarity on quantitative targets and objectives and the measures of success of these strategies;
(b) whether the institutional framework and accountabilities were in line with the strategic mission and whether the reporting lines and responsibilities were well delineated with a clear distinction between "policy requirements" and "executive requirements";
(c) whether with the increasing complexity of the financial services sector and market operations, the right skills and processes were in place to measure, assess and manage the enhanced risk; and
(d) whether there were sufficient and suitable operational capabilities to manage the increased workload, in particular with regard to the IT systems and whether management was as efficient and effective as it could be.

In addition, with the general push for transparency in global markets, in many instances, a re-evaluation of relationships, both formal and informal, among jurisdictions, regulators and all stakeholders was required. Links with firms over which we may have regulatory powers, our relationships with the media, and our communication with the public as a whole, had to be revisited so as to encourage a mutually beneficial dialogue with all stakeholders.

For the year 2012, our principal focus has been on ensuring that we maintained a high level of supervisory activity. We have continued to focus on the quality and capability of our staff, improving our information technology infrastructure and working environment and delivering successful programmes and projects to enable us to deliver on our statutory objectives.

Regulatory Reform for solid legal foundation

In line with the diversification strategy, amendments were brought to some of our enabling Acts and are expected to introduce new activities and services, such as the global headquarters administration and the global treasury activities in Mauritius. Two new Acts, the Foundations Act and the Private Pension Schemes Act (PPSA), were introduced and came into effect in

2012. The Foundations Act introduces a new vehicle for wealth management and estate planning. The PPSA consolidates the regulatory framework for the private pension schemes affirming the FSC as the sole regulator for the industry. The PPSA will provide better protection to members of private pension schemes and will encourage savings.

The implementation of the laws ensures the jurisdiction's safety and transparency. Our legislative framework is in line with international norms and best practices and reinforces the supervisory and enforcement powers of the FSC so as to have a credible deterrent to non-compliance with prescribed standards and conditions.

Consultation with key stakeholders was conducted when considering changes to the legislative framework. Industry updates were regularly held to ensure these changes were well understood and thus high standards of compliance with international norms and standards.

Licensing – At the Gate of a Safe and Transparent Jurisdiction

Licensing is a core function of the FSC. The licensing process ensures that vetting of firms takes place at entry and allows only firms and individuals who satisfy the necessary criteria of financial soundness, competence, integrity and honesty to engage in any activity pertaining to non-bank financial services.

We maintained our approach of involving staff from surveillance clusters in the licensing process so that the surveillance teams participate in the risk assessment of the applicants and monitor the licensing conditions at an early stage.

In order to reduce delays in processing licences, which occur mainly due to the submission of incomplete application kits, a Guide to Global Business, providing details on the application procedures, was published at the beginning of the year 2012. Consequently, this has proven to be effective in reducing the turnaround time.

Effective Supervision for a Dynamic Sector

The FSC's supervisory framework is geared towards an Enhanced and Balanced Supervision Framework based on international norms and principles.

Cross-functional specialist teams such as Accounting and Auditing were set up to provide more comprehensive and consistent analysis of financial statements. The AML/CFT and risk-based supervision teams were also empowered to come up with improved processes. The Enforcement Unit was reinforced to ensure prompt actions at all stages through intelligence gathering, requests for information from other regulators, media, complaints as well as to have a systematic and consistent data analysis.

In 2012, the FSC conducted a series of on-site inspections. Emphasis was laid on the Global Business sector, in particular on-site inspection of funds and management companies. The inspection exercises covered all the 159 management companies and ensured that they were operating according to the terms and conditions stated in their licences and that they had good corporate governance framework.

In addition, the FSC conducted a series of industry updates intended to assist companies address specific aspects of accountability – such as risk management and internal control, assessing and reporting on whether the business is a going concern as well as other technical issues.

Re-engineering the Operations Platform for Better Outcomes

The year 2012 was also challenging for the FSC as it went through structural changes so as to meet the challenges posed by the dynamic macroeconomic environment.The internal system was overhauled and processes streamlined with the aim of improving efficiency at the FSC.

The process re-engineering resulted in improved synergy within the FSC and significant increase in productivity, which allowed successful completion of more projects than was possible under our previous mode of operation.The new mode of operation also enabled the staff to excel in their work and particularly to focus on different projects assigned.

A Quality Management Systems Unit was created, which through an internal gap analysis provided a 'diagnosis snapshot' of the existing processes. An action plan, divided in phases, was prepared and aimed at standardising all processes, streamlining and rendering them more transparent and effective. With the implementation of the action plan, the processes at the FSC are expected to be aligned with internationally accepted standards and best practices in Quality Management.

The FSC took note of its capacity gaps which were filled with a long overdue and thorough promotion exercise. During the year a vast recruitment exercise was carried out to fill the remaining gaps. An additional 56 staff were recruited, with expertise in diverse fields, bringing the total number of staff to 197. The private sector experience of the new recruits adds an industry perspective to the organisation and is expected to render the operations more business friendly.

The FSC invested massively in capacity building and employees benefited from training on diverse subjects and in different forms. Some staff were sent on training overseas and locally, after which they imparted their knowledge to their colleagues. Regular in-house training and webinar sessions were conducted to ensure that staff are aware of latest developments locally and worldwide. Tailor-made management training was also organised for managerial cadre so as to strengthen their management skills.

The FSC ensures that its staff operate in a modern environment. The digital archiving system was extended to all clusters and units. To ensure the continuity of its critical operations and to safeguard the results of value creating activities, the business continuity management methodology was aligned to the best practice and guidelines of the Business Continuity Institute. In line with the risk-based approach adopted at the FSC, a risk assessment exercise was carried out and the implementation process aligned to the ISO 31000:2009.

The upgrading of the IT infrastructure continued through 2012, with acquisition of new technology and equipment considered as necessary tools for efficiency in the workplace. The appropriate and relevant training was also undertaken.

External Cooperation for a Stable and Transparent Jurisdiction

In the face of changes occurring on the international front, the FSC was guided by its strategic plan to better position the Mauritius IFC as a stable and competitive platform for investment worldwide.

The FSC undertakes research in various topics and collaborates with international standard-setters,such as the IOSCO, IAIS, IOPS, FATF and FSB, in order to influence the development of the norms with due regard given to the economic and business environment of emerging markets. The FSC participates on the various meetings of the international standards setting bodies with a view to increasing the visibility of Mauritius and at keeping abreast with international developments. As the Chief Executive of the FSC, I sit on the IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure.

The FSC ensures that the realities of the region are reflected in the debate and the proposed plan of action is realisable as well as beneficial to all countries in the region. As the Vice Chairperson of CISNA, the FSC is actively involved in the harmonisation projects for capital markets, insurance and pension. The FSC hosted the bi-annual meeting of CISNA in October 2012. This was an opportunity for our staff to understand the specificities of the non-banking institutions, the depth of the challenges faced by the African region and to network with other African regulators.

The FSC became a signatory to the IOSCO MMoU in May 2012. This was a major achievement for the FSC which became possible following amendments made to the existing legislative framework to facilitate information exchange (including banking information), technical cooperation, and investigative assistance, over the past few years.

Being a signatory to this MMoU enables the FSC to better consult, cooperate and exchange information for securities regulatory enforcement purposes. The FSC is also a member of the FSB Regional Consultative Group for Sub-Saharan Africa tasked to address vulnerabilities in the financial system in the region.

Delivering Consumer Protection and Investor Education

The trends have over the recent years moved from prudential to a balance of prudential and conduct of business. Besides prudential regulation and regulation of conduct, education and prevention are equally important.

The best way to make the population financially literate is through empowerment. The population should be equipped with the appropriate knowledge and financial education to be able to take better decisions as regards to financial products or services. To create a financially literate population, the FSC launched a Consumer Education Roadshow whereby officers went to different regions of the country to explain the benefits and risks of financial products and services. During the year under review, the Young Talent Competition, aimed at promoting financial literacy among secondary and tertiary students, was successfully organised and completed.

Conclusion

2012 has been a challenging year for the FSC who had to undergo an organisational restructuring in order to improve responsiveness and capacity building. Changes brought about to the legislation allowed for the introduction of new activities and conferred the FSC with exchange of information powers. The FSC signed the

IOSCO MMoU and was recognised as the most innovative capital market regulator by Africa Investor. It also underwent peer review assessments, and actively participated in CISNA and FSB-RCG meetings at regional level and the IOSCO C1 committee meeting at international level. Communication with stakeholders was done through industry updates, workshops and a monthly e-newsletter. The FSC also initiated financial literacy programmes.

Without the concerted efforts of the Board and the FSC staff, we would not have been able to fulfill the FSC's statutory functions as effectively, addressed many of the issues and tasks confronting us and achieved a significant body of progress both internationally and domestically. I would thus like to take this opportunity to thank the Board and the FSC staff for their valued contribution.

Clairette Ah-Hen
Chief Executive

Our Organisation

Our Organisation

"To be an internationally recognised Financial Supervisor committed to the sustained development of Mauritius as a sound and competitive Financial Services Centre"

The Financial Services Commission, Mauritius (FSC) is the integrated regulator for the non-bank financial services and global business sectors. The FSC was established in 2001 and operates as an internationally recognised regulator under the Financial Services Act (FSA), the Securities Act (SA), the Insurance Act (IA) and the Private Pension Schemes Act (PPSA). The FSC licenses, regulates, monitors and supervises the conduct of business activities in the above mention sectors.

In carrying out its mission, the FSC aims to:

- promote the development, fairness, efficiency and transparency of financial institutions and capital markets in Mauritius;
- suppress crime and malpractices so as to provide protection to members of the public investing in non-banking financial products; and
- ensure the soundness and stability of the financial system in Mauritius.

Key Objectives

- Ensure orderly administration of the financial services and global business activities;
- Ensure sound conduct of business in the financial services and global business sectors;
- Elaborate policies which are directed to ensuring fairness, efficiency and transparency of financial and capital markets in Mauritius; and
- Study new avenues for development in the financial services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation.

The Board of the FSC

The Financial Services Commission's Board comprises of the following members:

Chairperson
Mr Marc Hein

Vice Chairperson
Ms Mary Anne Philips

Other Board Members
Mr Y. W. Manoj Appado
Mr Radhakrishna Chellapermal
Mr Sanjay Gopaul
Mr Oliver Lew Kew Lin
Mr Raj Makoond

IN ATTENDANCE

Secretary to the Board
Mr Ramanaidoo Sokappadu

Chief Executive
Ms Clairette Ah-Hen

Board Members

Mr Marc Hein
Chairperson

Marc Hein, Chairperson of the FSC since 19 March 2012, holds an LLB (Honours) from the University of Wales and a Licence en Droit from the University of Aix/Marseilles. He is a barrister from Gray's Inn, London and started practising law in 1980. He is the founder and Head of Juristconsult Chambers, an established law firm dealing with legal, corporate and fiduciary issues on a local and international basis.

He was elected to the Mauritius Parliament in 1983 and was Chairman of the Mauritius Bar Council in 1992. Marc Hein is the Editor of the Mauritius Business Law Review and was appointed Chairperson of the National Economic and Social Council of Mauritius from March 2011 to April 2012. He has acquired substantial expertise in all aspects of the practice of law whilst specialising in business law, including corporate, commercial, tax, insolvency, labour and intellectual property.

Marc Hein is a member of the International Bar Association, International Fiscal Association and a fellow of the Mauritius Institute of Directors.

Ms Mary Anne Phillips
Vice-Chairperson

Mary Anne Philips, Vice-Chairperson of the FSC since 5 March 2009, joined the Board since 23 November 2005. She is a practising Attorney since 1995. She holds a Maîtrise en droit. Previously, she worked in the banking sector, as in-house lawyer for the BNPI Group, and in the insurance sector.

She specialises in company law, commercial law, bankruptcy law, insurance, financial services and banking as well as civil law. She was the Chairperson of the American Chamber of Commerce – Mauritius from 2008 to 2012.

Mr Y. W. Manoj Appado

Manoj Appado sits on the Board of the FSC since 5 March 2009. He is a practising Attorney for the last 23 years and has been the legal advisor of two local government authorities and the Tourism Authority, the regulatory body for the Tourism Sector.

Manoj Appado's main field of practice is civil and commercial law. Previously, he has been the Vice-President of the Association of Mauritian Jurists, an organisation defending human rights issues.

Mr Radhakrishna Chellapermal

Radhakrishna Chellapermal, a member of the Board of the FSC since 1 August 2001, is a member of the Association of Chartered Certified Accountants since 1980. He is presently the Director, Economic and Finance at the Ministry of Finance and Economic Development.

After working in the private sector for 6 years, he joined the Ministry of Finance in 1983, where he was involved in various projects relating to the financial services sector including the setting up of the Stock Exchange. He also assisted in the review of company legislation and the regulatory framework governing international business. Radhakrishna Chellapermal has served on various committees, including the Company Law Advisory Committee and the Mauritius Accounting and Auditing Standards Committee.

Mr Sanjay Gopaul

Sanjay Gopaul is an economist and a graduate of the London School of Economics. He sits on the Board of the FSC since 23 November 2005 and is the lead partner in DCDM E&M, an independent economic and management consultancy firm, part of the De Chazal Du Mée organisation.

Before joining the private sector in 1999, he conducted research on export market development and foreign direct investment for the Mauritius Export Development and Investment Authority. He now practises as a management consultant and works almost exclusively in Sub-Saharan Africa. Sanjay Gopaul advises governments and public sector institutions on privatisation, public sector reform and organisational restructuring. He is also widely solicited by the private sector for advice on corporate strategy and new business ventures.

Mr Oliver Lew Kew Lin

Oliver Lew Kew Lin, a member of the Board of the FSC since 23 November 2005, is a graduate in Engineering and Computing from Oxford University. He set up one of the first Business Process Outsourcing companies in Mauritius in 1990, specialising in prepress.

Oliver Lew Kew Lin is presently the Managing Director of the Services Arm of the Harel Mallac Group, which includes Activeline Ltd, the Web agency, of which he is also the Managing Director. He was formerly the Chairperson of the Mauritius Institute Advisory Council and the Export Processing Zone Development Authority.

Oliver Lew Kew Lin has served on various boards and committees, including the National Computer Board, the Board of Governors of the University of Technology, Mauritius as well as the Board of a private bank.

Mr Raj Makoond

Raj Makoond, a member of the Board of the FSC since 1 August 2001, is the Executive Director of the Joint Economic Council (JEC), the coordinating body of the Mauritius private sector. He is a member of the Board of Investment and is also a Director of the European Centre for Development Policy Management (ECDPM), an EU-ACP think-tank based in Maastricht. He holds a Degree in Economics and a Master in Tourism Planning.

He is the Co-Chairman of the Restructuring Working Group, a mechanism set up by the Ministry of Finance under the National Resilience Fund, to support the business community in the context of the Euro zone crisis, the Joint Public Private Sector Business Facilitation Task Force to improve the business environment in Mauritius, and the Skills Working Group, a programme set up to accelerate the upgrading of skills among the youth.

He was also Co-Chairman of the Steering Committee on Global Financial Crisis (2009-2011) which had the responsibility to monitor the implementation of the Additional Stimulus Package put in place in the context of the global financial crisis.

Prior to serving as the Executive Director of the JEC, he was the Deputy-Secretary General of the Mauritius Chamber of Commerce and Industry between 1990 and 1993. From 1976 to 1990, he was an economist and senior economist at the Ministry of Economic Planning and Development and was seconded to the Ministry of Commerce and Deputy Prime Minister's Office and Ministry of Tourism.

Chief Executive

Clairette Ah-Hen was appointed Chief Executive of the FSC on 1 August 2011.

Clairette Ah-Hen was elected Vice–Chairperson of the SADC-CISNA in the year 2012 – 2013. In her capacity as Chief Executive of the FSC, she is a Council member of the Mauritius Financial Reporting Council and a member of the Board of the Statistics Mauritius, the Financial Services Consultative Council and the Financial Stability Committee. She is also a member of the Financial Services Board - Regional Group for Sub Saharan Africa and sits in the Committee 1 – Issuer Accounting, Audit and Disclosure of the IOSCO.

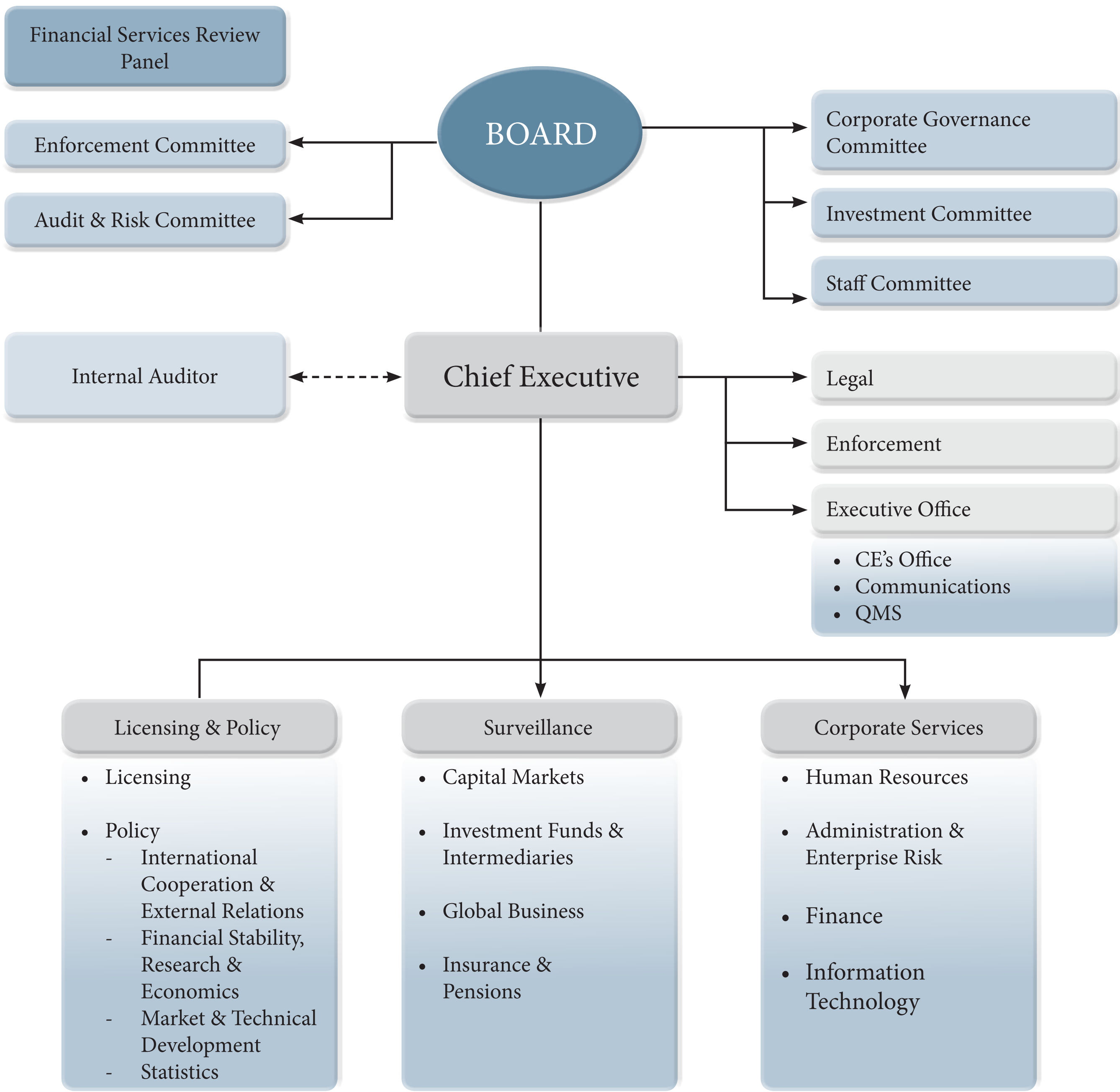
She holds an MPhil and a BA (Hons) in Accounting and Finance and is a fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW), and of the Chartered Institute of Management Accountants, UK (CIMA). She is also a Chartered Global Management Accountant (CGMA) and a member of the Mauritius Institute of Professional Accountants (MIPA).

Clairette Ah-Hen has wide and in-depth experience in financial reporting and corporate capital structures. Before joining the FSC, she was responsible for monitoring compliance with financial reporting standards across the Sub-Saharan Africa for a large international accounting firm. Her then portfolio of clients included companies in regulated industries (banks and other financial institutions), listed companies and other large companies in various sectors across the African Continent, Governments and Central banks.

She was the first Chief Executive Officer of the Mauritius Financial Reporting Council in 2005, and held the post of Senior Advisor for Corporate Affairs in the Ministry of Economic Development from 2003 to 2004. Prior to 2006, she was an Associate Professor and Dean of the Faculty of Law and Management of the University of Mauritius as well as a visiting fellow of the University of Birmingham (UK).

Clairette Ah-Hen also chaired several Committees at national level on Accounting and Auditing Standards and worked in collaboration with the World Bank. She has conducted management seminars and facilitated financial reporting and risk management training sessions in the United States, Europe and Africa.

Organisational Chart



Board Committees

In carrying out its functions, the Board is assisted by the following sub-committees:

- Enforcement Committee established under Section 52 of the Financial Services Act ;
- Corporate Governance Committee;
- Audit and Risk Committee;
- Investment Committee; and
- Staff Committee.

The Internal Audit team reports directly to the Board Audit and Risk Committee and administratively to the Chief Executive. It objectively reviews the effectiveness of the FSC's risk management, operational processes and controls and financial management. It reports findings and recommendations to the Audit and Risk Committee.

Internal structure

The FSC's internal structure is organised in a functional manner so as to optimise resources and ensure cross-functionality.

Chief Executive
The Chief Executive is responsible for the execution of the policies of the Board and for the control and management of the day-to-day business of the FSC.

The Legal Cluster, the Enforcement Unit and the Executive Office Cluster report directly to the Chief Executive.
- The Legal Cluster provides legal advice, undertakes the drafting of legislation and legal documents, and attends to litigation matters involving the FSC.
- The Enforcement Unit carries out investigations, intelligence gathering and attends to request for information.
- The Executive Office is responsible for policy implementation and coordination and consists of the Office of the Chief Executive, the Communications Unit and the Quality Management Systems Unit.

The three directorates are:
- the Licensing and Policy Directorate, comprising the Licensing and Policy Clusters. The Policy Cluster includes Financial Stability, Research and Economics, Market and Technical Development, International Cooperation and External Relations and Statistics;
- the Surveillance Directorate consisting of Capital Markets Cluster, Investment Funds and Intermediaries Cluster, Insurance and Pensions Cluster and Global Business Cluster; and
- the Corporate Services Directorate regrouping Human Resources Cluster, Administration and Enterprise Risk Cluster, Finance Cluster and Information Technology Cluster.

Management Team

In carrying out the FSC's mission, the Management Team is guided by the Code of Conduct for FSC Staff and the Core Values of the organisation, which are:

- Ethical Behaviour
- Team Work
- Professionalism
- Compliance with Rules

The Executive Committee, comprising the Chief Executive, the Director of Surveillance and the Head of Policy, enables the FSC to meet its statutory objectives, coordinates the activities of the various directorates and provides direction and guidance to the clusters.

The Heads of Clusters work together to deliver the operational objectives of the FSC. They are responsible for the implementation of goals as set out in the strategic and business plans and ensure that the decisions and directions provided by the Executive Committee are understood by each and every member of the staff.

Mr Max Fulton
(Director of Surveillance)

First Row Standing (from Left)
Mr Dharmraj Oree *(Insurance and Pensions Surveillance)*, Mr Vishwadeo Seebaluck *(Investment Funds and Intermediaries Surveillance)*, Mr Rajhans Pusram *(Finance)*, Mr Warren Vardin *(Capital Markets Surveillance)* and Mr Shailendrasingh Doongoor *(Global Business Surveillance)*

Second Row Standing (from left)
Mrs Namita Jagarnath-Hardowar *(Human Resources)*, Mrs Veena Moloye *(Executive Office)*, Mr Prakash Seewoosunkur *(Information Technology)*, Mrs Jayshree Guness *(Administration and Enterprise Risk)* and Mrs Khemalini Hurdowar *(Legal)*

Third Row Sitting (from Left)
Mrs Charlene Louis-Planche *(Licensing)* and Mr Neil Mohindra *(Policy)*

Our Environment

Review of Trends

Regulatory reforms at global, national and regional levels, in the aftermath of the global financial crisis, have impacted the ensuing economic developments, bringing about additional complexity and challenges to the dynamic environment in which the licensees of the FSC operate. Both the economic and regulatory trends deserve specific attention.

International Economic Perspective

While the effects of the financial crisis still linger, global economic prospects remain bleak. The world economy grew by a meagre 3.2 per cent in 2012 compared to 4 per cent in 2011. The outlook in emerging and developing countries is considered more promising compared to developed economies. Growth was dual paced with advanced economies expanding at a dismal 1.2 per cent compared to a growth rate of 5.1 per cent in emerging markets and developing economies.

In the World Economic Outlook Report 2013[1], a bumpy ride is predicted ahead in 2013 as demand has improved in the United States, but continues to be sluggish in the Euro area. Growth is projected to remain around 3.3 per cent for 2013 slightly improving to 4 per cent in 2014. The duality in growth rates between advanced economies and emerging markets and developing economies is expected to continue throughout.

Similar observations are made in the Global Economic Prospects[2] report. Despite being the main driver of global growth, developing economies must emphasise on internal productivity and enhanced policies to be able to reach the pre-crisis growth rates. As the effects of persisting restructuring and fiscal consolidation become less intense, a slow acceleration in growth is projected for high-income countries over the next several years.

The macroeconomic policy stance of many developing economies is viewed as very accommodative and supporting domestic demand in the face of weak external demand from advanced economies. Given the still uncertain global environment, developing countries are foretold to gradually restore depleted fiscal and monetary buffers, so as to ensure their economies are able to respond as resiliently as they did during the 2008/2009 crisis should a further significant external shock arise.

In the Global Financial Stability report[3], the global financial and market conditions are perceived to have improved reflecting a combination of deeper policy commitments, renewed monetary stimulus and continued liquidity support which have reduced tail risks, enhanced confidence, and bolstered the economic outlook. To sustain improvement in financial conditions, there has to be further policy actions addressing underlying stability risks and promoting continued economic recovery.

The Global Economic Prospects[2] reports significant improvement in global financial markets following decisive actions taken by the European Central Bank, US Federal Reserve and Japan. The reduced likelihood of

1 World Economic Outlook, Hopes, Realities, Risks, April 2013, International Monetary Fund

2 Global Economic Prospects, Assuring Growth Over the Medium Term, January 2013, Vol. 6, The World Bank

3 Global Financial Stability Report, Old Risks, New Challenges, April 2013, International Monetary Fund

an acute European crisis, and increased global liquidity contributed to a recovery in global equity markets. Improved sentiment was accompanied by a recovery in gross capital flows to developing countries.

Bond issuance by developing countries reached a historic high in 2012 while equity issuance by developing countries was weak as companies stayed away from initial public offerings due to volatility in equity markets. Modest increases were the medium-term prospects for capital flows to developing countries. Foreign Direct Investment (FDI) inflows to developing countries were expected to increase while the outlook for private capital flows was perceived as subject to serious downside risks.

Regional Outlook

Economic prospects for Sub-Saharan Africa remained strong with a growth rate of 5 per cent in 2012. Within the continent, growth was stronger among oil exporters and low income countries while middle-income countries with closer ties to the Euro area noted significant deceleration. Inflation declined in most of the region, reflecting more stable global commodity prices, improved local climate conditions, and tight monetary policy.

Growth in Sub-Saharan Africa is anticipated to accelerate moderately in 2013 and 2014 driven by gradually improving outlook for the global economy and investment in export-oriented sectors. External factors which may affect the positive outlook for Africa were identified as continued economic stagnation in the Euro area and sharp drop in investment in major emerging market economies. End of one-off factors such as floods, droughts and conflicts were expected to be positive for the region's outlook but adverse climate developments and internal conflicts were considered as downside risks from within the region.

African countries with thin policy buffers that continue to grow rapidly are recommended to give priority to rebuilding buffers to handle adverse external shocks, while safeguarding long-term growth and developmental needs.

Mauritian Economy

The Mauritian economy continues to be among the strongest in Sub-Saharan Africa with a Gross Domestic Product (GDP) at market prices of Rs 344,119 million and Per Capita GDP at market prices of Rs 266,500 million in 2012. Even though the economy resisted the global economic crisis well, the GDP growth declined slightly to 3.3 per cent in 2012 compared to 3.5 per cent in 2011.

The 23 per cent investment rate registered in 2012 is well below the desired rate and has fallen from 25.1 per cent since 2007. The decrease may be primarily explained by a fall in private sector investment. The growth rate of investment is not generating the necessary momentum to drive the economy.

Similarly, savings rate decreased from 21.5 per cent in 2007 to 14.9 per cent in 2012. Low levels of savings may lead to low levels of investment, thwarting the rapid growth of the economy. There is a resources gap of about 8 per cent suggesting that there is not enough savings to boost the level of investment. For more than a decade Mauritius has been trapped with low savings which may explain the modest growth rates.

Low savings rate due to low income is also an indicator that financial markets are not developed enough. As such savings are not channelled into the most productive applications. Therefore investment that takes place is not productive enough to bring about take-off.

A high level of FDI may compensate for the low savings rate. The inflow of FDI was rather erratic with a more than 30 per cent fall noted in 2011. FDI increased to Rs 12,669 million in 2012 and has been increasing at an annual rate of about 8 per cent since 2007.

Labour is uncontestably a key resource which drives the success of the Mauritian economy. The labour force grew by 1.8 per cent to reach 582,000 in 2012. The work force was concentrated in the age group 30 to 50 years.

Labour force grew faster than employment, which was 1.5 per cent, leading to increased unemployment. The rate of unemployment reached 8.1 per cent up from 7.9 per cent in 2011. The structure of unemployment continues to be characterised by skills mismatch with one fifth of unemployed having studied up to the tertiary level.

As at September 2012, the level of household credit in the domestic economy reached 19.4 per cent of GDP. The largest part of the household credit was housing loans whose share increased to 59.9 per cent up from 58.8 per cent in September 2011. Specifically for the insurance sector, the share of housing loans to total household credit was about 36 per cent. In fact the contribution of the insurance sector to household debt was marginal.

The prolonged global economic uncertainties and the deepening of the Euro-zone crisis, pose an increasing threat to the resilience of the Mauritian economy, particularly in key sectors such as tourism, textile, and the financial sector, which depend profoundly on the European markets. Although a slight improvement in GDP growth to 3.5 per cent in 2013 is forecasted, economic growth for Mauritius in the short to medium term is expected to remain restrained, mainly due to the potential of lingering aftershocks of the Euro-zone crisis, the worsening of global economic disturbances and geopolitical pressures on oil prices.

Challenging economic conditions, tempered business confidence levels, generally sluggish capital formation and persistence of labour market rigidities hampered the job creation capacity of Mauritius pushing the level of unemployment upwards. Completion of large scale private commercial ventures and large public infrastructure projects are expected to dampen the level of investment. Paying heed to the warnings in the Global Economic Outlook Report for middle income Sub-Saharan African countries, Mauritius requires structural reforms to bolster productivity, reduce dependence on Euro area and build buffers to continue being resilient to external shocks.

Financial Services

Financial and insurance activities were major contributors to GDP growth in 2012 showing the growing importance of the sector for the Mauritian economy. The sector grew by 5.7 per cent in 2012 and represented 10.3 per cent of GDP. Growth prospects for the sector remain high for the year 2013.

Within the sector, monetary intermediation represented 6.1 per cent in GDP, Financial leasing and other credit granting 0.6 per cent, Insurance, reinsurance and pension 3 per cent and Others 0.5 per cent. Growth was highest for monetary intermediation, 6.3 per cent followed by 6 per cent for Financial leasing and other credit granting, 4.6 per cent for Insurance, reinsurance and pension and 5 per cent for Others.

Global Regulatory Trends

Events of the past few years highlighted weaknesses in the global regulatory system. The network of bodies overseeing different parts of the financial markets failed to identify or respond to macro trends that led to the crisis. A number of changes have been proposed by the G20 summits, namely, the need for attention to the implementation of global standards, the need for regulators to look for emerging systemic risk and the need to take actions to mitigate them as well as for improved communications and cooperation globally between regulators. Disclosure and transparency are critical to identify the development of systemic risk and to arm regulators with the information needed to take action to address it.

Regulatory Development in 2012

Leaders of the G20 have been taking particular interest in the financial reform during the global financial crisis. 2012 was an eventful year in terms of regulatory developments as regulators worldwide geared up to meet their G20 commitments. The various regulatory reforms during 2012 on the international front included:

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (AIFMD) was approved by the European Parliament and Council of the European Union on 8 June 2011. The scope of the AIFMD is broad and, with a few exceptions, covers the management, administration and marketing of alternative investment funds (AIFs). Its focus is on regulating the Alternative Investment Fund Manager (AIFM) rather than the AIF.

The European Securities and Markets Authority issued a number of guidelines to national competent authorities including on key concepts of AIFMD and remuneration. The Directive is expected to be effective from 22 July 2013 and will be subject to the transitional periods.

Markets in Financial Instruments Directive II

The European Commission released in October 2011 its proposal to amend and extend the Markets in Financial Instrument Directive (MiFID), referred to as MiFID II.

While primary objectives of the initial directive were to increase the competition, improve investor protection and EU passporting, MiFID II introduces a range of measures which seek to address issues raised by the financial crisis, such as improving investor protection, as well as the commitments made by the G20 to improve the transparency and regulation of more opaque markets, such as derivatives.

Volcker Rule: opportunities for hedge fund managers

The Volcker rule, effective in the USA as from July 2012, prohibits banks from engaging in short-term trading of any security, derivatives and certain other financial instruments from their own funds. It prohibits owning, sponsoring, or having relationships with a hedge fund or private equity fund.

The rule requires banks to create an internal compliance programme for making trades. Banks with major trading operations have to report to federal agencies. However, the Rule allows some trading where it is necessary for the bank to run its business.

Solvency II

Solvency II sets out new, stronger EU-wide requirements on capital adequacy and risk management for insurers, with the aim of increasing protection for policyholders. The strengthened regime should reduce the possibility of consumer loss or market disruption in insurance. The Solvency II directive was expected to become effective for supervisors and the European Insurance and Occupational Pensions Authority (EIOPA) on 30 June 2013. However, it was delayed as it is perceived that more complete data and technical work were required before any legislation could address pension scheme solvency.

Our Focus

Executive Office

Executive Office

The Executive Office is responsible for policy implementation and coordination and consists of the Office of the Chief Executive, the Communications Unit and the Quality Management Systems Unit.

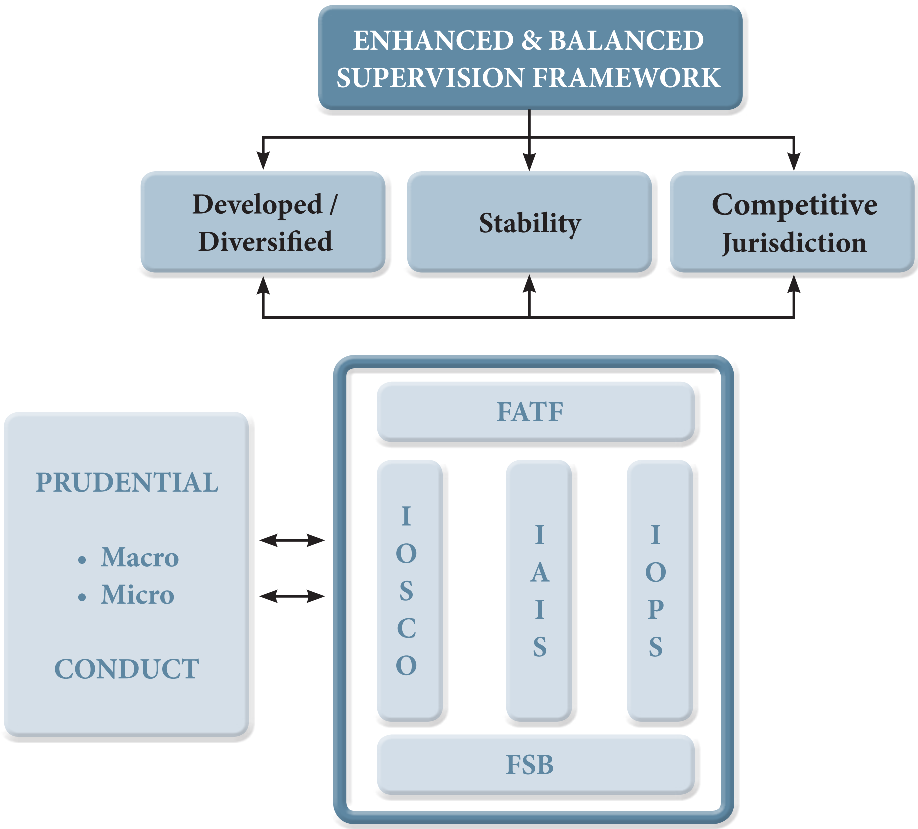
The Executive Office monitors the implementation of Board and policy decisions and ensures liaison with the Board. The FSC is fully committed to supporting performance according to standards and the Executive Office is responsible for establishing and maintaining quality improvement activities.

In terms of day to day operations, the Executive Office coordinates the submission of timely, accurate and relevant information to the Chief Executive. The Executive Office ensures the dissemination of correspondence throughout the FSC as well as manages stakeholder communications and meetings. The Executive Office is also responsible for the organisation of events (visits of Study Tours and Consultants, workshops and international conferences and meetings) and the conduct of financial literacy initiatives.

FSC Strategic Plan 2013 - 2015

The Strategic Plan 2013-2015 is aligned to the Vision of the FSC. In the face of ongoing regulatory reforms worldwide, goals set under the Strategic Plan 2012-2014 still remain valid and as such were extended for another year, to include 2015. The Strategic Plan 2013-2015 aims to make the Mauritius jurisdiction developed and diversified, stable and competitive in pursuit of the FSC's Vision and statutory objectives.

To position Mauritius as a jurisdiction of substance with the right balance between regulation and business development, the FSC aims to have an Enhanced and Balanced Supervision Framework. The pillars of the Framework are the international norms and principles which determine our prudential regulation and regulation of conduct.



The FSC has three strategic objectives:

Developed and Diversified

The objective evolves mainly around the setting-up of the necessary framework to create a developed and diversified financial market environment. The developed market is complex and advance. Diversification involves diverse service providers and diverse sub sectors and products.

Stability

To ensure stability of the non-bank financial sector, more specifically as regards to capital markets and insurance, the establishment of a comprehensive mechanism to address and monitor systemic risks is vital. There is a need to have a risk framework with identified risk monitoring and means to track and report. The system of risk triggers, consider legal and regulatory aspects as well as quantitative and qualitative data so that action can be taken effectively.

Competitive jurisdiction

To make the jurisdiction more competitive entails curbing obstacles that prevent improvement in the competitiveness of markets and operators. A competitive jurisdiction is predictable, well regulated with high service levels and at the same time, has a low cost of regulation. To be more competitive, the turnaround time and responsiveness need to be further improved. The FSC continues to follow international benchmarks to achieve its aim of becoming a more competitive jurisdiction.

Norms and Standards

All three objectives fundamentally rest on norms, standards and principles as defined by international bodies such as the IOSCO, IAIS, IOPS, FATF and the FSB. The supervisory framework comprises prudential regulation at both micro and macro level, and regulation of conduct.

Whilst each of the above international setting bodies has well-defined principles applicable to the respective sectors, it is important to note that there are some common principles such as:

- Clear and defined statutory objectives of the regulator/supervisor
- Clear licensing procedures and requirements
- Supervision (including risk-based)
- Co-operation, information exchange and confidentiality provisions
- Corporate Governance
- Enforcement Procedures
- Best practices for operators and intermediaries

Reporting as per Strategic Plan 2012 -2014

The purpose of the Strategic Plan is to ensure a coordinated approach in respect of the monitoring the responsiveness of the organisation to the defined strategic objectives. Monitoring of individual and cluster workplans is carried out on an ongoing basis. A formal assessment and reporting is conducted on a half yearly basis.

Traffic light system (Green - Complete, Amber - Work in Progress and Red - Not Started / Not Implemented) is used for ease of reference and monitoring of the Strategic Plan.

	Criteria	Actions / Responsibility	Organisation Response	Overall
1.	**STRATEGIC OBJECTIVE NO. 1 COMPETITIVE JURISDICTION**			
A	Turnaround Time	Review & Harmonise Licensing Criteria	Review of Licensing Conditions	●
			Issue of Guidelines (Limited Patnership / Foundations etc.)	●
		Reduce Licensing Processing Time	On-line submission of applications + reduced response time from other clusters	●
			Tracking Systems of documents (bar coding etc.)	●
		Efficient and Effective response to queries	Time recording of response	●
B	Responsiveness	Develop metrics to assess service levels	Assess service levels: internal Perception Surveys	●
			Assess service levels: external Consumer Perception Surveys	●
			Implementation of Quality system	●

	Criteria	Actions / Responsibility	Organisation Response	Overall
1.	STRATEGIC OBJECTIVE NO. 1 COMPETITIVE JURISDICTION			
C	International Benchmarking	Meet international standards & norms	Adherence to principles	●
			Imlementation of OECD recommendations	●
			Submission of required data for Mauritius to graduate to SDDS	●
		Promote transparency throught rein-forced collaboration with foreign regula-tors & exchange of information	Pending MoUs: Local	●
			Pending MoUs: International	●
			Pending MMoUs (IAIS / AMERC)	●
		Efficient mechanism for dealing with requests for information from counter-parts	Manual of Procedures for exchange of infor-mation	●
		Re-inforce the position of Mauritius as an IFC - Increase visibility on regional & international fronts	Active participation in regional & interna-tional organisations (IOSCO - AMERC; CISNA - SADC; FSB - RCG)	●
		Effective Dissemination of statistics of the financial services & GB sectors	Publication of Annual Statistical Bulletin	●
			Web & Newsletter monthly - Regular	●
		Develop a relevant cost basket	Comparison of Licence fees charged v/s service provided by Regulators	●
			Comparison of fees charged by service providers	●
			Comparison of fees charged by competitive jurisdictions	●
2	STRATEGIC OBJECTIVE NO. 2 - DEVELOPED & DIVERSIFIED			
A	EFFECTIVE ENGAGEMENT MECHANISM - Assessing adequacy and Identifying Right Partners and Forums			
	Local	Active engagment with Stakeholders and Others Industry Partners e.g. Associa-tion of Trust and Management Compa-nies, Global Finance Mauritius, Insur-ers Association Brokers Association, Exchanges (GBOT, SEM)	Designated FSC staff to participate in sub committees and meetings.	●
			Develop platform with regular meetings & set Agenda & measurement of targets achieved	●
		Partnering with Professional Association e.g- MIPA, CFA, IIM		●
		Regulators - BoM, FRC, FIU	Developing an official platform for discus-sions.	●
		Reinforced collaboration	Quarterly meetings of the FSC/BoM Joint Co-ordination Committee and Regular meetings of the sub-committees (Licensing, Supervision, Financial Stability, AML/CFT)	●

	Criteria	Actions / Responsibility	Organisation Response	Overall
			Meeting with BoI to look at promotional / marketing strategy in respect of financial services	🟢
	International	Reinforced collaboration with foreign counterparts	Signature of MoUs	🟢
		Active participation in regional initiatives	Conferences / meetings and Committes of CISNA, ESAAMLG, FSB, AMERC	🟢
		Active participation at the level of International organisations IAIS / IOSCO / IOPS	Participation in Meetings ,Committees and Surveys	🟢
	Financial Inclusion - Consumer Education / Financial Literacy	Promote financial literacy through educational programs/ initiative	Financial Literacy and Young Talent Competition	🟢
			Publication of Pamphlets	🟢
		Elaborate Framework for Consumer/ Investor Protection	Implementation of consumer education strategic plan	🟠
			FSC Roadshow / Outreach Programmes	🟢
			Framework for Complaints Handling Mechanism	🟠
	Public Relations	Advertorials / Featured Articles / Media coverage		🟢
B	**CAPACITY TO DEVELOP & IMPLEMENT NEW FRAMEWORK**			
	International & Market development	Implementation of EU Directives on AIFMD & ESMA	Follow up on developments on the AIFMD, its impact on the Mauritius GB/FUND sector and make recommendations	🟠
		Implementation of RHQ Schemes	Work with industry in order to devise a proper scheme to be implemented in order to attract holding companies & international expertise in Mauritius to create substance	🟠
		Follow up on developments regarding the GAAR & Indian DTA	Follow up on developments on DTA by the Indian Government, its impact on the Mauritius GB sector and make recommendations	🟢
		Follow up on Phase II Determinations of Mauritius OECD Review Report	Follow up on continuous assessment of the Global Peer Review Forum of Mauritius	🟠
		Follow up & advise on the Implementation of FATCA	Assess and analyse the impact of FATCA on Mauritius & GB Sector and recommend course of action	🟢
		Africa Strategy	Identify right partners for devising the strategy	🟢
	Competencies	Implement Competencies Framework for FSC	Analyse the role and function and determine the basic requirements each staff grade should possess	🟠
			Analyse the role of each type of licensee and determine the basic requirements licensees should possess to be eligible for a licence	🟠
			Devise training plan if required	🟠

	Criteria	Actions / Responsibility	Organisation Response	Overall
	Rules & Guidelines	Rules	Issue of Rules under the FSA, the Securities Act, the Insurance Act & the Private Pension Schemes Act	🟢
		Issue of Guidelines & Practice Notes	To provide clarity on purpose of new laws, rules & regulations and procedures to be followed	🟠
		Update of GB Guide	Framework for GBC 2 / Procedures for Restoration & Reinstatements / Harmonisation of Codes	🟠
		Compliance with Code of Corporate Governance	Devise mechanism to improve compliance with Code	🟢
			Improving Disclosure of ownership and control	🟠
			Dealing with Management and Control	🟠
3.	**STRATEGIC OBJECTIVE NO. 3 - STABILITY**			
A	Risk Monitoring - Tracking & Reporting Systems	Harmonise risks identification basis in accordance with definitions set by international standards setting bodies/ international counterparts		🟠
		Create a comprehensive set of prudential & market-based ratios & embeded within RBS questionnaire		🟠
		Daily Market Surveillance - CDS/SEM system		🟠
		Offsite Review	RBS	🟠
			Analysis and Review	🟠
		Mechanism for Intelligence Management		🟢
B	Risk Trigger Systems	Identify & develop early warning signals for supervisory actions in case of systemically important risk institutions		🟠
		Establish appropriate risk management frameworks to ensure timely & effective co-ordination of regulatory responses during unexpected contingency situations		🟠
		Develop risk matrices summarising the risk profiles (sectoral / macroeconomic levels)		🟠

Regulatory Developments

Regulatory Developments

The FSC plays an important role in shaping the local operating environment and ensuring it provides the right setting for market players to conduct business effectively and in line with international best practices.

Research and facts gathered by participating in international fora coupled with consultation with stakeholders are key to understanding the direction to be taken and as such gauging the changes required in terms of legislation.

The changes brought about to the legislation in 2012 aimed at product diversification, empowering the FSC to better deliver on its regulatory objectives, ensuring protection of consumers, meeting international standards and promoting the competitiveness of the jurisdiction.

Amendments to Acts

The Economic and Financial Measures (Miscellaneous Provisions) Act 2012, amended the following legislations:

Amendments to the Financial Services Act

New activities regulated by the FSC

The FSA was amended to include two new activities namely global headquarters administration and global treasury activities.

Global headquarters administration refers to the provision of at least three of the following services to at least three related corporations:
- administration and general management;
- business planning and development and coordination;
- economic or investment research and analysis;
- services related to international corporate headquarters in Mauritius, and
- such other global headquarters administration services as may be specified in FSC Rules.

Global treasury activities relate to the provision of at least three of the following services to at least three related corporations:
- arrangement for credit facilities, including credit facilities with funds obtained from financial institutions in Mauritius or from surpluses of network companies;
- arrangement for derivatives;
- corporate finance advisory;
- credit administration and control;
- factoring, forfeiting and re-invoicing activities;
- guarantees, performance bonds, standby letters of credit and services relating to remittances;
- management of funds for designated investments; and
- such other global treasury activity as may be specified in FSC Rules.

Protection of consumers of financial services

In order to better protect consumers of financial services and the public in general, the FSA was amended and the definition of "consumer of financial services" changed to clarify that it includes all persons entitled to benefit from financial services under the Acts administered by the FSC.

Moreover, the FSA was amended to enable the FSC to give directions to any licensee, where it is necessary or desirable, to protect the interests of consumers of financial services.

Increasing substance in Mauritius

With the aim to increase substance of financial business activities in Mauritius, the FSA was amended such that the FSC may give its approval in writing for a corporation holding a GBC 1 Licence to conduct business in Mauritius subject to such terms and conditions as it may determine.

Powers of the FSC

The FSA was amended to enable the FSC to give direction to a person to comply with any of the principles and practices of corporate governance laid in the Code of Corporate Governance issued under the Financial Reporting Act.

Moreover, FSC Rules made under the FSA now provide for the imposition of an administrative penalty in relation to such matters as may be prescribed.

Amendments to the Securities Act

The Securities Act was amended to enable the FSC to make Rules which may provide for the recognition of remote participants and remote custodians for the purposes of clearing and settlement of securities transactions.

Amendments to the Trusts Act

The Trusts Act was amended to enhance the record keeping requirements of trustees.

In effect, accounts and records required to be kept by trustees now have to include proper books, registers, accounts, records such as receipts, invoices and vouchers and documents such as contracts and agreements representing a full and true record of all transactions and other acts engaged in by the trust. Accounts and records are required to be kept for a period of not less than five years after the completion of the transactions to which they relate.

Trustees also have to maintain a register of names, in alphabetical order, and the last known address of each beneficiary and settlor of a trust, including a non-resident foreign trust administered by them.

Amendment to the Limited Partnerships Act

In line with the policy of adopting a business-friendly approach, the Limited Partnerships Act was amended such that the Register of limited partnerships holding a Global Business Licence or having at least one partner holding a Global Business Licence could only be inspected by an Officer in the above Act means a partner secretary, executive, trustee or other person holding a similar functionor person purporting to act in any such capacity as defined under the Limited Partnership Act, Management Company or Registered Agent of that limited partnership.

New Legislations

The Foundations Act

The Foundations Act, Act No. 8 of 2012, enacted by the Parliament on 5 June 2012, is a useful addition to the array of financial vehicles available to investors in the Mauritian International Financial Centre (IFC). The Act is important for the non-bank financial services and global business sectors as it further promotes Mauritius as a platform for wealth management services, succession and estate planning in line with the objective of diversification.

Originally used for charitable or religious purposes, foundations have evolved to become a financial vehicle, especially for wealth management, tax planning, asset protection and succession planning. The Foundations Act provides for the establishment, in Mauritius, of foundations as a flexible alternative to trusts.

It is anticipated that the Foundations Act will open up significant business opportunities in the global business sector mainly with clients from civil law countries where the concept of trust is unknown and where foundations may prove to be more readily accepted vehicles. The Foundations Act will help in the promotion of Mauritius as a centre for international wealth management and attract new business from high net worth and institutional investors.

The Private Pension Schemes Act

The Private Pension Schemes Act, Act No. 15 of 2012, came into force on 1 November 2012. It is the result of extensive consultations between the FSC and the stakeholders. The PPSA addresses the specificities of the private pension industry in Mauritius whilst remaining in line with international principles, recommendations and guidelines.

The PPSA provides for the regulation of local private pension schemes, external pension schemes and foreign pension schemes. However, it does not apply to a Personal Pension Plan taken by an individual with an insurer licensed by FSC and does not cover Funds or Schemes operating under:-

- The National Pensions Act;
- The National Savings Fund Act;
- The Civil Service Family Protection Scheme Act;
- The Statutory Bodies Family Protection Fund Act;
- The Statutory Bodies Pension Funds Act;
- The Sugar Industry Pension Fund Act; and
- The Local Authorities (Pensions) Act.

The Act aims at protecting the members and beneficiaries of private pension schemes, by providing a consolidated and enhanced supervisory framework for the private pension industry in Mauritius, and by ensuring the soundness and good governance of these schemes.

The PPSA establishes the FSC as the sole regulator for private pensions in Mauritius. It enhances the regulation of pension schemes and simultaneously keeps regulatory costs low to preserve the competitiveness of the Mauritian pension sector. As from 1 November 2012, private pension schemes previously operating under the Employee Superannuation Fund Act and those approved by the Director General of the Mauritius Revenue Authority are deemed to have been set up under the PPSA and as such, fall under the supervision of the FSC.

New Rules

Rules under the PPSA

Private Pension Schemes (Licensing and Authorisation) Rules 2012 - effective as from 1 November 2012

These Rules introduce requirements and procedures for licensing and authorisation under the PPSA. To ensure fairness and transparency at all stages, the Rules define clear procedures for application for a licence under the PPSA. The Rules provide for the relaxation of certain limits on benefits and contributions that were in force prior to the proclamation of the PPSA.

Private Pension Schemes (Governance) Rules 2012 - effective from 1 January 2013

The Private Pension Schemes (Governance) Rules strengthen and lay emphasis on good governance as this is a crucial for private pension schemes to operate efficiently. The Rules provide for:

- the composition, suitability and duties of the governing body;
- standards, procedures and requirements regarding nomination to the Governing Body of a Private Pension Scheme; and
- the possibility for the governing body to administer the scheme through an authorisation from the FSC.

Private Pension Schemes (Disclosure) Rules 2012 - effective as from 1 January 2013

The Private Pension Schemes (Disclosure) Rules 2012 apply to the disclosure and communication of information and documents, by private pension schemes licensed under the PPSA to their beneficiaries.

The purpose of these Rules is to increase the transparency of private pension schemes to support an effective oversight of the governance of private pension schemes. The Rules are aligned with international best practices to enhance the good repute of Mauritius as an IFC.

Amendment to Rules

In addition to the three new Rules relating to the Mauritian pension industry, several amendments were made to Regulations and FSC Rules during the year under review.

Amendments to the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 - effective as from 1 January 2013

The amendments of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 pertain to the compulsory registration of reporting issuers. Following these amendments, reporting issuers have an obligation to inform the FSC of any changes in the information contained in the registration statement submitted by them and to file an updated registration statement with the FSC within two weeks from the date of any change.

The rationale behind these changes is to enable the FSC to continuously update its database of reporting issuers and to provide up to date information to members of the public who want to consult the register of reporting issuers.

Amendments to the Securities (Licensing) Rules 2007 – effective as from 1 October 2012

Amendments to these Rules in 2012 were made to create a new category of Investment Dealer namely Investment Dealer (Equity Segment) as well as to clarify the categories of Investment Dealers allowed to trade on the Global Board of Trade Ltd (GBOT).

In addition, Rule 18 of the Securities (Licensing) Rules was amended to exempt Investment Dealers (Equity Segment) from the requirements of Rule 7 of the same Rules on Representatives of Investment Dealers.

Finally, the Fourth Schedule to these Rules was amended to set the minimum stated unimpaired capital requirements of Investment Dealers (Equity Segment) at Rs 1,000,000.

Amendments to the Financial Services (Consolidated Licensing and Fees) Rules 2008 - amendment 1 effective as from 1 October 2012 and amendment 2 effective as from 1 November 2012

The Financial Services (Consolidated Licensing and Fees) Rules 2008 were amended (amendment 1) to reduce the fees of functionaries of the GBOT (amendment 2) and to create the fee structure for licensees under the PPSA, namely Pension Scheme, Foreign Pension Scheme, External Pension Scheme, Governing body to administer Private Pension Scheme and Pension Scheme Administrator.

Amendment to Rules of the Securities Exchanges

To promote Mauritius as an investment avenue and to diversify the portfolios of investors on the two Exchanges, the FSC granted its approval for the following:

- Amendment to the Stock Exchange of Mauritius (SEM) Listing Rules and SEM Automatic Trading System Schedule of Procedures for the introduction of the trading and listing of Exchange Traded Funds.
- The introduction of contracts for trading in the Commodity Derivatives Segment & Equity Segment of the GBOT namely cash settled commodity future contracts on zinc and lead, and cash settled Contract For Difference on Gold, WTI, EUR/USD and GBP/USD.

Codes

Code on the prevention of Money Laundering and Combating Terrorist Financing

The FSC issued a revised Code on the Prevention of Money Laundering and Terrorist Financing, which became effective on 1 April 2012. The new Code is the result of a review of the previous FSC Codes on the Prevention of Money Laundering & Terrorist Financing for Management Companies (MCs), Investment Businesses, and Insurance Entities initiated after the recommendations of the last Financial Sector Assessment Program underwent by Mauritius.

The objective of the review was to harmonise the requirements of the previous FSC Codes and to come up with a single comprehensive Code for all its licensees. The main changes brought include:

- enhanced general requirements for all licensees as well as specific guidance to each sector;
- recommendations from the last International Monetary Fund (IMF)/World Bank Financial Sector Assessment Program;
- a revised list of equivalent jurisdictions and a list of non-cooperative countries and territories and countries with deficiencies in their Anti-Money Laundering and Combatting of Financial Terrorism (AML/CFT) regime; and
- a revised list of recognised, designated and approved stock/investment exchanges.

Guides

Guide to Global Business

The Guide to Global Business was launched in January 2012 and aims at facilitating and improving the licensing process for global business applications. The main objectives of the Guide are to:

- provide guidance to investors and service providers;
- remove bottlenecks in the application process;
- strengthen the continuous and efficient collaboration between the FSC and MCs; and
- enhance the competitiveness of Mauritius as an IFC of substance and a preferred destination for starting a business.

Circular Letters

Three Circular Letters were issued during the year, which are as follows:

- 'Limited Partnership – Application for a Global Business' issued in January 2012, sets out the requirements for Limited Partnerships applying for a GBC 1 Licence and covers Registered Agent; Conduct of Global Business; Customer Due Diligence requirements; and submission of Document;

- 'The Private Pension Schemes Act 2012' dated 1 November 2012, was issued to guide pension schemes and their functionaries through the licensing and supervisory framework of the PPSA; and

- 'Information on Policies' was issued on 24 December 2012 to remind insurers of their obligations concerning information on policies.

Licensing and Policy

One of the functions of the FSC is to license, regulate, monitor and supervise the conduct of business activities in the financial services and global business sectors.

The Licensing & Policy Directorate comprises the Licensing and Policy Clusters.

The Policy Cluster includes the Financial Stability, Research and Economics, Market and Technical Developments, International Cooperation and External Relations and Statistics units.

The Licensing Cluster licenses and conducts pre-surveillance of business activities in the non-banking financial services and global business sectors.

The Policy Cluster is responsible for the formulation of the policy framework with a view to spearheading the development of the Mauritius jurisdiction as an IFC of good repute and substance. The Cluster keeps abreast of the local and international developments in the non-banking financial services and global business sectors, and their impact on the Mauritius jurisdiction. It also analyses the impact of economic developments to ensure financial stability, and focuses on market and technical developments. It is further responsible for the collection, compilation, publication and dissemination of statistics in respect of the financial services and global business sectors.

Licensing

Licensing

Licensing is a critical function of the FSC as it reconciles two crucial mandates of the FSC, which are to license, monitor and regulate, and to maintain the competitiveness of the jurisdiction. To strike the right balance, the FSC acts as the regulator and facilitator to ensure the stability and competitiveness of the Mauritius IFC.

The Licensing Cluster carries out a pre-surveillance function with the aim to protect the good repute of the jurisdiction. The Surveillance Directorate is consulted and involved at key stages during the licensing process to ensure smooth continuous supervision and monitoring.

The FSC has in place a set of sound and transparent rules and procedures for market participants. The Licensing procedure is clearly defined in laws and legislations, guidance notes and circular letters issued by the FSC as well as communication to licensees through workshops. To ensure fairness in the assessment of all applications, the process is harmonised at the initial stages. Based on the specificity and complexity of the activity being applied for, the application is treated accordingly.

Once licensed, licensees come under the continuous surveillance and monitoring by the FSC and are expected to comply with the prevailing legal framework at all times and to meet all the licensing conditions and licensing requirements.

Licences issued for the period

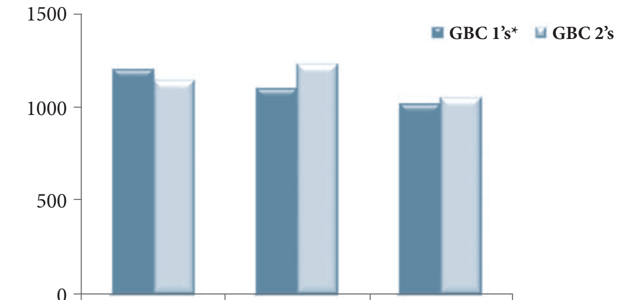
Global Business

For the period under review, the FSC issued 14 new Management Company Licences, bringing the total to 165 as at 31 December 2012. 1,019 GBC 1 licences (2011 - 1,101[4]) were issued out of which 107 (2011 - 133) were authorised to operate as Collective Investment Schemes (CIS)/Closed End Funds ('CEF') under the SA.

4 Restated figure

The Chart below indicates the number of GBC 1's and GBC 2's licensed from 2010 to 2012.

Chart 1: Number of New Global Business Companies Licensed (2010 - 2012)



	2010	2011	2012
GBC 1's*	1203	1101	1019
GBC 1's	1145	1231	1050

** Including Global Funds*
Source: Financial Services Commission, Mauritius

In order to safeguard the good repute of Mauritius as a centre for financial services, the FSC rejected, 12 applications for a GBC 1 licence during the year.

Domestic Non-Banking Financial Institutions

In the domestic market, for the year 2012, the FSC issued 444 licences to financial services providers/institutions other than banking institutions as shown below:

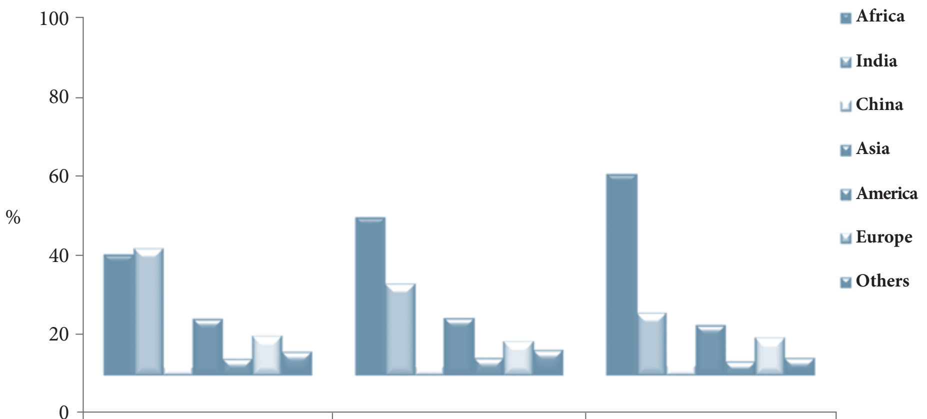
Table 1: Number of licensed Non-Banking Financial Institutions in 2012

Enabling Laws	Categorisation as per the FSC Rules	Number of entities licensed in	
		2012	2013
Financial Services Act	Financial Service Providers	2	3
	Specialised Financial Services Providers	-	2
	Corporate and Trust Service Providers	24	9
Securities Act	Capital Market Intermediaries	25	14
	CIS and CEFs	8	2
	CIS Functionaries and Professionals	5	3
Insurance Act	Insurance Service Providers		
	- Insurance Agents	28	18
	- Insurance Brokers	-	1
	- Insurance Salespersons	352	675

Spread of Investments – Global Business

The graph below shows that, in line with the diversification of market strategy, the share in the number of investments made by GBC 1's into Africa has increased considerably in a short span of time. Opportunities across the African continent are increasingly being tapped by global investors.

Chart 2: Spread of Investments – Global Business



	2010 %	2011 %	2012 %
Africa	30.68	40.12	50.95
India	32.27	23.25	15.87
China	2.42	2.62	2.84
Asia	14.2	14.45	12.77
America	4.29	4.37	3.6
Europe	10.11	8.8	9.54
Others	6.02	6.38	4.42

Source: Financial Services Commission, Mauritius

Streamlined Procedures

Previous experience has shown that the main reason for delay in approving an application for a global business licence is submission of incomplete applications. The Guide to Global Business also provides details of the application procedure as part of the prevention model of the FSC and is expected to reduce the turnaround time. An application is deemed to have been withdrawn if the MC does not revert back to the FSC within two months from the date the queries/requests for additional information were communicated to the MC.

Policy

Policy

The Policy Cluster functions as the strategic intelligence and policy development Unit. It is responsible for monitoring international regulatory and legislative developments, providing policy-oriented research and analysis on a wide range of issues relating to financial stability, financial institutions and the regulatory framework of the non-bank financial services sector. The Cluster also provides strategic policy advice, shaping appropriate policies in response to international initiatives which may have bearing on the operation of the non-bank financial services sector in Mauritius as well as liaising with various international standard setting organisations.

Financial Stability, Research and Economics

The global financial crisis confirmed the critical role of regulators in safeguarding financial stability and the significance of adopting a macro-prudential approach to regulation and supervision. In addition to the established objectives of financial regulation such as ensuring market efficiency, transparency and sound business conduct, regulators are increasingly focusing on maintaining financial stability and controlling systemic risks.

While the domestic financial markets in Mauritius were quite resilient to the recent financial crisis, Mauritius, as an IFC, does not operate in a vacuum and remains exposed to future potential external shocks. Being informed and prepared entails focusing on financial stability and keeping abreast of on-going development in the region as well as on the international front. Given the emergence of large cross-border financial institutions and the increased interconnectedness of the financial system, standard-setting bodies are putting greater emphasis on the possible systemic impact of financial stability risks.

Ensuring the soundness and stability of the financial system in Mauritius in collaboration with the Bank of Mauritius (BoM) is one of the objects of the FSC under the FSA. In line with this object, the FSC set up the Financial Stability, Research and Economics Unit as defined in its strategic and business plans. The Unit was operationalised in 2012 and has as objective, financial instability prevention and crisis management.

Prevention involves adopting a macro-prudential approach to monitor financial institutions by undertaking research on strategic financial stability issues that may have an adverse impact on the real economy. It further entails consulting financial sector stakeholders in order to assess the impact of local, regional and international issues and developments on financial stability as well as engaging in international cooperation.

The FSC also aims at being prepared for circumstances where shocks cannot be identified or prevented. The Unit is working on a crisis management operations manual which will provide for a crisis management framework.

Research projects

Research is carried out to analyse financial stability trends and detect any potential systemic risks in the non-banking financial services sector. During the year, three research projects were carried out:

1. The analysis of the Insurance Sector looked at the evolution of the sector over the period 2001 to 2011 covering aspects such as claims/expense ratios, combined ratio, return on assets/equity, investment income ratio, evolution of residential mortgages,

liquidity, market concentration, investment trends, reinsurance patterns and solvency of insurers. The study revealed that as much as 80 per cent of the respective markets (life and non-life) are held by only a couple of insurers.

2. The study on Capital Markets comprised a statistical profile of the industry, including comparison of the performance of the SEMDEX over the years against eight major international indices before, during and after the financial crisis. The study also covered a detailed analysis of the financial performance of investment dealers, including their market size, financial leverage and capital adequacy ratios.

3. The review of Reinsurance ceded focused on the liability and property segments over 2008 - 2011 and revealed that general insurers make extensive use of reinsurance. The review further confirmed that general insurers reinsured more than 95 per cent of their liability and property gross premium with Fitch, S&P, Moody's and AM Best.

Collaboration on the BoM Financial Stability Reports

Data and analysis on the insurance sector were provided for the publication of the bi-annual Financial Stability Reports of the BoM. The first report published in February 2012 elaborated on the performance of the insurance sector, exposure to global conditions, reinsurance risk, and credit to households.

The second report issued in August 2012 covered the average solvency position of insurers, growth of insurance activities, exposure to global conditions, concentration and the financial performance of insurers.

FSB Regional Consultative Group for Sub-Saharan Africa

The FSC along with the Ministry of Finance and Economic Development and the BoM represent Mauritius on the FSB Regional Consultative Group (RCG) for Sub-Saharan Africa. Members of the RCG are financial authorities from Angola, Botswana, Ghana, Kenya (co-chair), Namibia, Nigeria, South Africa (co-chair) and Tanzania. Two meetings were held during the year and the FSC attended both meetings.

At the first meeting of the RCG, members discussed the FSB's work plan and policy priorities, major financial regulatory reforms and their impacts, as well as vulnerabilities and regional financial stability issues.

In the second meeting, the RCG discussed vulnerabilities in the global financial system and regional financial stability issues. Members also considered key financial sector reforms for Sub-Saharan Africa and the resolution of financial institutions, including the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions, cross-border cooperation, recovery and resolution plans, crisis management groups and information sharing.

Monitoring public financial stability reports

The FSC keeps abreast of and reviews financial stability reports issued by other regulators and standard setters. The reviews focus *inter alia* on developments in other jurisdictions that may affect Mauritius, types of analysis which may be replicated in the Mauritian context and themes identified by other regulators which may warrant analysis in Mauritius

Macor-economic analysis

The services of a local Economic Advisor were sought during the year to build capacity in the field of macro-economic analysis and forecasting. The Economic Advisor facilitated training sessions with the FSC staff to enable them to analyse and make recommendations with regards to economic decisions, policies and strategies.

Market and Technical Development

The Market and Technical Development Unit works towards achieving one of the objects of the FSC which is "*to work out objectives, policies and priorities for the development of the financial services sector and global business and to make recommendations to the Minister*".

Developing Mauritius into a competitive jurisdiction and ensuring that it is developed and diversified, as defined in the Strategic plan, necessitates considerable research, market analysis, benchmarking and innovation. To maintain the competitive advantage of the Mauritius IFC, the FSC aims to promote and to position Mauritius as the platform for investment into Asia, Africa and the rest of the world.

In order to fulfil these objectives, the cluster constantly looks for new developments in terms of products and practices in other jurisdictions and makes appropriate recommendations for Mauritius. Over the year, the cluster continued to work towards:

Diversification and promotion of innovative financial products and services

Mauritius has been largely dependent on certain markets. In the event of any negative developments in these markets, the performance of the Mauritian non-bank financial services would be seriously affected. The effects would be felt on the growth of the sector as well as in the level of employment. At this juncture, when the rate of unemployment is already high and increasing in the country, it is important to make the non-bank financial services sector create rather than cut employment.

The FSC ensures that the market for the Mauritian non-bank financial services is diversified enough to avoid any spill over effects should there be any issues in one market. A few years back, Mauritius was largely dependent on the Indian Market, but the Africa strategy adopted showed positive results. A large part of investment in now directed towards Africa thus reducing the dependence on India. Such a result reveals that not only the market is now diversifying but also that investment has increased.

New products such as the global headquarters administration and global treasury activities were introduced in the market during the year thereby giving investors a wider choice to do business in or through Mauritius.

Recommendation for changes in legislation and introduction of new products are made after thorough research and consultation with relevant stakeholders. This approach ensures that the FSC is alert and adopts an approach whereby only best practices are adopted in the Mauritian context.

Competitor analysis also forms part of the research and ensures that the FSC remains ahead of competition by ensuring knowledge of the markets and competitors as well as their strategies.

Monitoring international development

The global financial industry is dynamic and developments are recurrent. To keep abreast of all the changes and developments, it is important to monitor them and measure their impact on the Mauritian jurisdiction.

In 2012, the Foreign Account Tax Compliance Act (FATCA) and AIFMD were perceived to be impacting on the jurisdiction. On the issue of FATCA, recommendations were made to relevant stakeholders. The FSC participated in stakeholder meetings on FATCA and provided technical advice. AIFMD was closely followed and its impact on the jurisdiction measured. Analysis and consultation was done prior to the elaboration of the Draft Memorandum of Understanding (MoU) with the European Securities and Markets Authority (ESMA).

India remains an important partner for Mauritius. The developments on the Indian General Anti-Avoidance Rule (GAAR), Shome report on GAAR and the Indian Direct Tax Code were closely followed. The FSC was party to discussions and member of the Joint Working Group on the renegotiation of the India-Mauritius Double Taxation Avoidance Agreement.

Changes at the global and regional level affect the environment in which the Mauritius IFC operates. In most cases these changes cannot be influenced but can be closely monitored and their impact on the jurisdiction measured. Based on these research the best approach is adopted which ensures that the Mauritius IFC remains competitive and maintains its good repute.

Promoting industry partnership

To maintain Mauritius as a competitive IFC, the FSC maintains a business friendly approach with no leniency on regulation and compliance. The Industry Associations provide a useful platform for regular interaction between the FSC and the industry. Consultations with the industry culminated into the introduction of new products and improved compliance procedures which benefit the jurisdiction.

International Cooperation and External Relations

A highly interconnected international financial system relies largely on international cooperation of regulatory agencies, standard setting bodies and other relevant institutions for transparency and effectiveness. The global financial crisis clearly demonstrated that countries cannot successfully regulate their financial markets and firms in isolation, especially as a growing number of financial institutions operate globally.

As a member of regional and international bodies, the FSC believes in sharing experiences and best practices with other regulators and international financial institutions. To this end, the International Cooperation and External Relations Unit follows up on all international issues, communication with and request for information from peer regulators and counterparts.

Adherence to International Norms and Standards

Adherence to international norms and standards fosters market efficiency, prevents financial imbalances and ensures the visibility of Mauritius on international platforms. The FSC is a member of:

- the IOSCO which is the global standard setter for the securities sector. The IOSCO develops, implements, and promotes adherence to internationally recognised standards for securities regulation, and works intensively with the G20 and the FSB on the global regulatory reform agenda;

- the IAIS which is the standard setter for the insurance industry. The objectives of the IAIS are to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability;
- the IOPS which sets the standards to improve the quality and effectiveness of the supervision of private pension systems throughout the world, thereby enhancing their development and operational efficiency, and allowing for the provision of a secure source of retirement income in as many countries as possible; and
- the Islamic Financial Services Board (IFSB) which is an international standard-setting organisation that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors.

Partnering to promote effective information exchange

Signature of MoU

Effective cross-border consolidated supervision is vital given the growing activities of our licensees. MoUs provide the formal mechanism for supervisory cooperation and exchange of information with our regulatory counterparts.

In 2012, six bilateral MoUs were signed with:

- Statistics Mauritius in February;
- Capital Markets Authority of Kenya in February;
- Non-Bank Financial Institutions Regulatory Authority Botswana in April;
- Financial Reporting Council in April;
- Securities and Exchange Commission of Nigeria in May; and
- Cyprus Securities and Exchange Commission in September.

As at 31 December 2012, the FSC had signed 25 MoUs and 2 MMoUs with international and local counterparts.

Memoranda of Understanding signed between the FSC and its Counterparts	
Local Authorities	
1.	Bank of Mauritius
2.	Financial Intelligence Unit
3.	Mauritius Revenue Authority
4.	Competition Commission Mauritius
5.	Statistics Mauritius
6.	Financial Reporting Council
Foreign Authorities	
7.	Securities and Exchange Board of India
8.	Committee for Insurance, Securities and Non -bank Financial Authorities
9.	Financial Services Board of South Africa
10.	Malta Financial Services Authority
11.	Pensions and Insurance Authority of Zambia
12.	Capital Markets Authority of Uganda
13.	Namibia Financial Institutions Supervisory Authority
14.	Securities and Exchange Commission of Zambia
15.	Insurance Supervisory Department of Tanzania
16.	Isle of Man Financial Supervision Commission
17.	Reserve Bank of Malawi
18.	South Asian Securities Regulators Forum
19.	Central Bank of Lesotho
20.	Jersey Financial Services Commission
21.	Guernsey Financial Services Commission
22.	Labuan Financial Services Authority
23.	Capital Markets Authority, Kenya
24.	Non-Bank Financial Institutions Regulatory Authority Botswana
25.	Securities and Exchange Commission, Nigeria
26.	International Organisation of Securities Commission MMOU
27.	Cyprus Securities and Exchange Commissio

Signing the IOSCO Multilateral Memorandum of Understanding

After more than five years of consultation, the existing legislations were amended to facilitate information exchange (including banking information), technical cooperation and investigative assistance. The FSC finally, signed the IOSCO Multilateral Memorandum of Understanding (MMoU), in the person of the Chief Executive, Ms Clairette Ah-Hen, on 16 May 2012 in Beijing.

The IOSCO MMoU is a model for international cooperation and establishes standards when making or responding to requests for information. The MMoU sets out an international benchmark for cross-border cooperation which is critical to combating violations of securities and derivatives laws and provides a common understanding amongst its signatories about how they will consult, cooperate and exchange information for securities regulatory enforcement purposes. The MMoU further sets out specific requirements regarding information exchange and ensures that no legal and regulatory framework prevent securities regulators from sharing information with their counterparts in other jurisdictions.

The MMoU reinforces the FSC's cooperation with regulatory and supervisory authorities for preserving and strengthening securities markets. It is a testimony that the FSC meets the international standards expected of a Securities regulator and upholds that Mauritius is a sound, stable, transparent and reputable financial services centre internationally recognised by its counterparts.

Reinforced framework for effective exchange of information between the FSC and the BoM

The FSC and the BoM signed a Protocol to amend the MoU between the two institutions on 8 February 2012. The amendments reinforced the framework for effective exchange of information between the two institutions, and enabled the FSC to comply with one of the requirements imposed to fully subscribe to the IOSCO MMoU.

Anti-Money Laundering and Combating of Financial Terrorism

As part of its supervisory framework to combat money laundering and financing of terrorism, the FSC closely monitored the list of Persons/Entities suspected of Terrorism issued by the United Nations Security Council (UNSC).

The FSC provided an update to its licensees following the decision of the UNSC to split the Al-Qaida and Taliban sanctions regime on the Consolidated List. The Al-Qaida sanctions regime includes a list of individuals and entities belonging to or associated with the Al Qaida Organisation. The new "1988 Committee" now deals with sanctions relating to the Taliban which includes those previously designated as the Taliban, and other individuals groups, undertakings and entities associated with them.

The FSC monitored changes on both the Al-Qaida Sanctions List and the 1988 List and communicated all the updates to its licensees. Licensees are required to verify any link with the individuals or entities reported by the UNSC and take any necessary action and report to the FSC.

Visibility of the FSC on International and Regional Platforms

Keeping abreast of international standards and norms has become a necessity for regulators to ensure transparency and to promote and maintain effective cross-border supervision. To increase the visibility of Mauritius, the FSC was represented at various international and regional fora which also serve as a platform for regulatory authorities to discuss areas of common interest and reinforce mutual cooperation.

For the year 2012, FSC participated in nine overseas meetings at the international and regional level and two regional and national meetings held in Mauritius.

Reinforced cooperation and mutual assistance

Financial regulators in Africa look up to the FSC to learn from the experience of Mauritius in terms of development and regulation of the non-banking financial services sector. In 2012, the FSC organised three attachment programmes for delegations from regional counterparts namely the:

- Non-Bank Financial Institutions Regulatory Authority (NBFIRA), Botswana;
- Capital Markets Authority, Uganda; and
- Tanzania Insurance Regulatory Authority.

The primary objective of attachment programmes is to share areas of knowledge and expertise. In this context, delegates were provided with an overview of the role of the FSC and its supervisory mechanisms in place to regulate the non-banking financial and global business sectors.

The FSC also welcomed a high level delegation from Kenya in December 2012 for a benchmarking visit. Mauritius was identified as the leading IFC from which Kenya can draw a wealth of experience for the development of the Nairobi IFC.

Statistics

Statistics are crucial input used in projections and as such in the decision making process of most organisations. Statistics also reveal the success level of policy implementation. The FSC ensures availability of timely and accurate statistics to the industry and international organisations such as the IMF and World Bank.

The FSC also regularly collects, compiles and disseminates industry-wide data and conducts surveys amongst its licencees. In so doing, the FSC adopts best practices and standards in dissemination of statistics and ensures the non-bank financial services sector adopts the same standards.

Mauritius Subscribing to IMF Special Data Dissemination Standards

On 28 February 2012, Mauritius graduated from the IMF General Data Dissemination System (GDDS) to the Special Data Dissemination Standard (SDDS) which was established by the IMF in 1996 and is intended to guide members in the provision of their economic and financial data to the public. Subscription to the SDDS is expected to enhance the availability of timely and comprehensive statistics, thereby contributing to the pursuit of sound macroeconomic policies and the improved functioning of financial markets.

Mauritius is the second Sub-Saharan African country to subscribe to the SDDS which identifies four dimensions of data dissemination:
- Data coverage, periodicity and timeliness;
- Access by the public;
- Integrity of the disseminated data; and
- Quality of the disseminated data.

Subscription to SDDS is voluntary but once subscribed, the member commits to observe the standards and to provide information to the IMF about its data dissemination practices.

MoU between FSC & Statistics Mauritius

The FSC signed an MoU with Statistics Mauritius on 9 February 2012, for cooperation with regards to collection and compilation of statistics and exchange of information. The MoU sets out a framework for cooperation between Statistics Mauritius and the FSC in their common pursuit to ensure coordination in collecting and processing of data and improvement of the national statistical system based on international norms and standards.

Publications

The fifth FSC Annual Statistical Bulletin was released on 28 December 2012, pursuant to section 6(j) of the FSA, which states that one of FSC's functions is to "collect, compile, publish and disseminate statistics in respect of the financial services and global business sectors." The Bulletin provides up-to-date figures on the sectors regulated by the FSC and presents a synopsis of trends in the financial services sector (other than banking) in 2010 and 2011.

Surveys

The FSC conducts surveys and the data collected are used for micro and macro-economic analysis, for the monitoring of financial stability and as economic inputs for the National Accounts and the IMF surveys.
The FSC conducted the Balance of Payments (BoP) survey of GBC 1's on behalf of BoM. The purpose of this Survey was to collect transaction and position data of GBC 1's vis-à-vis non-resident companies to facilitate the compilation of BoP. The latter is published in the BoM's Monthly Statistical Bulletin and Annual Report. The coverage of the BoP Survey consisted of GBC 1's under the management of the 22 leading MCs.

The Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS) were conducted on behalf of the BoM under the guidance of the IMF. The CDIS captures information on direct investment positions, both assets and liabilities, between GBC 1's and non-resident affiliated enterprises (i.e., enterprises in a direct investment relationship with each other). The CPIS collected information on position data on asset side of GBC 1's with non-resident unaffiliated enterprises (commonly known as portfolio investment). These data are used to monitor the size and composition of the financial sector in Mauritius.

The National Accounts survey collected data on the GBC 1's to measure their contribution to the Mauritian economy and were included in the National Accounts published by Statistics Mauritius.

The Employment Survey 2011 aimed at providing data on employment in the non-bank financial services and global business sectors. The Insurance Survey 2011 complemented data collected from the audited financial statements and Statutory returns of Long Term Insurance Companies and General Insurance Companies.

Representation on National Committees

The FSC is represented on the following national level committees as the representative of the non-bank financial services sector:

Sub-committee on "Harmonisation of Business Surveys / Censuses, including administrative data collection".

The Sub-committee advises on the harmonisation and rationalisation of business surveys so as to avoiding duplication and minimise burden on respondents thus promoting efficiency and cost-effectiveness.

SDDS Technical Committee:
- identifies current constraints and proposes solutions;
- ensures compliance and observance of SDDS undertakings;
- ensures accuracy of metadata and data disseminated on the IMF website; and
- ensures continuous improvement on options taken at subscription.

Surveillance

The Directorate comprises Capital Markets, Investment Funds and Intermediaries, Insurance and Pensions and Global Business Clusters

The Directorate ensures that all licensed firms and intermediaries comply with regulatory and disclosure requirements on an on-going basis.

The Directorate ensures sound and stable markets from both prudential and conduct perspectives.

The Directorate is responsible for overseeing the conduct of licensed market infrastructures as well as market intermediaries.

Surveillance

Strong regulation and supervision are essential to ensure stability in the financial system. The Surveillance Directorate ensures the continuous monitoring and supervision of all regulated entities such that they comply with regulatory requirements at all times.

The FSC adopts a prevention approach whereby the Surveillance Directorate is involved during the processing of licences and is fully aware of the licencing conditions from the time it is issued.

The Surveillance Directorate ensures sound and stable markets from both prudential and conduct perspectives. Under prudential supervision, in promoting safety and soundness, focus is primarily on the harm that firms can cause to the stability of the financial system. A stable financial system is one in which firms continue to provide critical financial services – a precondition for a healthy and successful economy. Those institutions and issues which pose the greatest risk to the stability of the financial system are given more attention.

With regard to conduct, the Directorate ensures that markets function well and continue to provide the services expected of these infrastructures in an orderly manner. The Directorate acts in such a way as to prevent market abuse and ensures that consumers get a fair deal from financial firms.

Constant monitoring and surveillance entails ensuring the licensees comply with legislations at all times .This is verified through off-site supervision and on-site inspections.

On-site inspections are conducted to ascertain that licensees comply with the regulatory and supervisory framework. Key objectives of on-site inspections include:

- assessing the market conduct of licensees for fairness and transparency;
- checking adherence of licensees to AML/CFT legislation;
- ensuring soundness of corporate governance of licensees;
- evaluating risk management processes established by licensees;
- evaluating the internal control procedures established by licensees; and
- maintaining the sound repute of the Mauritius jurisdiction.

Off-site supervision is fundamental in monitoring the conduct of business activities of licensees. It entails reviewing and analysing audited financial statements, statutory returns and any other reports submitted by licensees. The review allows the FSC to ascertain *inter alia* the:

- compliance status of licensees with relevant laws;
- financial soundness and solvency position of licensees;
- ongoing assessment of licensees; and
- obligations of licensees

Supervisory resources are finite and there is a need for regulators to target scarce regulatory resources toward higher risk areas. The FSC has adopted a Risk-Based Supervisory (RBS) framework since 2009. The RBS framework enables the planning and the conduct of thematic inspections across its licensees. The relevancy of the framework is regularly assessed and over the years, the RBS Framework has evolved to reflect most of the major developments in the market. The following parameters are used to measure the riskiness posed to the system by the licensee:

- Corporate Governance;
- Prudential Procedures;
- Financial performance;
- Risk-to-Objectives Matrix;
- Risk Profile;
- System; and
- Market Conduct Procedures.

Using these parameters, a risk score is calculated which gauge the level of riskiness of the licensees. The scores assist in planning and scheduling on-site inspections on the one hand and focusing off-site monitoring resources towards licensees with higher risk profile on the other hand.

While the system of surveillance is standard in principle, the specificities of each sector may require certain differentials in the key aspects of surveillance which are adapted within the surveillance system under each sector for continuous monitoring and surveillance.

Capital Market

Capital Market

Overview of the Market

The Capital Market Structure consists of the following types of licensees regulated by the FSC:

- Market Infrastructure licensed under the SA;
- Market Intermediaries licensed under the SA; and
- Financial Business Activities licensed under Section 14 of the FSA.

The Market Infrastructure comprises the Securities Exchanges namely, the SEM and the GBOT and the Clearing and settlement facilities for SEM and GBOT. Clearing and settlement for SEM is carried out by the Central Depository & Settlement Co. Ltd (CDS). Market Intermediaries consists of Investment Dealers and Investment Advisors. Entities which are licensed for Financial Business Activities under section 14 of the FSA carry out activities such as Assets Management, Credit Finance, Custodian Services (non-CIS), Distribution of financial products, Factoring, Leasing, Registrar and Transfer Agent Treasury Management and Payment Intermediary Services.

Surveillance under Capital Markets

For Capital Markets, supervisory resources were more focused towards strengthening the off-site surveillance during 2012 and the preparation of the Onsite Inspection Schedule for the coming year. Surveillance for Capital Markets is done in compliance with Principle 12 of the IOSCO which states that the regulatory System should ensure effective and credible use of inspection, investigation, surveillance and enforcement powers and implementation of an effective compliance.

Off-site Surveillance

The off-site monitoring for Capital Markets includes review of statutory returns and audited financial statements as well as keeping track of public information available through the media, SEM's publications and CDS reports. The FSC ensures that all statutory requirements under the relevant Acts were complied with, by all of its licensees which included filing of:

- Annual Reports (for Securities Exchanges, Clearing & Settlement Facility, investment dealers and investment advisers);
- Audited Financial Statements for Section 14 Companies;
- Register of interests; and
- Foreign Investments returns for Investment dealers.

For 2012, off-site monitoring revealed that licensees complied with all statutory requirements in terms of filing required documents and communicating any relevant changes to the FSC. However, some licensees did not submit their Annual Reports (where applicable) and/or Audited Financial Statements on time. The FSC wrote to all those licensees reminding them of their statutory requirement to submit these documents as per prescribe timeframe.

Some licences are issued whereby there are conditions attached to the licence which have to be met within one month of obtaining the licence. Reminders were sent to licensees who failed to comply with the post-licensing requirement within the prescribed timeframe.

Continuous monitoring of the Exchanges

Continuous monitoring and surveillance of the exchanges is conducted on a daily basis. One important feature of this monitoring is overseeing trading on the markets of both exchanges through the Automated Trading System (ATS). The latter provides information on orders executed during trading hours. Whenever abnormal trading patterns (in terms of volumes of shares and prices) on a specific date or continuous period are noted, the FSC requests trade details from the CDS. The trade details are then analysed and investigation conducted, as and when required so as to detect any possibility of market abuse.

During the year, there were instances of abnormal trading patterns and the FSC requested trade details from the CDS. Preliminary enquiries revealed no possible case of Market Abuse. Moreover, the FSC analysed the daily trading markets as published by the Exchanges and reviewed the periodical reports submitted by CDS. No failed trades for the period under review were noted.

The FSC examines other publications of the Exchanges such as weekly bulletins and newsletters to take note of the other developments on the Markets. The SEM and GBOT also submit to the FSC their communiqués and circulars issued related to the operations of the Markets.

Risk-Based Supervision

Year 2012 was the fourth cycle of the RBS exercise. The self-assessment questionnaire was modified in line with new developments in the Capital Markets industry both at local and international level. . The RBS scorings have been used to determine the risk profile of the licensees - an important element used in the preparation of the on-site Inspection Schedule for the forthcoming year.

On-site Inspection

The objective of onsite inspection is to appraise de visu that licensees:

- are compliant with statutory requirements;
- have set up the necessary infrastructures;
- have the required resources for daily conduct of operations; and
- have implemented the necessary measures for the protection of investors.

While no on-site inspection were conducted in 2012, the on-site inspection programme for next year was modified and a schedule prepared accordingly.

Reporting Issuers (RIs)

As at end of 2012, the number of registered RIs was 113 As specified under the Securities Act 2005 and the Securities (Disclosure for Reporting Issuers) Rules 2007, the RIs are required to submit their Quarterly Accounts, Annual Reports, monthly foreign investments returns for those which were listed and notifications which include notifications of interest in securities by insiders. Besides compliance in terms of filing documents as per legislation, the FSC monitored the corporate governance of these firms. As per MoU with Financial Reporting Council (FRC), reports of the FRC and their findings are considered.

Investment Funds and Intermediaries

Investment Funds and Intermediaries

The Investment Funds & Intermediaries Cluster (IFI) is responsible for the supervision of funds (Collective Investment Schemes and Closed-End Funds) and their intermediaries (CIS Managers, CIS Administrators and Custodians). IFI ensures adherence to the IOSCO Principles, standards and best practices as well as good governance of the Investment funds and Intermediaries. In addition, it promotes diversification of the market in particular towards Africa.

Legal development

In accordance with the transitional provisions under the Securities Act 2005, the FSC issued a press communiqué on 3 January 2012 to remind funds and fund managers of their obligations to apply for a licence. The deadline was set for 30 March 2012. Following the communiqué, a few concerned entities submitted their applications for a licence to the FSC.

The fund industry welcomed the introduction of a new piece of legislation, the Foundation Act, proclaimed on 1 July 2012. Foundations may be used as an alternative structuring for the investment vehicles.

Further to the proclamation of the Limited Partnerships Act on 11 November 2011, the FSC issued a Circular Letter on 20 January 2012 to explain some of the key concepts and requirements of Limited Partnerships which may now be used for structuring investment vehicles in Mauritius.

Off-site monitoring and on-going compliance

The FSC carried out a stringent review of requests for new applications, extension in business activities, changes in working principles and regulatory approvals. Simultaneously, the FSC monitored the conduct of business of licencees and on-going compliance with the prevailing legislations in Mauritius.

For the year under review, special emphasis was also laid on the reporting obligations of and the quality of reporting done by the licensees.

It was observed that the FSC's approach to establishing a rapport with the stakeholders to foster a better collaboration resulted in a decline in the number of cases of non-compliance for regulatory approvals.

Risk-Based Supervision and Impact Assessment

The RBS exercise covered the period 1 July 2011 to 30 June 2012. The deadline for completion and submission of the RBS questionnaires was 30 June 2012 but at the request of a few licensees, the deadline was subsequently extended to 31 July 2012.

The overall riskiness of a licensee is determined by both the risk posed by the licensee to the supervisory objectives of the FSC and the relative importance of the licensee on the sector within which it operates. Thus, for the period under review, other than the existing Risk Assessment Questionnaire, IFI prepared an Impact Assessment Questionnaire so that a thorough measurement of the riskiness posed by licensees could be undertaken. The population for the RBS 2011/2012 cycle consisted of twenty one CIS Managers, six CIS Custodians and three CIS Administrators. By the end of July 2012, all the thirty selected intermediaries had completed and validated their RBS Questionnaires.

On-site inspection

The overall RBS Score and the Impact Assessment were used as guidance in preparing the on-site inspection schedule. Factors such as the different types of licences/authorisations/approvals, ongoing compliance observed on the licensees, complaints received on a licensee and newly licensed entities amongst others, were taken into consideration while drawing up the schedule.

For the cycle 2011/2012, the on-site inspections focused on the corporate governance structure and the statutory obligations of the licencees. The latter were also queried on the discrepancies noted in the RBS questionnaires. Fourteen inspections were conducted following the completion of the RBS Questionnaire review, of which, three did not show any cause for concern on the parameters assessed, whereas ten were requested to take remedial actions. One of the inspections culminated into an investigation.

As for the cycle 2012/2013, the inspection schedule for CIS Managers, Custodians and Administrators was already set. The IFI Cluster aims at conducting on-site inspection visits at each of the entities falling under its purview.

The inspections allowed the FSC to have a comprehensive view on the operations of the licencees. At the same time, the licencees were in a better position to understand their regulatory obligations.

Investigation

During the on-site inspection exercise conducted at the premises of a CIS Manager, the FSC came across a number of non-compliance issues. The FSC closely monitored the remedial actions that the licensee was required to take.

Following a number of complaints received against the same CIS Manager for having failed to comply with the FSC's recommendations, an investigation was carried out during the year. The Fund managed by the CIS Manager was also investigated. Subsequently, pursuant to Section 46 of the Financial Services Act, the FSC directed the licensees to take appropriate actions to comply with the legal and operational requirements within a prescribed time period. The matter is being closely monitored by the FSC.

Insurance and Pensions

Insurance and Pensions

The Insurance and Pension Cluster supervises the insurance and pensions industries in Mauritius. The FSC regulates the conduct of pensions and insurance industry through prudential supervision in order to protect the interest of pension scheme members and insurance policyholders and to foster the industry's growth, development and stability. The FSC adheres to internationally acceptable supervisory and regulatory standards and promotes good corporate governance practices in insurance and pensions.

Insurance

The Cluster is responsible for the supervision of insurance/reinsurance companies as well as insurance service providers [Insurance Broker, Insurance Agent (company /individual), Insurance Manager, Insurance Salesperson].

Risk-Based Supervision

This integrated risk-based system of supervision uses both off-site monitoring and on-site inspections to examine the business of each insurer, evaluate its condition, the quality of its Board and Senior Management and compliance with relevant legislation and requirements.

In June 2012, the FSC launched the fourth cycle of self-assessment questionnaire for assessing the quality of risk governance structure within the licensed insurance companies. The responses were assessed and rated according to the parameters of the RBS framework so as to calculate the level of risk inherent to licensees. This exercise enabled the FSC to identify high risk profile licensees and to prioritise on-site inspections.

Off-site Supervision

Off-site supervision of insurers and insurance intermediaries consists of continuous evaluation of the financial condition and performance of the insurance market players including close monitoring of solvency positions of insurers through in-depth examination of statutory returns, audited financial statements, solvency returns and actuarial report.

During off-site reviews, inconsistencies and concerns noted by the FSC were communicated to the insurers for corrective actions. Measures adopted by the Insurer were closely monitored by the FSC. These findings provided valuable inputs in the formulation of onsite programmes and policy recommendations.

On-site Inspections

In September 2012, the FSC began a new round of on-site inspections of Insurers. On-site inspections enable the FSC to inspect the affairs or any part of the affairs of an insurer and verify whether the insurer is conducting business in accordance to sound insurance principles.

The objectives of an on-site inspection are to:

- ascertain compliance with relevant laws, codes and regulations;
- check adherence to anti-money laundering laws, regulations and codes;
- determine whether dealings with policyholders and public are fair and transparent;
- provide assurance that corporate governance is sound; and
- evaluate financial solvency and performance.

As at 31 December 2012, the FSC completed the on-site inspection of five insurers. Preliminary observations led the FSC to issue a circular to all insurers on 24 December 2012 reminding them of their obligations under Section 80 of Insurance Act 2005 concerning information on policies.

Compliance with IAIS ICPs

The IAIS Insurance Core Principles (ICPs) constitute the globally-accepted framework used in the evaluation of supervisory regimes and prescribe the essential elements which must be present in the supervisory regime so as to promote a financially sound insurance sector and provide an adequate level of policyholder protection. Following revisions to the ICPs, Standards, Guidance and Assessment Methodology, the IAIS issued a new set of ICPs in October 2011.

Under the SADC Finance and Investment Protocol, the SADC Secretariat conducted an assessment of the level of compliance with the new IAIS ICPs for all SADC member jurisdictions. The assessment exercise was expected to identify the extent and nature of any weaknesses in a jurisdiction's supervisory framework – especially those aspects that could affect policyholder protection and insurance sector stability – as well as recommend possible remedies.

The self-assessment exercise for Mauritius, using the new ICPs, was conducted in March 2012. The assessment exercise revealed that Mauritius fully observed 16 ICPs while 8 ICPs were largely observed and 2 ICPs partly observed. The IAIS ICPs were again reviewed in October 2012 and the FSC will ensure adherence to the new set of ICPs.

Pensions

Private pension schemes constitute the lifelong savings of individuals including those who may not be conversant with the financial services. It is therefore, important to regulate and supervise private pension schemes so as to ensure their reliability and to safeguard the best interests of contributors who save for their retirement.

The Making of the PPSA

After many years of negotiations and consultations, the promulgation of the much awaited PPSA finally became a reality on 1 November 2012. The FSC adopted a consultative approach during the drafting of the Private Pension Schemes Bill seeking the expertise and feedbacks from the pension industry professionals.

The new legislation ensures the protection of members and beneficiaries and the soundness of the private pensions industry in Mauritius. The legislation for the private pensions industry is in line with the international principles, recommendations and guidelines issued by the IOPS and the Organisation for Economic Co-operation and Development (OECD).

To ensure timeliness and effectiveness of the legislation, the FSC concurrently worked on the FSC Rules under the PPSA. The Rules, also in line with IOPS and OECD principles, provide fundamental supplements required for most existing private pension schemes to restructure their current arrangements in order to comply with the new legal framework. Three Rules were drafted and approved namely Licensing and Authorisation, Disclosure, and Governance. The FSC is working on other relevant Rules under the PPSA with the same objective.

The New Legislation

With the coming into force of the PPSA, the FSC becomes the sole regulator and supervisor of the private pensions industry in Mauritius and is mandated to:

- license and authorise private pension schemes;
- enforce compliance with prudential requirements;
- apply the fit and proper requirements to persons constituting the governing body of private pension schemes; and
- intervene in the event of misconduct of a licensed or authorised private pension scheme.

Under the PPSA, FSC regulates "pension schemes", "external pension schemes" and "foreign pension schemes". Such a set up ensures proper regulations across all corners of the private pensions industry while at the same time promotes Mauritius as a safe destination for private pension schemes. Transparent and clear procedures for licensing, effective regulation and supervision and provisions for these three categories of schemes are important aspects of the legislation.

Surveillance of Pension Schemes

The FSC is mandated to ensure the proper implementation of the new private pensions regulatory and supervisory framework. About 1,600 private pension schemes (trusts, superannuation funds, and insured pension schemes) previously approved by the Mauritius Revenue Authority (MRA), now fall under the purview of the FSC as its licensees. .

On 1 November 2012, the FSC issued a communiqué and a circular letter highlighting pension schemes not falling under the purview of PPSA, and informed and guided stakeholders through the transitional process stipulated under the Act.

The handing over and physical transfer of files of existing pension schemes from the concerned authorities to the FSC was effected in 2012. The FSC is currently effecting a compliance review of the deemed to be licensed private pension schemes. In order to reach out to the licensees and assist them efficiently in their queries regarding the enforcement of the PPSA, the FSC made operational, two direct telephone lines where licensees could contact technical officers. Whenever the FSC receives requests for assistance, it meets the licensees to provide them guidance in respect of their specific queries on the PPSA and FSC Rules.

Off-site Supervision

The FSC started its compliance review exercise as soon as the thousands of private pension schemes files were handed over and transferred physically to the FSC from the concerned authorities. This assessment exercise entails examining the documents submitted by the 'deemed to be licensed private pension schemes' to ensure compliance with the provisions of the PPSA and the FSC Rules under the PPSA.

Once the FSC is satisfied that the private pension scheme complies with the legislations for the private pensions, a licence certificate is issued. Preliminary observations from this continuous monitoring exercise showed that most of the requirements contained in the PPSA are already being observed by the private pension schemes in Mauritius. However, there are still some schemes, particularly insured pension schemes that are currently in the process of restructuring their existing legal setup so as to be in line with the requirements of the PPSA.

To date, most of these assignments undertaken by the FSC is geared towards the implementation of the new private pensions regulatory and supervisory framework. Other off-site supervision tasks being undertaken include:

- handling of complaints;
- approving alterations to the constitutive documents of private pension schemes; and
- variation of licensing conditions of pension schemes and pension functionaries licensed with the FSC prior to the PPSA.

Risk-Based Supervision

The IOPS stresses that supervisors should adopt a risk-based approach. It is important that they do not only assess the effectiveness of the overall system of internal controls, but also evaluate the controls over high-risk areas.

The FSC adopts a risk based supervision framework which is a forward-looking review process that depends essentially on detailed multi-dimensional analysis of risk profiles of licensees.

While monitoring private pension schemes, the FSC pays special attention to schemes which least comply with the requirements of the new law in terms of governance, investment strategy and benefits provisions laid out in the rules and statement of investment principles of the schemes. At the same time, the FSC focuses on capacity building so as to ensure effective implementation once the legal framework is finalised and operational.

Capacity building

The FSC started capacity building in terms of private pension schemes while the Bill was being drafted. Staff of the FSC were trained to ensure they are aware of the international standards and best practices and understand the Mauritian context in order to adopt the practices effectively. To ensure preparedness for supervising the private pension schemes, the FSC reinforced the team through recruitment and training.

IOPS Technical Committee Meeting, UK

In February 2012, staff of the FSC attended the IOPS Technical Committee meeting and seminar on UK Pensions Developments in London followed by training at The Pensions Regulator (TPR) in Brighton.

Harmonisation of Pension Legislation amongst SADC Countries

In line with CISNA's objective to harmonise regulatory frameworks in member countries, CISNA appointed consultants to:

- assess the regulatory framework and supervisory practices of SADC Member States in terms of the objectives and principles of the IOPS;
- propose a peer review mechanism that would verify such assessments; and
- recommend the required structures in line with the objectives and principles recommended by IOPS.

The consultants visited Mauritius in April 2012 and had working sessions with staff of the FSC.

Global Business

Global Business

Under Global Business, the FSC supervises companies holding a global business licence (GBC 1 and GBC 2) and MCs - service providers acting as intermediaries between their clients and the FSC. MCs are licensed to set up, manage and provide nominee and other services to a corporation carrying on or intending to carry on any global business and such class of corporation as may be prescribed or act as corporate trustee or qualified trustee under the Trusts Act 2001.

As part of its supervisory framework, the FSC focuses on surveillance of the MCs. As intermediaries between the FSC and holders of Global Business Licences, the MCs carry out a first line of surveillance for Global Business Licence holders as well as applicants in terms of performing Customer Due Diligence duties, collecting and verifying all necessary information about the clients and retaining the information to be submitted to the FSC as and when requested. MCs operate under the FSC Guidance Notes for MCs.

Off-site supervision

Off-site supervision in the Global Business sector entailed, amongst others, review and analysis of audited financial statements of MCs and GBC 1's filed with the FSC during the year under review. The number of MCs' audited financial statements received (due for the year 2012) and reviewed was 76. It was observed that some MCs did not comply with the FSC Circular Letter dated 3 March 2003 which requires them to submit a restyled version of the financial statements as per the format contained in the appendices 1, 2 and 3 of the said circular letter.

In so far as the submission of audited financial statements of GBC 1's is concerned, a review exercise is carried out on those statements to ascertain the level of compliance with the provisions of the FSA, Companies Act, licensing conditions as well as International Financial Reporting Standards (IFRS) or General Accepted Accounting Principles (GAAP) as approved by the FSC.

Off-site supervision also revealed that a small percentage of MCs recurrently failed to adopt prudential regulations and good market conduct on behalf of their client companies. These include, amongst others:

- not seeking the approval of the FSC for the appointment of officers and for the transfer/issue of shares pertaining to the MC;
- failure by client companies to seek prior approval of the FSC for derogation to dealing with residents;
- constantly misplacing Global Business Licence certificates of their client companies;
- insufficient knowledge as regards the duties of a MC in accordance with the relevant legislation, codes and guidelines; and
- MCs failing to file client companies' audited financial statements or financial summaries on time.

The FSC closely monitors MCs identified as not fully compliant and earmarks them for onsite inspections.

On-site Inspection

On-site inspection is a vital component of the supervisory system and enhances compliance. The FSC is empowered (under section 43 of the FSA) to conduct on-site inspections on the premises of corporate service providers in the Global Business sector which include MCs and Corporate Trustees, so as to ensure their full compliance to the relevant acts, rules, directions, AML/CFT code, circulars and practice/guidance notes.

In line with the 2012 Inspections Cycle for MCs, the FSC carried out on-site inspections at the premises of 159 MCs. The FSC is responsible for the regulation of conduct of its licensees and in order to exercise appropriate supervisory control, the FSC ensures that MCs are operating according to the terms and conditions stated in the licences issued to them.

The objectives of the on-site inspections of MCs were as follows:

- to evaluate the management, asset, account administration, internal operations, policies, business conduct and procedures of the MCs;
- to confirm/substantiate information reported to the FSC, and to test the implementation of best practices laid down for the MCs;
- to gather further information to supplement the analysis of the financial and statistical information submitted by the MCs;
- to identify potential weaknesses in Customer Due Diligence process and assist to ensure that the shortcomings are dealt with in a timely manner.
- to enable the regulator to assess the MCs' decision-making processes and internal controls;
- to understand thoroughly the business activities and the operating environment of the MCs; and
- to determine whether the operations of MCs are conducted in a prudent manner so as to minimise the potential liability for wrongful or negligent discharge of their duties.

Key areas of assessment were as follows:

- Know Your Customer (KYC) Checks - verify whether KYC checks are as per the Code on the Prevention of Money Laundering and Terrorist Financing and have been carried out on all the principals of client companies;
- Know Your Introducer (KYI) Checks - confirm whether there is proper documentation on the Introducers/Intermediaries;
- Business Conduct of Client Companies – ensure that MCs are well aware of the activities of their client companies;
- Statutory documentation and filing – completeness and accuracy of statutory documents, keeping of records on client files and proper filing;
- Regulatory Issues - Check whether the MCs and its Client companies are in breach of their licensing conditions, code, law and regulations;
- Financial Soundness of the MCs – analysis of MCs' audited accounts, with particular emphasis on their financial viability and maintenance of their minimum capital requirement;
- Staff Issues - whether the MCs are well staffed with the adequate number of skilled and competent personnel who are conversant with the workings in the global business sector; and
- Corporate Governance Issues which may hamper the proper functioning of the MCs exposing them to operational risks amongst others.

Observations

Inspection is an important regulatory tool whereby breaches not detected through off-site monitoring can be discovered. During inspections, the FSC verifies, amongst others, records and documents submitted by the licensees as part of off-site surveillance. The inspections carried out during 2012 revealed that some MCs did not meet the regulatory minima and were not making an optimum use of their MC Licence. The MCs were reminded of their duties under the law and informed about the regulator's expectations. A plan of remedial actions in terms of recommendations and requirements was devised for each MC to ensure they comply with all the legislations, AML/CFT Code, Circulars and Practice Notes within a set timeframe. For a close monitoring of those MCs, the latter have been earmarked for a second round of inspection in due course.

Furthermore, the FSC has planned to conduct a workshop to disseminate the findings of the inspections as well as to remind that they need to comply with the laws, codes and guides.

Tax Residence Certificate

Tax Residence Certificate (TRC) is issued for tax purposes to show residency of the entity. Application for TRC is made to the Mauritius Revenue Authority (MRA) through the FSC, who, subject to the good standing of the applicant, makes the appropriate recommendation to the MRA. As part of the requirements of the Double Taxation Agreement (DTA) between India and Mauritius, additional monitoring of the conditions for the prevention of round tripping was carried out.

The existing TRC procedures (including a new TRC application form) were substantially reviewed by the FSC after consultation with the industry. During the year under review, the MRA issued 6,458 TRCs upon the recommendation of the FSC, out of which 861 were new TRCs and 5,597 renewals.

The Economic and Financial Measures (Miscellaneous Provisions) Act 2012 amended the Income Tax Act 1995 to enable the MRA to charge a service fee for issuing TRCs.

Regulatory Actions

The Enforcement Unit:

- exercises of enforcement powers of the FSC;
- attends to requests for information from local and foreign regulatory counterparts and organisations; and
- carries out intelligence gathering in collaboration with other Clusters.

Litigation is handled by the Legal Cluster.

Legal & Enforcement

Enforcement

The international trend on enforcement philosophy has changed over recent years. While some jurisdictions allocate greater emphasis on work done in 'prevention' rather than ex-post enforcement efforts, regulators around the world are now placing greater emphasis on the role of enforcement actions in order to secure their objectives.

Until recently, the FSC was adopting the light touch approach which de-emphasised enforcement in addressing non-compliant behaviour, choosing to use enforcement selectively and strategically as part of an overall risk-based supervisory strategy and in support of the FSC's objectives.

In line with international trends and developments, the FSC has, as from 2012, adopted an evolving approach to enforcement which is one of credible deterrence. In other words, it is the expectation that firms and individuals should and would learn the lessons from targeted enforcement actions taken to change future behaviour. As part of this new philosophy, the FSC has started using all the available powers under its legislative framework to deter those inclined to break the law and stop and prosecute those who contravene the relevant Acts.

Enforcement Unit

It has been noted that several countries have followed the trend in favour of establishing separate enforcement divisions for its numerous merits. Consequently, the creation of a separate enforcement unit at the FSC was inevitable. Previously, enforcement was one of the functions of the legal unit whereby all staff were performing a gamut of legal functions. Thus specialisation and development of skills in investigation and prosecution for enforcement actions was limited. The creation of a separate enforcement division in mid-2012 aims to curb this limitation and help the FSC in developing the required skills for enforcement action and foster specialisation. The FSC is aiming to pursue an increasingly forthright and proactive approach to enforcement and discipline.

Since the creation of the enforcement unit, the FSC has taken steps to sanction wrongful conduct.

Conduct of Officers approved by the FSC

It should be highlighted that where there are contravention of laws, it is not just the companies which can be penalised. The conduct of executives and senior managers who are persons approved by the FSC, is closely scrutinized, with a view to probable disciplinary actions. The FSC has the power to disqualify an officer from a specified office or position in a licensee for a specified period. Furthermore, whenever the FSC is no longer satisfied with the fitness and propriety of an officer of a licensee, the FSC may initiate action to direct the licensee to remove such officer.

In 2012, following the investigations carried out, the FSC initiated actions against officers of licensees and is considering taking the necessary regulatory actions against some of these officers, as part of its effort to promote behavioural change in the industry. Alleged competency and integrity failings of senior managers may include failure to prevent the misconduct of others.

Regulatory actions taken in the year 2012

In the year under review, breaches and non-compliance to the legal framework have triggered several enforcement actions on the licensees and/or officer of the licensees as follows:

Inquiries

The FSC has carried out numerous inquiries pursuant to Section 75(2) of the Act, which *inter alia* relate to non -compliance with relevant Acts, rules and regulations and Standard Licensing conditions.

Investigations

It is mandatory to distinguish between investigations and inspections. The latter relates to the routine supervisory role of the FSC where at any time the FSC may cause to carry an inspection and an audit on a licensee's books and records in order to check compliance with requirements of an applicable enactment, guidelines, conditions of licence or such other standards as may be set out in the relevant Acts.

An investigation is conducted where the Chief Executive believes that a licensee has committed, is committing or is likely to commit a breach of any of the relevant Acts, conditions of the licence, or any direction issued by the FSC. The purpose of conducting investigations is to gather more information/evidence in order to take appropriate and suitable regulatory action.

The FSC conducted several investigations, relating to, malpractices, non-compliance with laws, rules, regulations, licensing conditions, conduct of a licensee which may have caused prejudice to the soundness and stability of the financial system of Mauritius or the reputation of Mauritius.

False and misleading information

According to Section 19 of the Act, no person shall, in connection with an application submitted to the FSC for a licence make or procure the making of a statement to the FSC which he knows or ought reasonably to know is false or misleading. In this respect, the FSC took actions against the officers of the licensees, who provided false, inaccurate, misleading or incomplete information to the FSC.

Directions

Pursuant to Section 46 of the Act, the Chief Executive may give the licensee or any other licensee concerned a written direction as he deems appropriate in the circumstances where he has reasonable cause to believe that:

- a licensee has contravened or is likely to contravene a relevant Act;
- a licensee is conducting its affairs in an improper or financially unsound way;
- a licensee is involved in financial crime; or
- a direction is necessary or desirable to protect the interests of consumers of financial services and clients of a licensee.

The FSC issued directions to licensees either to comply with an enactment or to refrain from doing a particular act.

Show cause Letters

Show cause letters were issued to numerous GBCs, MCs and officers of Companies as part of the enforcement actions of the FSC. The aim of issuing show cause letters is to provide the licensee/officer with an opportunity to give any relevant explanation and/or clarification.

Suspension of Licence

The FSC is empowered under the Act to suspend the licences of its licensees. In 2012, following an inquiry and pursuant to Section 74 of the Act, the FSC suspended the licence of a GBC 2 with immediate effect. In order to ensure a fair, transparent and orderly functioning of the financial business, the licensee was given the opportunity to make appropriate representation.

Request for Information

Regulators require effective information dissemination mechanisms in place to curb unregulated entities, financial fraud and malpractices, properly assess financial risks of market participants and share regulatory expertise on market oversight and supervision.

The FSC has always demonstrated responsiveness to requests for assistance from its regulator counterparts provided they meet the statutory requirements set out under the Legal Framework, and/or meet requirements established under multilateral and bilateral Memoranda of Understanding to which the FSC is a party.

The FSC has a Request for Information Committee which ensures the effective treatment of requests for information from foreign regulators and local counterparts. The FSC understands the paramount importance of disseminating timely and accurate information and that failure to do so may cause prejudice to the repute of Mauritius as an International Financial Centre. The FSC ensures that confidentiality is maintained while imparting information to the requesting authority and hence requires the requesting organisation to seek prior approval from the FSC prior disclosure to third parties.

In 2012, the FSC attended to 126 requests for assistance/ information from its counterparts in an expedient manner. The FSC also made several requests for assistance/ information which were attended to. The table below provides an overview of the exchange of information over the last few years.

Table 1: Information Exchanged over the Years

Year	International	Local	Total
2001 – 2005	N/A	N/A	N/A
2006	56	12	68
2007	61	38	99
2008	61	52	113
2009 - 2010	69	38	147
2011	70	39	109
2012	81	45	126

For the year period January to May 2013, FSC has processed 32 international and 36 local requests for information,

Data Protection

The FSC collects and uses certain types of information about people it deals with as part of the regulatory functions. These include data about individuals within the regulated community, those who are proposing to join the regulated community and those who may have dealings with the regulated community, the employees, suppliers and others stakeholder with whom the FSC conducts business. The FSC is registered as Data Controller under the Data Protection Act 2004 and complies with all the provision to the exception of the Section 48 relating to regulatory activities.

Litigation

The FSC is internationally recognised as a respected regulator. One of the prime functions of the FSC is to ensure the sound conduct of business in the financial services and the global business sectors. The FSC is mandated to:

- regulate, monitor and supervise the conduct of business in these sectors;
- take measures to prevent investment abuse;
- carry out investigations; and
- take measures to suppress illegal, dishonourable and improper practices, market abuse and financial fraud.

The legislator has provided the FSC with a range of powers in order to fulfil such functions.

Pursuant to section 49 of the FSA, the FSC may make an application to court for an injunction in respect of any matter in relation to its functions under section 6 of the said Act.

Under section 50 of the FSA, the FSC may apply for freezing of assets of a person where it has reasonable grounds to suspect that the person has committed or is committing an offence under the relevant Acts or has been involved in a financial crime.

Importantly, by virtue of section 91 of the FSA, the FSC may institute criminal proceedings against any person in respect of any offence under the relevant Acts with the consent of the Director of Public Prosecutions.

Being a statutory body, the decision of the FSC may be subject to judicial review by any aggrieved party. There are a number of cases whereby FSC's decisions are contested by way of judicial review like the case of Anderson Ross Company Ltd v/s FSC, Rivalland v/s FSC or whereby damages are claimed against the FSC, for instance for not having taken action in time against Rainbow Insurance Co. Ltd like the case of Beldiam v/s FSC.

In 2012, the Supreme Court delivered judgement in the case Rainbow Insurance Co. Ltd v/s FSC allowing the applicant to appeal to the Judicial Committee of the Privy Council against the decision of Supreme Court rejecting its application for judicial review and upholding the FSC's decision in that case. The FSC is strongly defending this case before the Privy Council.

Litigants can exercise their right to have recourse to the Courts when the FSC takes action against them. As at December 2012, FSC has had to administer 190 live court cases in which it was either directly or indirectly involved. Most of these cases related to disputes involving licensees of the FSC or cases of previous insurers which went into liquidation several years ago.

However, it is to be noted that the FSC has to harness a considerable amount of resources (human and financial) to handle all these cases over several years in its pursuit for an active supervision of the non-bank financial services sector.

Depending on the nature of the case, the FSC is often required to retain the services of external counsels and attorneys to prosecute or to defend a case.

It is worth noting that whenever the FSC's decisions have been challenged in Court, the FSC has duly defended its case and all such applications for judicial review have been set aside with the FSC's decisions being thereby upheld.

Strengthening Stakeholder Relations

Communications

The key responsibilities of the Unit include: providing internal communications support, preparing and issuing press releases, Communiques and FAQs, producing electronic and print publications and management of an internal and external web presence.

Press Review

The Unit monitors news reports relevant to the non -bank financial services and global business sectors and the Mauritius IFC in general. The impact of these reports are analysed and actions taken accordingly with the aim of preserving the good repute of the Mauritius jurisdiction. Action may take the form of dispelling false information and misreporting and providing correct information.

The information handled is accordingly channelled towards different clusters, and analysed further to build market intelligence.

For the year under review, the FSC continued to develop and implement its internal and external communication plans and initiatives.

Calls handling and Telephone etiquette

To ensure that queries from licensees, media and the public are attended to effectively, training on telephone etiquette for front office staff was conducted.

Intranet & Newsletters

The FSC effectively used the intranet to communicate and disseminate information to the staff.

To increase participation of staff in the internal communications process, a weekly internal newsletter was launched.

External Newsletter

The first issue of the external monthly newsletter was in November 2012. The newsletter is an effective communications tool to disseminate the FSC's organisational, operational and industry-related information to the external stakeholders as well as the staff of the FSC.

Website monitoring

The website, as a dynamic window to the world, is a vital tool for the FSC to convey its message to its licensees, the media, public and other stakeholders. The on-going updating and monitoring of information on the website ensure that FSC's stakeholders have information on the organisation, its operations and publications. The website was further enhanced to enable for online registration to FSC corporate events.

Publications

The Annual Report and the Annual Statistical Bulletin provide important sector data to stakeholders. Corporate brochures are also published to inform the public about the FSC and the regulated activities. The FSC ensures that relevant information published in local and international press and business directories is regularly updated. Brochures for the purpose of financial litteracy and consumer education were also published.

Events, Consultation and Dialogue

During the year 2012, the FSC has embarked on a number of initiatives aiming at creating the proper framework for on-going consultation and dialogue with stakeholders. These included industry updates, training sessions, interactive sessions and workshops.

Industry Updates / Workshops

Date	Industry Updates / Workshops
25 January 2012	Official Lauching of the Guide to Global Business by the Hon. Vice Prime Minister & Minister of Finance and Economic Development.
25 -26 April 2012	An Industry Training Session was conducted on the Guide to Global Business The training focused on salient features in the application process for a global business licence, the conduct of Global Business (GB) and the determination of GB test. A case study highlighting issues that cause delays in the application process was used to bring clarifications.
10 May 2012	The FSC issued New Code on the Prevention of Money Laundering & Terrorist Financing In line with the consolidated licensing and supervisory framework of the FSC, requirements of Codes for MCs, investment businesses and insurance entities as regards AML/CFT were harmonised into a single comprehensive Code on AML/CFT. The FSC assisted the industry in understanding the new Code and compliance.
15 June 2012	An Industry Update on Awareness of New IAIS Insurance Core Principles was held. The IAIS ICPs to which FSC adheres, were revised in October 2011. Insurers were updated on the requirements as per the IAIS ICPs. The objective of the awareness programme was to inform the industry about the requirements which Mauritius as a jurisdiction has to comply with to be in line with international benchmarks. The presentation to the Insurers covered an overview and role of IAIS, the New IAIS ICPs and the impact of the changes in the ICPs on the Industry.
6 July 2012	Industry Workshop following proclamation of the Foundations Act The presentation focused on: rationale for introducing Foundations, uses and registration aspects, on-going obligations and Foundations applying for a Category 1 Global Business Licence.

Date	Industry Updates / Workshops
26 July 2012	Workshop on Financial Services for Lawyers The main objective of the workshop was to familiarise members of the legal profession with the main stakeholders of the financial services sector and its regulatory parameters and to unfold the opportunities which exist for lawyers in the financial services sector.
28 August 2012	Industry Workshop following proclamation of the Limited Partnerships Act The presentation focused on: rationale for introducing Limited Partnerships (LP), constitution of the LP, registration aspects, on-going obligations, taxation and the concept of partnership agreement.
14 September 2012	Industry Update on Audit Services The purpose of the Workshop was to highlight the contribution of Auditors to enhance prudential regulation.
24 - 25 October 2012	Workshop: Building Mauritius as a Competitive International Financial Centre The objective of the Workshop was to initiate the process of defining a new vision and strategy for the IFC, taking into consideration the experience of other countries and building on the existing foundation.
20 November 2012	Industry Update on Strengthening Market Integrity in the Changing Capital Markets Landscape Various issues were discussed such as effective exchange of information, liquidity on the markets and issues relating to regulations, surveillance and regulatory frameworks as well as compliance with IOSCO Principles.

Focus Group Interactive Sessions for Investment Funds and Intermediaries

Focus Group Interactive sessions for Investment Funds and Intermediaries were organised during the year. The purpose of these sessions was two-fold; first to invite industry stakeholders to share their experience and second, to assist licensees in understanding their regulatory obligations. Topics discussed included the Limited Partnership Act, custodial services, financial audit of investment funds, trust administration and fund management.

International Conferences

Date	International Conference
4-6 June 2012	International Workshop on Facilitating the Implementation of the IFSB Standards The Workshop was organised in collaboration with the Islamic Financial Services Board, Malaysia, on the theme: Facilitating the Implementation of the IFSB Standards on Capital Adequacy Requirements for Sukuk, Securitisations and Real Estate Investment. The Workshop was attended by around 40 international delegates.
2-5 October 2012	Committee of Insurance, Securities and Non-Banking Financial Authorities The FSC hosted the bi-annual Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) meeting in Mauritius. CISNA's vision is to facilitate the development and implementation of a harmonised, risk based regulatory framework for member states in SADC that enables market growth and development, reduces the potential for systemic risk, informs and protects consumers, mobilises capital flows and contributes to prosperity in the region. All CISNA members from the Southern African Development Community were present to the exception of Democratic Republic of Congo and Mozambique.

Financial Literacy and Consumer Education

While the focus has been more towards assuring the protection of consumers by regulating the conduct of industry players, the FSC increasingly plays a more direct role in reaching out to consumers of all categories and ensuring they are informed to take appropriate decisions. Consumers are made aware of financial products, their rights and the need to be careful when buying such products through the consumer education.

To instil a financial services culture and educate present and potential consumers, the FSC launched projects targeting various segments of the population, namely secondary and tertiary students (Young Talent Competition) and the general public (Consumer Education Roadshow).

Young Talent Competition

To promote financial literacy amongst the youth, the first edition of the Young Talent Competition (YTC) was successfully completed in April 2012. More than 65 teams from secondary and tertiary institutions participated in the competition. The objective of this annual feature is to create a better awareness of the financial services sector amongst the youth and prompt research in the field.

Consumer Education Roadshow

To sensitise the public and consumers of financial services on the opportunities and risks linked to investment in financial products and services, the FSC launched the Consumer Education Roadshow in November 2012.

Officers of the FSC travelled to different parts of Mauritius, including Rodrigues Island, to deliver informative talks on insurance, capital markets and other investment products and services. The response received was encouraging. The FSC was made aware of the probable existence of unregulated schemes in the country. The audience was advised to report such matters to the concerned authorities for more information.

Video clips in kreole were produced with the participation of staff of the FSC to facilitate communication with the public.

Corporate Services

The Corporate Services Directorate plays an essential role in delivering the FSC's strategy around the organisation, dealing with different priorities and people from different backgrounds every day. It provides the necessary support to enable the Licensing and Policy, and Surveillance directorates to focus on delivering the core functions of the FSC. The Directorate manages business transformation and implements the change strategy to help the FSC effectively manage a world class regulatory regime.

Corporate Services comprises the Human Resources, Administration and Enterprise Risk, Finance and Information Technology Clusters.

The Human Resources Cluster oversees the development and execution of the FSC's people strategy and knowledge management, and helps in making the people working for the FSC instrumental in delivering the Strategic and Business plans.

The Administrative Support and Enterprise Risk Cluster is responsible for enterprise risk management, procurement and facilities and business interruption management.

The Finance Cluster is responsible to for the organisation's financial integrity and clear reporting of the FSC's results.

The Information Technology Cluster promotes a more productive mind set in a technology based working environment, thereby improving the FSC's business responsiveness to the demands of the various stakeholders, in a cost effective manner.








Human Resources

Human Resources

Our People

The FSC believes that its capacity to regulate and supervise effectively fundamentally rests on the quality of its people. In its continuous endeavour to being an employer of choice, the FSC has constantly been guided by its shared organisational values of ethical behaviour, team work, professionalism and compliance with rules. The FSC has ensured that these values remain the underpinning principle behind its actions and decisions in its quest to meet its statutory objectives, whilst contributing to the development of the financial services sector.

The FSC offers a work culture and environment that is geared towards attracting and retaining high caliber and competent staff while ensuring their well-being. It is essential to ascertain that there is a 'cultural fit' between people and the organisation in order to create and share a culture of bonding and engagement within the FSC. The FSC believes that instilling a culture where all staff are engaged and willing to go the extra mile is essential for the FSC in view of the highly competitive sector in which it operates.

Re-structuring of FSC

In this rapidly changing environment, the development of the sector or even its survival depends on the ability of the FSC to operate more effectively, to innovate and offer pragmatic solutions to the challenges faced. Hence, the FSC cannot compromise on regulatory standards or the exercise of surveillance. To achieve optimal efficiency, a review of the Organisational Structure was undertaken for enhanced responsiveness to the FSC's needs.

The FSC was re-organised as follows:

Setting up of the Statistics Unit

With the graduation of the FSC to the SDDS, it was deemed essential to have a specialised Statistics Unit. The Unit was set up and a Team Leader was recruited to, *inter alia*, spearhead the project.

Creation of a Pensions Unit

With the proclamation of the PPSA, a new dedicated Pensions Unit was created to provide an enhanced regulatory and supervisory framework for the private pension industry, to ensure the protection of members and beneficiaries, and the soundness of the private pension market in line with the principles and guidelines of the IOPS.

Executive Office: Communications Unit

In line with the strategic objectives of the FSC for consumer/investor protection and the promotion of financial literacy, the Communications team was reinforced. Emphasis is increasingly being put on the need for consumer education and financial literacy programmes.

Creation of an Enterprise Risk and Business Continuity Unit

The responsibility of Enterprise Risk including Business Continuity was attached to the Administration Cluster. The Unit is responsible for devising the strategy and framework to ensure that there is business continuity and that our operations are not hampered in the event of a disaster. The Unit also has the responsibility to ensure that our framework for risk management is consolidated so as to mitigate the impact of potential risks.

Creation of a Quality Management System Unit

In order to ensure that the FSC has a framework for the standardisation of its operations (Standard Operating Procedures), a dedicated Unit with the responsibility to ensure the implementation of its Quality Management System was created.

Attracting and Retaining Talent

Attracting and retaining top talent is one of the main priorities of the FSC. The FSC relies on its people - their talent, enthusiasm, engagement, and commitment to maintain the good repute of the Mauritius International Financial Centre.

In order to be adequately manned to fulfill its statutory objectives and deliver in respect of the high level and wide ranging expectations from the various stakeholders in the Financial Services Sector, the FSC undertook a major recruitment and selection exercise to consolidate its pool of talent during the year under review.

A rigorous needs assessment was conducted in order to determine the manpower needs of the FSC. Following the vacancies that arose, the FSC resorted to a three-pronged strategy to fill in vacancies: the internal supply of labour was tapped through a promotional exercise prior to advertising into the wider external labour market. Some 69 staff were promoted to assume higher roles and responsibilities.

Being an equal opportunity employer, the FSC ensures a fair and transparent recruitment and selection process through the use of competency-based assessments and selection methods to ensure that the best incumbents are recruited.

A total of 56 employees, most of whom with wide industry experience were recruited to inject the industry perspective into the FSC's operations. In addition a new Director of Surveillance and a Head of Policy were recruited following an international advert.

The FSC has a staff strength of 197 following the recruitment exercise with a gender distribution of 60 per cent female and 40 per cent male employees.

Table 3: Breakdown of new recruits by Job Family

Job Family	No. of Employees
Directorate	1
Managerial	13
Technical	39
Administrative	3
Total	56

Employee Value Proposition

As part of its Employee Value Proposition (EVP), the FSC offers its staff opportunities to fully engage in challenging work to make a positive difference by providing meaningful work. The organisation fosters a culture where the ideas of staff are valued and where they enjoy high degrees of autonomy and empowerment. It is essential for its people to clearly see the connect between their individual work and the organisation mission and goals. Staff are encouraged to develop their knowledge, skills and competencies and to take ownership of their growth as professionals.

Performance Management System

In its quest to create a High Performance Work Organisation (HPWO), the FSC has established a performance based culture within the organisation. Ensuring that the link between effort, performance and contribution to the organisation and its reward and recognition strategy is clearly established is one of the FSC's core priorities.

The FSC has during the year under review ensured that this link is explicitly articulated and communicated to all staff. Hence, the Performance Management System (PMS) in place has been re-engineered with the implementation of a three-tier approach, with a specific weightage assigned to the following components: Organisational, Cluster and Individual. The philosophy behind is to ensure that all employees clearly understand the importance, interdependence and linkage of each of the components to determine Organisational performance. This framework has had the added advantage of sustaining and reinforcing the value of collaboration and teamwork within the FSC.

Ensuring that the reward strategy is fair is a key priority for the FSC. Therefore, through the re-engineered PMS, the FSC wants people to feel that their hard work, contribution and engagement is fully recognised and rewarded in an ethical and fair manner.

The PMS does not focus solely on deliverables and outcomes, i.e. the achievement of the Key Result Areas (KRAs), but equally lays emphasis on the importance of behavioural competencies. With a view to ensure that feedback is provided to staff occupying leadership positions, the FSC has since the past year introduced the 360° feedback for all Heads. The feedback reports are shared with the Heads who use the feedback as inputs in their Leadership Growth Plans.

Building Expertise

The FSC continued to enhance the development potential of its staff to the fullest through training and development opportunities and exposure both locally and internationally.

Following the conduct of its Competency Needs Assessment, a structured Learning and Development Plan for the year was elaborated. It is embedded in the FSC's culture of a learning organisation to have weekly in-house training sessions for staff with particular emphasis on those who recently joined. Since it was essential to ensure their smooth integration, a structured and comprehensive induction training programme as well as an on-boarding strategy were designed.

Staff benefitted from in-house, local and international training and development opportunities. In addition to regular training sessions, the Speakers Series and Webinars Series were implemented to ensure that staff keep abreast of evolving trends and developments in the financial sector. The average training contact hours per staff was 90 hours.

Table 4: Summary of Training Sessions 2012

Types of Training	Number of Training Sessions	Contact Hours
In House	91	10,633
Local	59	1,278
Overseas	42	1,832
Total	192	13,743

Our Talent Pipeline and Leadership Development Strategy

The FSC continued to enhance the leadership capabilities of its staff. A customised Leadership Development Programme (LDP), in line with international best practices, was designed and developed for our Young Leaders.

Some 32 staff, who were identified as our High Potentials, were enrolled on the LDP with a view to sharpening their business acumen and building their assertiveness and help in the FSC's quest to prepare them for higher roles and responsibilities upon their readiness. Some of the modules that are incorporated in the LDP are: Leadership in FSC, Living the FSC Brand, Emotional Intelligence, Delegation and Reviewing, Performance Coaching, Strategic Thinking and Planning, and Teaming in a Matrix Organisation amongst others.

Instilling a Coaching and Mentoring Culture

Lots of efforts have been invested in creating and fostering a coaching and mentoring culture with emphasis on the need to respect and value each team member's contribution. Leaders are visible and accessible to staff whenever needed. In addition, no efforts are spared to create the awareness and inculcate the need for 'Brand Ambassadorship' at the FSC. In view of its major recruitment exercise, it was critical for the FSC to ensure that the newcomers embrace this philosophy so as to ensure consistency within the organisation.

HRIS

The FSC has acquired a Human Resources Information System (HRIS) which is an online fully integrated HR and Payroll solution consisting of a comprehensive set of tools for Human Resource practices. The HRIS will assist in meeting and responding to the HR management challenges faced in the areas of payroll, benefits, attendance, recruitment, training, workforce analytics, performance management, employee self-service and others. A Project Steering Committee (PSC) was set up to look into the timely and effective implementation of the project. The PSC operates as a cross-functional team having representatives from the HR, Finance, IT and Administration and Enterprise Risk Clusters.

FSC Competency Framework

In order to ensure that an explicit and consistent approach is adopted throughout the organisation, work has started on the development of a Competency Framework. This framework is a necessary tool to allow for the articulation of technical and behavioural competencies required for all positions at the FSC. To ensure a participatory approach, a cross-functional Task Force was set up to steer the project. Members of the Task Force were provided with required training prior to the project implementation. The elaboration of the competencies for the technical Job Family is completed and work has started for the remaining Job Families.

Knowledge Management

The FSC reinforced its strategies and tools in the context of consolidating its Knowledge Management initiative. The Intranet continues to be a vital tool for communication and for the effective and timely dissemination of knowledge within the organisation. New thematic Communities of Practices (CoPs) were set up to allow for the on-going sharing of knowledge and experiences.

Engaging Our Staff

FSC Annual Staff Workshop

The FSC held its annual staff workshop on 31 January 2012. The theme chosen for the year was Professionalism, which is one of the FSC's core values. The workshop aimed at encouraging reflections on this core value and reaching a shared understanding of its implications for the FSC as a Regulator of international repute. The session was highly interactive where staff members openly shared their views and suggestions to enhance the demonstrated behaviours that characterised Professionalism. The workshop ended with a collective pledge and commitment from all the staff to ensure that this core value is lived on a daily basis in all our actions and decisions as a Regulator.

Employee Welfare, Wellness and Work-Life Balance

Staff well-being remains high on the FSC's agenda. The FSC features an employee-centered environment providing a wide range of initiatives pertaining to staff welfare, wellness and work-life balance, including family-friendly policies, with a view to improve the quality of work life of its employees. Such initiatives enable employees harmonise work and personal commitments and responsibilities, and thus strengthen employee loyalty and productivity.

The quality of the work-life strategies is one of the components of the well thought of and designed EVP strategy. Since 'no one size fits all', work-life strategies are designed carefully and enhanced regularly, taking into consideration the needs, demographics and preferences of the workforce as well as organisational objectives.

With the view to promote and encourage a habit of regular exercising, the FSC continues to provide its staff with a well-equipped and fully subsidised in-house gym with a qualified fitness trainer. Staff also have the opportunity to take advantage of other activities available to them at free of cost such as weekly in-house zumba sessions by a professional instructor, weekly walking trips and football matches organised by the FSC Football Club,

The FSC organised its Annual Family Day around the theme of Africa. Staff and their respective family members got together for a whole day at the Casela Nature and Leisure Park and participated in a series of activities centered round Africa. The choice of theme was deliberate and the purpose was to create more awareness and knowledge about the African continent. Staff had a memorable day and this was appreciated by all.

Administration and Enterprise Risk

Administration and Enterprise Risk

Enterprise Risk Management

The FSC is committed to the growth and development of the Mauritius IFC and recognises the need to have a resilient and stable financial system. International financial standards like ISO 31000:2009 Risk Management Principles and Guidelines, Basel Accords and local Corporate Governance codes are increasingly advocating the need to have a risk management framework embedded in the organisational culture, with responsibility lying with the Board and Senior Management.

Enterprise Risk Management (ERM), an integral unit under the Cluster, plays a crucial role in ensuring that risks, which can impact on the FSC's ability to deliver on its strategic objectives, are identified and holistically managed and monitored. The three lines of defence model for effective ERM strategic implementation has been adopted.

The Three Lines of Defence

First line of defence: business operations - risk and control in the business

As a first line of defence, operational level management is responsible for managing the risk inherent in its systems, processes and activities by identifying, controlling and mitigating risks, implementing controls and reporting on progress. At the FSC, the processes are designed in a way to mitigate and ensure compliance with regulatory requirements. The managerial and supervisory controls in place also ensure compliance and highlight control breakdown, inadequacy of processes and any unexpected event.

Second line of defence: risk management and compliance functions

The second line of defence supervises business processes and risks through specialised risk management functions which facilitate and monitor the implementation of effective risk management practices within an organisation. The second line is re-enforced by the advisory and monitoring functions of risk management and compliance.

At the FSC, functions that are tied to risk management and compliance roles include:

- Enterprise Risk Management;
- Quality Management;
- Health and Safety; and
- Compliance.

Third line of defence: internal audit and other independent assurance providers.

As the third line of defence at the FSC, the internal audit team performs independent risk-based reviews of all systems and processes and reports progress to the Board Audit and Risk Committee, consisting of Non-Executive Directors.

Procurement

The procurement process at the FSC is governed by the Public Procurement Act 2006 (PPA), as well as the related regulations and directives issued by the Procurement Policy Office (PPO), under the aegis of the Ministry of Finance and Economic Development.

Procurements are centralised at the Procurement Unit which oversees all procurement activities of the FSC. This Unit is responsible to ensure that regulations and directives, as per the PPA, are being systematically followed. The fundamental principles governing this process are transparency, integrity, efficiency, economy, fairness, accountability and competition. Well-defined procedures are established, and adequate controls incorporated to promote healthy competition through the different procurement methods, hence minimising the risk of corruption and mismanagement of funds.

The FSC is also consistently promoting transparency in practices such as the:

- submission of the annual procurement plan and annual return to the PPO;
- advertisement of tender notices;
- disclosure of evaluation criteria in tender documents;
- notification of award of contract and price paid; and
- appropriate and timely response mechanism to queries and clarifications.

Work Environment

A number of projects were initiated during the year to ensure that the staff are provided with a more conducive work environment so as to achieve high productivity and efficiency. Preventive maintenance increases operational safety, reduces the risk of failures and enables early detection of damage and potential system problems. Building infrastructure and critical systems and utilities like power infrastructure are thoroughly monitored in order to reduce downtime of services, contribute to business continuity and enhance business resilience.

Building Security

Backed by latest technologies, a round-the-clock security is maintained at the FSC House to prevent any safety breaches and ensure protection of staff and assets. Extensive CCTV coverage both inside and outside the building, burglar alarm systems and on-site security guards monitor any unauthorised access to the premises. Access-controlled doors and different user access rights ensure internal security.

Fire alarm and detection unit throughout the premises, and technologically advanced gaseous fire suppression system for identified critical areas, protect the FSC premises and assets against risks of fire outbreaks. The required level of safety and security maintenance at the FSC is ensured through scheduled maintenance and regular reviews of fire evacuation plans as well as yearly fire drills.

Clear Desk Policy

The Data Protection Act 2004 requires the FSC to ensure the safeguard of documents to avoid unauthorised access, alteration, and disclosure of confidential data which are under the responsibility of the FSC. As such the FSC implemented a Clear Desk Policy to ensure that data, records and assets are protected against loss, fraud and information theft.

Fleet Management

The FSC has put in place a well-coordinated fleet management system that ensures efficient allocation and use of its vehicles. The vehicles are not only used for administration purposes but also provide essential support to events management, roadshows and on-site inspections carried out by FSC staff. Futhermore, to ensure safety of drivers and passengers, all vehicles are maintained in proper running condition through daily checks and regular servicing carried out by the authorised agencies only.

Business Continuity Management

To ensure the continuity of its critical operations and to safeguard its stakeholder interests and value creating activities, a full-fledged Business Continuity Management (BCM) methodology aligned to the best practices and guidelines of the Business Continuity Institute (BCI), was adopted and would be implemented throughout the FSC in a phased approach.

As the first step, a risk assessment of FSC's premises, IT infrastructure, and some processes was completed. This exercise provided the grounds for moving forward with the IT Recovery strategy of sourcing an off-site Disaster Recovery (DR) centre to protect FSC's data and infrastructure against incidents likely to impact on the availability of these valuable assets. The risk assessment exercise conducted also set the way forward for defining an Operational Risk Management framework for the FSC, in line with the risk-based approach adopted. The process to be used for implementation is partly aligned with the ISO 31000:2009 Risk Management Principles and Guidelines, and will be further consolidated with the setting up of a framework for assessing, controlling and monitoring operational risks.

Furthermore, in line with its business continuity management programme, the FSC has recently adopted the compact filing system for better safeguard of its documents. This has contributed towards compliance with the Data Protection Act 2004. Simultaneously, the FSC adopted an improved Data Management System whereby all documents received are scanned to ensure proper backup of all documents received at the FSC.









Information Technology

Information Technology

The objective of the FSC's Information Technology (IT) strategy is to leverage on information technology to enhance the licensing and supervisory capabilities whilst maintaining a high level of confidentiality and security in the way the FSC operates and handles information. This is achieved by making risk management an integral part of all IT activities whereby the effort is geared towards providing maximum IT performance in terms of computing facilities, availability of services and security of IT infrastructure.

The FSC is committed to the adoption of leading edge technologies to help coordinate and improve the business responsiveness to the demands of various stakeholders. With the view to improving its operational and supervisory capabilities, the FSC embarked on a number of projects, namely the consolidation of the IT infrastructure, the enhancement of security systems, internal controls and business continuity planning.

Enterprise Software Applications

The existing applications at the FSC were reviewed within an information architecture in terms of their abilities to provide information to the processes and people to consume in the way they need it and through the most efficient channels.

KYC Software

In order to properly carry out the necessary due diligence and investigation activities, the FSC subscribed to a powerful filtering and screening tool that allows KYC checks on Politically Exposed Persons and other sanctioned or high-risk entities through a combination of comprehensive and accurate data. The new system effectively enables the FSC to minimise risks and inefficient paper based checks, to constantly collect and validate data from multiple sanctions and caution lists from around the world, to screen phonetic and fuzzy logic name matching capabilities, to reduce false-positive levels by reviewing Anti Money Laundering practices, and to deliver profiles including adverse media and extracted web intelligence.

Enterprise Resource Planning

The Enterprise Resource Planning (ERP), an integrated information system implemented at the FSC allowed the integration, streamlining and interoperability of the various business processes interacting with the different systems (Licensing/Surveillance, Fees Management, Finance, Inventory, Fixed Asset, Payroll, and HR) in a seamless manner. During 2012, additional functionalities and features were deployed in the ERP system to standardise and improve the existing processes.

Review of Database System

Additionally, the FSC embarked on the review of its database systems based on new requirements and processes that support the strategic business needs of the FSC. The key principle was to define which processes are critical to the FSC's business and to manage information so that it can feed those processes in the most efficient manner. With the enactment of the PPSA, the FSC integrated a new activity to its existing Integrated Licensee System database.

Electronic Documents

In its effort to improve its responsiveness and in line with its go-green initiative, incoming hard-copy documents are scanned and character recognition is performed before being shared and routed to relevant Clusters, leading to improved turnaround time and better tracking of documents. The new mechanism contributed to enforcing business continuity, improving operational efficiency (in terms of faster search for documents), better tracking, and increased ease of managing documents and queries received at the FSC.

A new system for electronic dissemination and communication of board papers was put in place to ensure confidentiality and security of information and data being communicated to Board Members. The system reduced the number of times original paper documents are handled, improved access control on files and reduced usage of paper.

Disaster recovery (DR)

The IT disaster recovery plan was implemented in line with the Business Continuity Plan of the FSC. The objective is to ensure a timely recovery of the IT infrastructure in the event of a disaster, based on international best practices. The FSC evaluated various options to set up a DR site by conducting site visits to potential service providers to verify the location, environmental hazards, access and telecommunication facilities.

IT Security

The increasing number of security breaches worldwide led to growing information security concerns among global organisations. IT security systems have to be continually monitored, re-evaluated, and updated to respond to new security threats. The FSC's approach has been to develop an effective, overall security strategy in selecting cost-effective controls to meet such requirements. At the FSC, computer security is periodically reassessed and forms an integral part of the FSC's management. During the year, the FSC implemented systems and procedures to minimise the risk of security breaches. The IT staff received intensive training on ISO/IEC 27001, with the objective to familiarise them with fields such as security policies and controls, information security, BCM and regulatory compliance.

IT Infrastructure

Business services at the FSC consist of a complex mesh of multiple applications running across disparate hardware environments. The challenge is to make sure that the IT infrastructure has the ability to meet the various applications demand. Its achievement happens through capacity planning which incorporates the processes and tools to align IT's capabilities with the business' service-level requirements.

The current IT set-up needed to be reviewed to take into consideration the future needs of the FSC in terms of increasing manpower, emerging business needs and mitigation of risks. The main objectives of this exercise constitute

- providing for capacity building and better economies of scale;
- improving consistency across the various systems;
- minimizing future cost of development, implementation and maintenance;
- reducing skill set requirements to administer the legacy systems;
- providing for high availability of critical services (file, mail and database servers); and
- enhancing performance of applications, hardware and network for the growing number of users.

The IT infrastructure was expanded with the advent of new recruits in terms of workstations, computers, laptops, communication facilities, office equipment and back-end server capacity. The FSC made a strategic move to virtualise its application services using latest technologies such as VMware, which aims at moving from physically intensive environment to virtually intensive solutions, data replication technologies and implementation of hardware/software with inbuilt DR enabled services or features.

Computers rendered redundant following replacement with new PCs, were refurbished for donation with the collaboration of E-Inclusion Foundation.

Online Application

The FSC is considering an online option that combines online application and payment which would allow greater integration and interoperability between IT infrastructure and technology used by stakeholders.

Website

Over the past year, with the increase in the number of industry updates and training, there was a growing need to provide event management facilities through the FSC website. The main objective was to facilitate the management of events information through a flexible and user-friendly navigation mechanism. The new system ensures that the stakeholders of the FSC are sent invitations electronically, who are able to view the details of the events (title, venue, speaker, powerpoints, etc.) by logging in using their unique login credentials.

Finance

Finance

The Finance Cluster is responsible for the FSC's financial integrity and clear reporting of its financial results. The Cluster provides accurate, consistent and compliant financial reporting in line with financial policies and principles, and statutory rules and regulations.

The Finance Cluster collaborates to achieve the strategic goals of the FSC. The Cluster provides support to the FSC team so that they stay on top of regulations. They provide the FSC staff with the advice and help they require so as to meet their own professional goals.

The Finance Cluster provides leadership in financial management and accountability for the FSC. Key objectives of the cluster include management of the annual budget, collection of revenue, financial reporting to senior management, Committees and the Board.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is another aspect of the positive workplace environment which demonstrates our engagement towards the community. To demonstrate its commitment the in-house CSR Committee engaged in numerous activities.

The FSC recognises that it is part of a larger community and therefore must participate actively in supporting those in need. FSC staff were very sensitive to this noble cause and they demonstrated high levels of social consciousness for such causes. Employees who participated in reaching out to the community gained a deep sense of giving; they demonstrated passion and dedication towards improving the lives of the needy ones.

Donation to Dubreuil village

On a regular basis, the CSR Committee organised a series of activities for the needy children of the Dubreuil village. Staff made donations of clothes, and school materials. The purpose in engaging in CSR is not only to assist the children materially, but also to support them and empower them so that they can eventually cater for themselves. In this the children have been provided with a computer lab and a library has been created for them to nurture a culture of reading. Staff believe that it is important for these children to mix with their own children. Therefore the Dubreuil children were invited to form part of the FSC family during the Annual Family Day in August 2012. Last, but not least, gifts were distributed to them for Christmas.

Annual Blood Donation Day

The CSR Committee is fully aware that Blood saves life. It is an annual feature for the FSC to organise its Blood Donation Day. This is done in collaboration with the Blood Transfusion Services of the Ministry of Health and Quality of Life and the Blood Donors Association. Both staff and our partners from the industry in the vicinity of Ebene are invited to donate their blood.

Financial Literacy for the community

Alongside the formal Consumer Education and Financial Literacy initiatives, staff of the FSC promoted public understanding of the financial system among their peers and within their vicinity.

Other activities carried out to improve financial literacy amongst students include presentations to secondary school students as well as to private institutions closely related to the financial sector.

Sustainability

For the FSC to embrace an eco-workplace, it is imperative that every employee be 'educated' and 'informed' of the state of the world environment and how they can contribute towards protecting the environment. The FSC is conscious and committed towards environment protection and endeavours to incorporate eco-friendly practices into its HR policies.

The FSC implemented a series of programmes to inculcate green habits and behaviours amongst the staff. Through the Energy Saving Programmes, employees were encouraged to cultivate eco-friendly habits such as switching off of lights and air conditioning when leaving a room and to use natural ventilation. Through the Water Saving Programme, employees are continuously reminded about the importance of saving water. All waste papers are sent for recycling, and the concept of "paperless office" has been enhanced through Electronic Data Management System.

Statutory Reporting

Report of the Corporate Governance Committee

To the Board of the Financial Services Commission

Preamble

The Code of Corporate Governance for Mauritius (the "Code") requires that Boards appoint a Corporate Governance Committee and to include in its terms of reference the key areas normally covered by a Nomination Committee and a Remuneration Committee or to ensure that the reporting requirements on Corporate Governance are in accordance with the principles of the Code.

Composition of the Corporate Governance Committee

The Corporate Governance Committee of the Commission (the "Committee") for the financial year 2012 consisted of the Vice Chairperson, Ms Mary Anne Philips and two other members of the Board, namely, Mr Raj Makoond (Chairman of the Committee) and Mr. Oliver Lew Kew Lin. The Secretary to the Board, Mr. Ramanaidoo Sokappadu acted as Secretary to the Committee.

Role of the Corporate Governance Committee

The objective of the Committee is to ensure that the Commission complies, as far as is applicable, to the Code. The Committee also ensures that necessary disclosures regarding conflicts of interests are made.

During the period under review, the Committee met on one occasion only. Alternatively members of the Committee fulfilled their duties and communicated with each other and with the Compliance Officer through email.

The Commission has set up a mechanism to review compliance with the Code of on a periodical basis and the Compliance Officer is required to report on the extent of compliance of the Commission to the Committee.

To the extent applicable, the Committee is satisfied that the Commission has met its disclosure requirements under the Code.

Management

The Commission is governed by a Board consisting of non-executive members (appointed in accordance with provisions laid down in section 4 of the Financial Services Act 2007) while day to day management of the Commission is under the responsibility of the Chief Executive.

Mr. Marc Hein has been appointed by the Prime Minister as Chairman of the Commission in March 2012.

Attendance and remuneration of Board members

Board meeting is held at least once per month and is attended by the Chief Executive.
Apart from the Corporate Governance Committee, the Board has appointed an Audit and Risk Committee and a Staff Committee.

The table below shows attendance to meetings of the Board and its Committees during the year 2012:-

Members	Board Meeting	Corporate Governance Committee	Audit and Risk Committee	Staff Committee	Investment Committee
Number of Meetings	12	2	2	3	2
Mr M. Hein Chairman (Appointed as from March 2012)	9 (out of 10)			3	1 (out of 1)
Mr S. Lalloo Chairman (November 2005 - March 2012)	1 (out of 2)				1 (out of 1)
Mrs M. A. Philips Vice-Chairperson	11	2		3	
Mr Y.W.M Appado	9				
Mr R. Chellapermal	9		2		2
Mr S. Gopaul	9		2	3	
Mr O. Lew Kew Lin	10	2	2		
Mr R. Makoond	9	2			
In attendance:-					
Ms C. Ah Hen Chief Executive	12			3	2

A profile of Board members and the Chief Executive can be found at page 13-17 of the Annual Report.

Board fees, salaries and allowances paid are shown in Notes 16 of the Financial Statements.

Disclosures

Mr. M Hein indirectly holds less than 1% of share in a GBC1 promoted by Omnicane Ltd, a reporting issuer.

Mr. Y Appado acts as an Attorney for State Insurance Company of Mauritius Ltd (SICOM) which is licensed by the FSC and manages pension funds for the employees of the Commission.

Mr. R Chellapermal is a Board Director of SICOMFS which is licensed by the Commission and is a subsidiary of the SICOM Group, which also manages pension funds for the employees of the Commission.

Mr. O Lew Kew Lin is director of companies which are related to Harel Mallac Ltd, a listed company.

Mr. R Makoond is a Board member of Les Moulins de la Concorde Ltd which is a listed company.

……………………..
Raj Makoond
Chairperson
(Until 31 January 2013)

…………………………….
O Lew Kew Lin
Member
(Chairperson as from 31 January 2013)

……………………
M. A Philips
Member

Mr. Y.W.M. Appado has been appointed as member of the Committee as from 31 January 2013.

Report of the Audit and Risk Committee

To the Board of the Financial Services Commission

Preamble

The Audit and Risk Committee presents its report for the financial year ended 31 December 2012. The Audit and Risk Committee is an independent Committee, whose responsibilities are delegated by the Board. The Committee conducted its affairs in compliance with the Terms of Reference approved by the Board, and has discharged its responsibilities contained therein.

Composition of the Audit and Risk Committee

The FSC's Audit and Risk Committee for the financial year 2012 comprises of three Non-Executive Board Directors namely Mr. Oliver Lew Kew Lin (Chairperson), Mr. Radhakrishna Chellapermal and Mr. Sanjay Gopaul. The Secretary of the Board, Mr. Ramanaidoo Sokappadu, also acts as secretary to the Committee.

Mr. Raj Makoond, was designated Chairperson of the FSC's Audit and Risk Committee with effect from 31 January 2013 in replacement of Mr. Oliver Lew Kew Lin.

Responsibilities of the Audit and Risk Committee

The main responsibilities of the Audit and Risk Committee are:

- Monitoring the integrity of the FSC's financial statements;
- Reviewing with management and the external auditors, the adequacy and compliance of internal control systems;
- Monitoring and reviewing the internal audit function and considering regular reports from internal audit on internal financial controls, operations and risk management;
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the board in relation to their appointment;
- Monitoring and reviewing the external auditors' independence, objectivity and effectiveness;
- Overseeing the operation of the policies on conflicts of interest; and
- Ensuring that recommendations from external and internal audit, as approved by the Audit and Risk Committee and the Board, are followed upon and implemented.

Meetings and Proceedings at Meetings

In carrying out its responsibilities the Audit and Risk Committee met twice during the year ended 31 December 2012.

The agenda for the meetings is prepared by the Secretary in consultation with the Committee Chairman. The Secretary of the Committee is responsible for taking minutes of the meetings and circulate them to all members of the Committee as well as ensuring that the minutes are included in the Board papers for the subsequent meeting.

The Internal Auditor attended all the Audit and Risk Committee meetings held during the year. The Committee also meets with the external auditors with any executive in attendance on invitation.

Items reviewed

Financial Reporting

The Audit and Risk Committee considered the financial statements for the year ended 31 December 2012 prepared using appropriate accounting policies, estimates and judgments in accordance with the International Financial Reporting Standards (IFRS) and relevant legal and regulatory requirements.

The Audit and Risk Committee received reports from the External Auditor on their review of the financial statements for the year and their proposed recommendations. The Committee had working session with the External Auditor on issues raised by the latter on the accounts and how to resolve these issues in the best interest of the Commission.

Internal Control and Risk Management

The Audit and Risk Committee has an ongoing process for reviewing the effectiveness of the system of internal controls and the internal audit function.

The Committee received and deliberated on the reports of the Internal Audit team summarising the audit findings and recommendations and describing actions taken by Management to address any weaknesses.

The Committee welcomed the initiative started by Management in terms of the implementation of a Quality Management System at the Commission.

The Committee also considered the annual Internal Audit plan and audit coverage.

Other Matter

The Audit and Risk Committee considered the amendment made to section 82A- General Reserve Fund of the Financial Services Act 2007 and its presentation in the financial statements for the year ended 31 December 2012.

…………………	…………………	…………………....
R. Makoond	**R. Chellapermal**	**S. Gopaul**
Chairperson	Member	Member

Board's Report 2012

The Board of the Financial Services Commission presents its report and the audited financial statements of the FSC for the period ended 31 December 2012.

Review of activities

The FSC is an independent regulatory authority deemed to be established under the Financial Services Act 2007 to regulate the financial services sector other than banking, and global business. The FSC licences, regulates, monitors and supervises the conduct of business activities in the said sectors.

Statement of Board's responsibilities in respect to the financial statements

The Board of the FSC is responsible for the preparation of the financial stsements for each financial year, which gives a true and fair view of the state of affairs of the FSC, its income and expenditure, and its cash flows for the period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state wether applicable accounting standards i.e. the International Financial Reporting Standards ('IFRS') have been followed, and explained in the financial statements;
- prepare the financial ststements on the going concern basis; and
- prepare the financial statements in accordance with the Financial Services Act 2007 and the Statutory Bodies (Accounts and Audit) Act 1972.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the FSC. The Board is also responsible for safeguarding the assets of the FSC, designing, implementing and maintaining effective internal controls relevant for the preparation and presentation of financial statements that are free from material misstatements.

The Board confirms that the Board has complied with the above requirements and the relevant statutes in so far as they relate to the preparation of the financial statements.

The Board confirms that the Board has complied with the above requirements and the relevant statutes in so far as they relate to the preparation of the financial statements.

Approved by the Board of the FSC on 30 May 2013.

Independent Auditor's Report

To,
The Chairperson of the Board of the Financial Services Commission

1. We have audited the accompanying Statements of Financial Position of the Financial Services Commission (the Commission) as at 31 December 2012, and also the Statements of Comprehensive Income, Statement of Changes in Funds and the Cash Flow Statement for the year ended 31 December 2012, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes.

2. These financial statements have been prepared in accordance with the relevant International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

3. Responsibilities of the Board of the Commission

The Board of the Commission is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, The Financial Services Act 2007, The Statutory Bodies (Accounts & Audit) Act 1972 and The Financial Reporting Act 2004.This responsibility *inter alia* includes complying with the relevant statutes, safeguarding the assets, designing, implementing and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

4. Responsibilities of the Auditors

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

5. Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We planned and performed our audit so as to obtain the relevant information, explanations, and management representations and undertake examinations on test basis, which we considered necessary in order to provide us with sufficient and appropriate evidence to give reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

6. Opinion

In our opinion, the financial statements on pages 122 to 150 present fairly in all material respects the financial position of the Commission as at 31 December 2012, the financial performance and cash flows of the Commission for the year ended 31 December 2012 in accordance with IFRS.

7. Report on the Other Legal and Regulatory Requirements.

7.1 The Financial Services Act, 2007

In our 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 and in our opinion proper accounting records have been maintained;

In our opinion, *and relying on Board representation and explanations to this effect, more particularly in respect of transfer of amounts to the General Reserve Fund, Financial Services Fund and the Consolidated Fund of the Government of Mauritius, and in respect of maintenance of balance of the General Reserve Fund* the provisions of The Financial Services Act 2007 in so far as they relate to the accounts have been complied with;

7.2 The Statutory Bodies (Accounts and Audit) Act, 1972

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;

In our opinion, to the best of our information and according to the explanations given to us, the financial statements, give a true and fair view of the financial performance of the Commission for the year under audit and of its financial position as at 31 December 2012;

In our opinion, the provisions of the Statutory Bodies (Accounts and Audit) Act, 1972 in so far as they relate to the accounts have been complied with and no directions have been received from the Minister during the year under audit;

In our opinion, as far as could be ascertained from our examination of the financial statements submitted to us and r*elying on Board representation and explanations to this effect*, no expenditure is incurred of an extravagant or wasteful nature, judged by normal commercial practice and prudence;

In our opinion, as far as could be ascertained from our examination of the financial statements and relying on *Board representation and explanations to this effect,* the Commission has been applying its resources and carrying out its operations fairly and economically.

7.3 The Financial Reporting Act, 2004

The directors are responsible for preparing the Corporate Governance Report and making disclosures required by Section 8.4 of the Code of Corporate Governance for Mauritius. Our responsibility is to report on these disclosures.

In our opinion, as far as could be ascertained from our examination of the relevant records and *relying on Board representation and explanations to this effect,* the disclosures in the Corporate Governance Report are consistent with the requirements of the Code of Corporate Governance for Mauritius.

7.4 The Public Procurement Act, 2006

The Commission is responsible for complying with the provisions of the Public Procurement Act, 2006.

In our opinion, based on test checks as considered appropriate and *relying on Board representation and explanations to this effect,* provisions of Part V of the Public Procurement Act, 2006, in regard to the bidding process, have been complied with.

For Chokshi & Chokshi
Chartered Accountants
Kemps Corner,
Mumbai, India
FRN 101872W
Licensed By FRC

Mitil Chokshi
Partner
M.No.47745
Date: 30th May 2013

Financial Statements

Statement of Financial Position
As at 31 December 2012

	NOTE	2012 Rs	2011 Rs
ASSETS			
Non-Current Assets			
Property, plant and equipment	**6(a)**	214,301,525	215,031,598
Intangible assets	**6(b)**	4,991,269	1,344,634
Assets held to maturity	**7**	316,284,759	-
Defined benefit asset	**8**	9,656,007	8,915,000
Other financial assets	**9**	16,638,749	15,253,421
		561,872,309	**240,544,653**
Current Assets			
Receivables	**10**	47,076,604	38,923,181
Cash and bank balances	**12**	56,123,099	102,596,143
Bank deposits		1,489,561,900	1,492,470,661
		1,592,761,603	**1,633,989,985**
TOTAL ASSETS		**2,154,633,912**	**1,874,534,638**
LIABILITIES			
Current liabilities			
Payables	**13**	419,158,237	316,726,408
Contribution to the Consolidated Fund	**1.2**	844,259,198	496,301,391
TOTAL LIABILITIES		**1,263,417,435**	**813,027,799**
NET ASSETS		**891,216,477**	**1,061,506,839**
REPRESENTED BY:			
General Fund		-	-
General Reserve Fund		850,000,000	1,033,769,739
Financial Services Fund		41,216,477	27,737,100
		891,216,477	**1,061,506,839**

Approved by the Board of the Commission on 30 May 2013
Signed on their behalf

R.M.M. Hein
Chairperson

M.A. Philips
Vice Chairperson

C. Ah-Hen
Chief Executive

The accounting policies on pages 127 to 139 and the notes on pages 140 to 150 form an integral part of these financial statements.

Statement of Comprehensive Income
For the year ended 31 December 2012

	NOTE	2012 Rs	2011 Rs
INCOME			
Fees	**14**	736,576,093	721,126,524
Interest	**15**	58,283,184	57,283,098
		794,859,277	**778,409,622**
OPERATING EXPENSES			
Salaries and allowances	**16**	133,627,365	93,104,001
Training and seminars	**17**	20,101,869	8,330,268
Legal and professional fees	**18**	5,942,009	12,610,659
Office and administrative expenses	**19**	22,985,201	15,789,992
Depreciation and amortisation	**6(a), 6(b)**	25,870,959	20,060,503
		208,527,403	**149,895,423**
SURPLUS OF INCOME OVER EXPENDITURE		**586,331,874**	**628,514,199**
Other comprehensive income	**20**	261,046	401,598
Exchange fluctuation gain / (loss)		87,375,916	(30,962,313)
SURPLUS FOR THE YEAR		**673,968,836**	**597,953,484**

Approved by the Board of the Commission on 30 May 2013
Signed on their behalf

…………………… **R.M.M. Hein** *Chairperson*

…………………… **M.A. Philips** *Vice Chairperson*

…………….…. **C. Ah-Hen** *Chief Executive*

The accounting policies on pages 127 to 139 and the notes on pages 140 to 150 form an integral part of these financial statements.

Statement of Changes in Funds

For the year ended 31 December 2012

	General Reserve Fund Rs	Financial Services Fund Rs	General Fund Rs	TOTAL Rs
Balance brought forward - 01 January 2012	**1,033,769,739**	**27,737,100**	**-**	**1,061,506,839**
Surplus of the year	-	-	673,968,836	673,968,836
Transfer from General Fund to the General Reserve Fund as per Section 82A(2) of The Financial Services Act, 2007.	28,698,442	-	(28,698,442)	-
Transfer from General Fund to the Financial Services Fund as per Section 82(6) of The Financial Services Act, 2007.	-	13,479,377	(13,479,377)	-
Proposed Contribution to the Consolidated Fund	(212,468,181)	-	(631,791,017)	(844,259,198)
At 31 December 2012	**850,000,000**	**41,216,477**	**-**	**891,216,477**

	General Reserve Fund Rs	Financial Services Fund Rs	General Fund Rs	TOTAL Rs
At 01 January 2011	**944,076,716**	**15,778,030**	**-**	**959,854,746**
Surplus for the year	-	-	597,953,484	597,953,484
Transfer from General Fund to the General Reserve Fund as per Section 82A(2) of The Financial Services Act, 2007.	89,693,023	-	(89,693,023)	-
Transfer from General Fund to the Financial Services Fund as per Section 82(6) of The Financial Services Act, 2007.	-	11,959,070	(11,959,070)	-
Proposed Contribution to Consolidated Fund	-	-	(496,301,391)	(496,301,391)
At 31 December 2011	**1,033,769,739**	**27,737,100**	**-**	**1,061,506,839**

Approved by the Board of the Commission on 30 May 2013
Signed on their behalf

…………………
R.M.M. Hein
Chairperson

M.A. Philips
Vice Chairperson

……………….....
C. Ah-Hen
Chief Executive

The accounting policies on pages 127 to 139 and the notes on pages 140 to 150 form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2012

	NOTE	2012 Rs	2011 Rs
Cash Flow from operating activities	**21**	705,667,252	613,876,100
Cash Flow from investing activities			
Acquisition of property, plant and equipment		(21,530,326)	(6,111,922)
Acquisition of intangible assets		(7,257,194)	(459,421)
Investment in Treasury Notes		(316,856,100)	-
Proceeds from disposal of property, plant and equipment		261,046	401,598
Net Cash used in investing activities		**(345,382,574)**	**(6,169,745)**
Cash flow from financing activities			
Contribution paid against retirement benefit obligation		(741,008)	(1,430,191)
Contribution to the Consolidated Fund		(496,301,391)	(950,173,506)
Net Cash used in financing activities		**(497,042,399)**	**(951,603,697)**
Net decrease in cash and cash equivalents		**(136,757,721)**	**(343,897,342)**
Cash and cash equivalents at the beginning of the year		**1,595,066,804**	**1,968,368,859**
Cash and cash equivalents at end of year		**1,458,309,083**	**1,624,471,517**

Cash and cash equivalents consist of cash in hand, balances with the bank in savings account and investments in fixed deposits.

Cash and cash equivalents included in the Cash Flow Statement comprise of

	NOTE	2012	2011
Cash and bank balances	**12**	56,123,099	102,596,143
Bank deposits		1,489,561,900	1,492,470,661
		1,545,684,999	**1,595,066,804**
Effect of exchange (gain) / loss		(87,375,916)	29,404,713
		1,458,309,083	**1,624,471,517**

Approved by the Board of the Commission on 30 May 2013
Signed on their behalf

....	....	....
R.M.M. Hein	**M.A. Philips**	**C. Ah-Hen**
Chairperson	*Vice Chairperson*	*Chief Executive*

The accounting policies on pages 127 to 139 and the notes on pages 140 to 150 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2012

1. GENERAL INFORMATION
1.1 Corporate information

The financial statements of the Commission for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board on 30 May 2013. The Financial Services Commission was established in Mauritius under the Financial Services Development Act 2001 on 1 August 2001 as an independent regulatory authority to regulate the non-banking financial services sector and the global business sector. With the enactment of the Financial Services Act 2007, the Commission is deemed to have been established under this Act.

The office of the Commission is located at FSC House, 54, Cybercity, Ebene, Republic of Mauritius, Indian Ocean.

1.2 Contribution to the Consolidated Fund of the Government of Mauritius

The Commission, being an independent regulatory authority, in terms of amendments to the Financial Services Act 2007 (FSA), is required to maintain its General Reserve Fund of stipulated amount (Rs 750 million excluding other contingencies) to attain its objectives under Section 82 and Section 82A of the FSA:

a) The Commission has created a General Fund into which all money received by the Commission has been accumulated, and out of which all payments required to be made including future charges and commitments, have been adjusted.

b) The Board has ascertained, from the audited comprehensive income determined in accordance with IFRS, the net surplus after making such provisions as it thinks fit for other contingencies.

c) The Commission allocates 2% from the audited net comprehensive income determined in accordance with IFRS, from the General Fund to the Financial Services Fund at the end of every financial period.

d) The Commission allocates 5% of the net surplus, ascertained from the audited comprehensive income determined in accordance with IFRS, from the General Fund to the General Reserve Fund at the end of every financial period.

e) The Commission has, after the allocations to the Financial Services Fund and the General Reserve Fund, provided for transfer of the remaining balance in the General Fund to the Consolidated Fund of the Government of Mauritius.

During the financial year the Commission has contributed Rs.496,301,391 towards the Consolidated Fund, and has made a further provision for the transfer of Rs.844,259,198 to the Consolidated Fund of the Government of Mauritius.

2. PRESENTATION AND IFRS

2.1. Basis of preparation

The Commission has been excluded from the Part I of the Second Schedule to the Statutory Bodies (Accounts and Audit) Act in terms of the Government Notice number 210 of 2011 and hence is not required to prepare its financial statements in accordance with the International Public Sector Accounting Standard (IPSAS). Accordingly, the Commission has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These statements have been prepared on the historical cost basis, except for financial assets and liabilities. These financial statements are presented in Mauritian Rupee being the reporting currency and rounded off wherever appropriate. The accounting policies adopted for the current period are consistent with those of the previous financial year except that the Commission has adopted new/revised standards and interpretations mandatory for financial years beginning on or after January 1, 2012.

2.2. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Commission has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2012.

2.3. New and revised IFRSs applied with no material effect on the financial statement.

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **Amendments to IFRS 1**, ‘First-time adoption of International Financial Reporting Standards – Severe hyper-inflation and removal of fixed dates for first-time adopters’
- **Amendments to IFRS 7**, ‘Disclosures – Transfer of financial assets’ 1 July 2011
- **Amendment to IAS 12**, ‘Income taxes – Recovery of underlying assets’ 1 January 2012

2.4. Amendments to IFRS

The Board has assessed the relevance of the standards, interpretations and amendments to existing standards that have been published and mandatory for accounting periods beginning on or after 01 January 2013 and which the Commission has not early adopted and concluded these will not have a significant impact on the financial statements for the year ended 31 December 2012.

2.5. Improvements to IFRSs

In May 2012, the IASB issued improvements to its standards. This did not have any material impact on the financial position or performance of the Commission.

- IFRS 1 First-time adoption of International Financial Reporting Standards
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

2.6. Future Applicability

Standards issued but not yet effective up to the date of issuance of the Commission’s financial statements are listed below. This listing of standards and interpretations issued are those that the Commission reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Commission intends to adopt these standards when they become effective.

IFRS 1 First Time Adoption of International Financial Reporting Standards

The amendment addresses how a first-time adopter would account for a government loan with a below market rate of interest when transitioning to IFRS. First time adopters of IFRSs are permitted to apply the requirements in paragraph 10A of IAS 20 only to new loans entered into after the date of transition to IFRSs. This amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment requires information about all the recognised financial instruments that are set-off in accordance with paragraph 42 of IAS 32 – Financial Instruments: Presentation. The amendment also require discloser of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements including rights of set-off associated with an entity's recognised financial assets and recognized financial liabilities on the entity's financial position. This amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 introduces new requirements for classifying and measuring financials assets. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. These amendments will become effective for annual periods beginning on or after 1 January 2015.

IFRS 10 Consolidated Financial Statements

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). This amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. This amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. In high-level terms, the required disclosures are grouped into broad categories: (a) Significant judgments and assumptions (b) Interests in subsidiaries (c) Interests in joint arrangements and associates and (d) Interests in unconsolidated structured entities. This amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

IAS 1 requires entities to group items presented in Other Comprehensive Income (OCI) based on whether they are potentially re-classifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified. IAS 1 also requires tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

IAS 19 requires the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments, curtailments and settlements. IAS 19 also requires modification in accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits. The amendments become effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

IAS 27 requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 *Financial Instruments*. The Standard also deals with the recognition of dividends, certain group re-organizations and includes a number of disclosure requirements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Financial Instruments: Presentation

The amendment clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: (a) The meaning of 'currently has a legally enforceable right of set-off', (b) The application of simultaneous realization and settlement, (c) The offsetting of collateral amounts and (d) The unit of account for applying the offsetting requirements. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognised, and subsequent measurement. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND AS SUMPTIONS

3.1 Significant Accounting Policies

a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Commission and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Fees from licensees

Revenues arising from processing, annual license, registration and brokerage, where no significant uncertainty as to its collectability exists, have been accounted on accrual basis.

Expenditure

All expenses have been accounted on accrual basis. Office rental payments termed operating lease are charged off on straight line basis over the lease period. Premium paid on Treasury Notes are amortized on straight line basis over the duration of the Treasury Notes.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest on bank deposit and treasury bills have been accounted for, on an accrual basis.

b) Pensions and other post employment benefits

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 as per IAS 19, Employee Benefits.

Pension is payable to eligible employees upon retirement / death of employees under provisions of the Statutory Bodies Pension Fund Act 1978 (as amended).

For defined pension benefit plans, the pension costs are assessed using the projected unit credit method. Actuarial gains and losses are charged to the Statement of Comprehensive Income so as to spread the regular cost over the service lives of employees in accordance with advice of the actuaries who carry out a full valuation of the plans. Past service costs are recognised immediately. 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.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

c) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition (date of recording). Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

d) Property, plant and equipment

All property, plant and equipment of the Commission are shown at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Where the carrying amount of an asset is greater than its recoverable amount, it is written down to its recoverable amount. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net realisable value or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus or deficit. Repairs and maintenance are charged to Statement of Comprehensive Income during the financial period in which they are incurred.

Building and leasehold rights are measured at fair value less accumulated depreciation on building and accumulated impairment losses, if any, recognised.

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

Item	**%**
Motor Vehicles	20
Furniture	20
Fixtures and fittings	10
Office Equipment	20
Computer Equipment	33.33
Building	30 years
Leasehold rights	30 years

The Commission reviews residual values for the purpose of depreciation calculations and impairment provisions.

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Lease payment under an operating lease is recognized as an expense on straight-line basis over the lease term. The Commission has acquired leasehold rights effective from 11 February 2008 for an initial period of 30 years with an option for its renewal for a further period of 30 years over land on which the office building of the Commission is constructed.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Comprehensive Income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of every three reporting periods. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible assets.

Intangible assets are amortised over the estimated period of utilisation not exceeding three years.

g) Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Commission determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Commission commits to purchase or sell the asset.

The Commission's financial assets include cash and short-term deposits, fees receivables, staff loans and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

The Commission did not have any financial assets at fair value through profit or loss during the year 2011 and 2012.

The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Staff loans and fees receivables

Staff loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Commission has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income.

The Commission classifies its investments in Treasury Notes as held-to-maturity investments.

Available-for-sale financial investments

The Commission did not have any Available-for-sale financial investments during the year 2012 and 2011.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

1. The rights to receive cash flows from the asset have expired

2. The Commission has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Commission has

   (a) transferred substantially all the risks and rewards of the asset, or
   (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Commission has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Commission's continuing involvement in the asset. In that case, the Commission also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Commission has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Commission could be required to repay.

Impairment of financial assets

The Commission assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Commission first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Commission determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Commission. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Commission determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

The Commission's financial liabilities consist of accounts payable and provision for contribution to the Consolidated Fund.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

h) Impairment of non-financial assets

The Commission assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Commission estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Commission bases its impairment calculation on detailed budgets and forecast calculations, which generally cover a period of five years.

For assets an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists,

the Commission estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the income statement, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at end of financial year individually, and when circumstances indicate that the carrying value may be impaired.

i) Cash and short-term deposits

Cash and short term deposits in the statement of financial position comprise of cash at bank, cash in hand and bank deposits.

j) Provisions

Provisions are recognised when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

k) Taxation

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

l) Related Parties

Parties are considered related to the Commission if they have the ability, directly or indirectly, to exercise significant influence over the Commission in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

m) Comparatives

Comparative figures have been reclassified and restated to conform with the presentation of current period.

3.2 Significant accounting judgements, estimates and assumptions

The preparation of the Commission's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Commission based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur.

Pension benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4. CONTINGENT LIABILITIES / COMMITMENTS

4.1 Contingent Liabilities

There are pending lawsuits against the Commission with claims estimated at Rs.200 million, excluding interests and costs (previous year- Rs 47 million). The Commission is of the view that the liabilities, if any, that may arise in future shall be appropriately dealt with in the year of settlement of the claims.

4.2 Financial Commitments

The Commission has approved, in principle, plans aimed at enhancing the tangible and intangible infrastructure commensurate with the scale of operations. The total amounts committed internally and externally till the 31st December 2012 is Rs.15,901,494.

4.3 Statutory Deposits of Insurance Companies not included in the Statement of Financial Position

Statutory security deposit certificates of insurance companies, amounting to Rs 322,427,624 (previous year Rs 321,937,110) are in the physical custody of the Commission in accordance with the Insurance Act 2005 and not included in the Statement of Financial Position.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of the following types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial instruments affected by market risk include receivables, bank deposits, accounts payable denominated in foreign currency, and provision for contribution to the Consolidated Fund.

The sensitivity analyses in note 24 (a) and (b) relate to the positions as at 31 December in 2012 and 2011.
The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to financial assets and liabilities
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2012 and 2011.

5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to the risk of changes in market interest rates relates primarily to the Commission's bank balances with floating interest rates.

The Commission manages its interest rate risk by placing its excess funds in term-deposits with fixed interest rates.

5.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission's exposure to the risk of changes in foreign exchange rates relates primarily to the Commission's operating activities (when revenue or expense is denominated in a different currency from the Commission's functional currency) which includes the Commission's bank deposits.

5.4 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Commission is exposed to credit risk from its operating activities (primarily for fees receivables and staff loans) and from its financing activities, including deposits with banks and financial institutions.

Fees receivable

Licensee credit risk is managed subject to the Commission's established policy, procedures and control relating to licensee credit risk management. Only cases where collectability is certain are accounted as fees receivable.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Commission's Finance Cluster in accordance with the Commission's policy. Investments of surplus funds are made only with approved counterparties. Counterparty credit limits are reviewed by the Commission's Investment Committee on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

5.5 Liquidity risk

The Commission monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Commission's objective is to maintain a balance between continuity of funding and flexibility by keeping a minimum float and investing any excess in short term deposits. The Commission has no debts, nor does it plan to raise debts in the foreseeable future.

5.6 Capital risk management

The Commission's objectives when managing its funds and reserves are to safeguard the Commission's ability to continue as a going concern. The FSA requires the Commission to maintain certain funds to serve different purposes.

5.7 Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Commission's performance to developments affecting a particular industry.

The Commission derives 89% (2011: 88%) of its income from the Global Business sector, and as such the concentration of risk is high around this sector. The Global Business sector is largely dependent on the International climate and Double Tax Avoidance treaties with certain prominent countries.

In line with its strategic plan, the Commission is taking various measures to further diversify the markets within the financial services sector, through increased partnership with emerging markets, in particular in other African jurisdictions. The Commission is also working with local stakeholders to further develop the local financial services market.

Moreover, various financial management control measures are being considered to ensure that the Commission is able to maintain its operational capabilities, should there be any substantial decrease in the activities of the Global Business sector.

6 (a) Property, plant and equipment

	MOTOR VEHICLE Rs	FURNITURE Rs	COMPUTER EQUIPMENT Rs	OFFICE EQUIPMENT Rs	BUILDING and LEASEHOLD RIGHTS Rs	FIXTURES & FITTINGS Rs	TOTAL Rs
COST							
At 1 January 2012	10,682,180	15,441,877	14,175,848	4,946,536	173,275,312	77,971,402	**296,493,155**
Purchases	5,077,400	7,511,641	6,466,170	747,572	-	1,727,543	**21,530,326**
Disposals	(866,500)	-	-	-	-	-	**(866,500)**
At 31 December 2012	**14,893,080**	**22,953,518**	**20,642,018**	**5,694,108**	**173,275,312**	**79,698,945**	**317,156,981**
DEPRECIATION							
At 1 January 2012	3,684,107	13,451,511	13,710,830	4,078,970	20,215,453	26,320,685	**81,461,556**
Charge for the year	3,102,910	2,293,959	2,567,211	544,073	5,775,844	7,976,403	**22,260,400**
Disposal adjustments	(866,500)	-	-	-	-	-	**(866,500)**
At 31 December 2012	**5,920,517**	**15,745,470**	**16,278,041**	**4,623,043**	**25,991,297**	**34,297,088**	**102,855,456**
NET BOOK VALUE							
At 31 December 2012	**8,972,563**	**7,208,048**	**4,363,977**	**1,071,065**	**147,284,015**	**45,401,857**	**214,301,525**
At 31 December 2011	**6,998,073**	**1,990,366**	**465,018**	**867,566**	**153,059,859**	**51,650,717**	**215,031,599**

Leasehold rights	4,675,000
Building	142,609,015
	147,284,015

6 (b) Intangible assets (see note below)

	2012 Rs	2011 Rs
COST		
At January	26,619,763	26,160,342
Purchases	7,257,194	459,421
At 31 December	**33,876,957**	**26,619,763**
AMORTISATION		
At January	25,275,129	23,284,189
Charge for the year	3,610,559	1,990,940
At 31 December	**28,885,688**	**25,275,129**
NET BOOK VALUE		
At 31 December	**4,991,269**	**1,344,634**

Note: Intangible assets consists solely of acquired computer software

7 ASSETS HELD TO MATURITY

	2012 Rs	2011 Rs
Treasury Notes	316,856,100	-
Less amortisation of premium on Treasury Notes	(571,341)	-
	316,284,759	-

8 DEFINED BENEFIT ASSET

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

	2012 Rs	2011 Rs
The amounts recognised in the Statement of Comprehensive Income are as follows:		
Current Services Cost (Net)	1,312,581	881,688
Interest Cost	7,525,627	6,749,194
Expected return on plan assets	(5,028,127)	(5,339,375)
Total included in staff costs	**3,810,081**	**2,291,507**
Annual return on plan assets	**3,810,081**	**2,291,507**
Movements in liability recognised in statement of financial position as determined by the actuarial valuation		
Opening balance	(8,915,000)	(7,484,809)
Total staff costs as above	3,810,082	2,291,507
Actuarial reserves transferred in	-	(4,851)
Contributions paid by Commission	(4,551,089)	(3,716,847)
As at the close of the year	**(9,656,007)**	**(8,915,000)**

Movements in the present value of the plan assets in the current period were as follows:

	2012	2011
At start of the year	55,532,726	54,491,563
Expected return on plan asset	5,731,891	5,700,824
Actuarial gain	(989,520)	(4,263,656)
Actuarial reserves transferred in	-	4,851
Contributions from the employer	4,551,089	3,716,847
Contributions from the employees	3,034,059	2,658,399
Benefits paid	(4,012,776)	(6,776,102)
At close of the year	**63,847,469**	**55,532,726**

The major categories of the plan assets, and the expected rate of return at the statement of financial position date for each category, are as follows:

	2012	2011
	%	%
Government Securities and Cash	58.80	50.90
Loans	6.60	7.90
Local Equities	21.00	22.90
Overseas bonds and equities	12.80	17.40
Property	0.80	0.90
	100.00	**100.00**
Rates used for accounting purposes were		
	%	%
Discount Rate	*10.00*	*10.50*
Expected return on plan assets	*10.00*	*10.50*
Future Salary increases	*7.00*	*7.50*
Future Pension increases	*4.00*	*4.00*

9 OTHER FINANCIAL ASSETS

		2012	2011
		Rs	Rs
Staff loans, restated at fair value	(Note 11)	16,638,749	15,253,421
		16,638,749	**15,253,421**

The nominal value of the Treasury Notes is Rs 310 million. The premium paid is amortised on a straight line basis over the duration of the Treasury Notes.

10 RECEIVABLES

		2012	2011
Fees receivable *(unsecured and considered good)*		14,050,338	15,156,475
Staff loans, receivable within one year, restated at fair value	(Note 11)	5,811,679	5,578,240
Other receivables		8,400	8,400
Prepayments		2,789,407	6,967,706
Accrued interest		24,416,780	11,212,360
		47,076,604	**38,923,181**

11 STAFF LOANS

		2012 Rs	2011 Rs
Total staff loans at face value		*29,407,519*	*28,611,235*
Less adjustment for fair value		*(9,202,330)*	*(8,789,616)*
Interest adjustment, calculated on fair value		*2,245,239*	*1,010,042*
Balance at fair value		***22,450,428***	***20,831,661***
Shown as:-			
Receivables	(Note 10)	*5,811,679*	*5,578,240*
Other financial assets	(Note 9)	*16,638,749*	*15,253,421*
		22,450,428	***20,831,661***

The staff members of the Commission are granted loans at preferential rates as per the Commission's Salary Terms and Conditions. Types of staff loans are Housing Loan, Car Loan, Motorcycle / Autocycle Loan, Computer Loan and Multipurpose Loan.

Staff Loans - Secured

Secured staff loans consist of Housing Loan, Car Loan and Motorcycle / Autocycle Loan which are secured by way of inscription / lien on the property of the staff.

Staff Loans - Unsecured

Unsecured loans consists of Computer loan and Multipurpose Loan which are granted under personal guarantees.

Balances of loans are as follows:

<u>Secured</u>		
Total secured staff loans at face value	*19,951,849*	*18,556,686*
Less adjustment for fair value	*(6,570,612)*	*(7,329,376)*
Balance at fair value	***13,381,237***	***11,227,310***
<u>Unsecured</u>		
Total Unsecured Staff Loans at face value	*9,455,671*	*10,054,550*
Less adjustment for fair value	*(386,480)*	*(450,198)*
Balance at fair value	***9,069,191***	***9,604,352***

12 CASH AND BANK BALANCES

Cash in hand	24,127	7,096
Bank balances	56,098,972	102,589,047
	56,123,099	**102,596,143**

13 PAYABLES

	2012 Rs	2011 Rs
Accurals	25,776,360	11,635,515
Other creditors and provisions	32,519,136	7,284,840
Deposit from Management Companies	11,220,508	17,932,392
Prepaid licence fees	349,642,203	279,873,661
	419,158,237	**316,726,408**

14 FEES

Global Business	658,360,205	637,075,978
Brokerage	10,870,851	16,621,818
Non-banking financial institutions	67,345,037	67,428,728
	736,576,093	**721,126,524**

15 INTEREST

Treasury Notes	3,370,932	-
Bank deposits	52,474,714	55,898,383
Staff loans	2,437,538	1,384,715
	58,283,184	**57,283,098**

16 SALARIES AND ALLOWANCES

Staff salaries and allowances	105,197,608	69,639,001
Adjustment to staff cost due to restatement of staff loans at fair value	(822,483)	86,263
Pension contribution	6,844,140	4,945,055
Family Protection Scheme	2,021,452	1,694,479
National Savings Fund	780,281	486,792
Passage benefits	3,057,012	2,565,052
Board and committee fees	2,409,800	2,100,000
Travelling	10,138,260	8,251,987
Staff welfare	4,001,295	3,335,372
	133,627,365	**93,104,001**

Board fees, salaries and allowances to Key Managerial Persons

		2011 Rs	2012 Rs	2011 Rs
Mr S. Lalloo, Chairperson (01 January 2012 to 18 March 2012)	Board Fees		120,000	480,000
Mr R.M.M. Hein, Chairperson (19 March 2012 to date)	Board Fees and Travelling Allowances		737,300	-
Ms M. Philips, Vice Charperson	- Board Fees - Enforcement Committee	300,000 100,000	300,000	400,000
Mr R. Chellapermal	- Board Fees - Enforcement Committee	240,000 100,000	240,000	340,000
Mr. R. Makoond	Board Fees		240,000	240,000
Mr S. Gopaul	Board Fees		240,000	240,000
Mr O. Lew Kew Lin	Board Fees		240,000	240,000
Mr Y.W. Appado	Board Fees		240,000	240,000
Ms Clairette F.T. Ah-Hen, Chief Executive	Salaries and allowances		5,914,091	1,700,000
Mr P. Seewoosunkur, Officer-in-charge (04 January 2011 to 31 July 2011)	Salaries and allowances		-	1,120,895

17 TRAINING AND SEMINARS

	2012 Rs	2011 Rs
Overseas conferences and seminars	10,136,534	4,765,636
Local events	5,372,615	2,532,482
Staff training	4,592,720	1,032,150
	20,101,869	**8,330,268**

18 LEGAL AND PROFESSIONAL FEES

Auditor's fees	1,651,819	1,503,000
Professional advisory fees	4,290,190	9,942,659
Financial Services Review Panel (provisions)	-	1,165,000
	5,942,009	**12,610,659**

19 OFFICE AND ADMINISTRATIVE EXPENSES

	2012 Rs	2011 Rs
Rental & maintenance of office premises	148,434	253,152
Land lease	234,191	193,512
Insurance of office premises	564,961	597,930
Post, telephone, internet and fax charges	2,419,464	2,700,367
Electricity and water	2,988,007	2,829,586
Stationery	2,091,064	1,214,249
Subscription**	5,566,449	3,574,498
General office expenses	5,492,347	2,967,984
Amortisation of premium on Treasury Notes	571,342	-
Vehicle expenses	1,523,165	885,703
Advertising and publication	1,385,777	573,011
	22,985,201	**15,789,992**

**Includes membership fees for IAIS, IOPS, IFSB, IOSCO and software licenses

20 OTHER COMPREHENSIVE INCOME

Other Comprehensive Income relates to Gain on disposal of the old assets	261,046	401,598
	261,046	**401,598**

21 CASH FLOW FROM OPERATING ACTIVITIES

Surplus for the year	673,968,836	597,953,484
Adjustments for:		
Staff loans restated to fair value	9,202,330	8,789,616
Interest on staff loans restated to fair value	(2,245,239)	(1,010,042)
Gain on disposal of property, plant and equipment	(261,046)	(401,598)
Unrealised exchange (loss) /gain	(87,375,916)	29,404,713
Amortisation of premium on Treasury Notes	571,341	-
Depreciation and amortisation	25,870,959	20,060,503
Cash flow from operating activities, before working capital changes	**619,731,265**	**654,796,676**

21 CASH FLOW FROM OPERATING ACTIVITIES

	2012 Rs	2011 Rs
Decrease / (increase) in fees receivable	1,106,137	(4,688,819)
Increase in staff loans	(8,575,858)	(8,265,403)
Increase in interest receivable	(13,204,420)	(3,099,362)
Decrease in other receivables	-	1,868,750
Decrease / (increase) in prepayments	4,178,299	(1,953,171)
Increase /(decrease) in accrued expenses and other payables	102,431,829	(24,782,571)
Net cash flow from operating activities	**705,667,252**	**613,876,100**

22 LIQUIDITY RISK

The liquidity risk with regard to outflows is limited to contribution to the Consolidated Fund and operative expenses. The outflows to the Consolidated Fund are matched with the corresponding bank deposits of maturities around the expected time of outflows. The outflows to operative expenses are matched with the corresponding licence fee income based on budget estimates. The surplus based on decisions of the Investment Committee, are invested with maturity profiles as at 31 December 2012.

Maturity profiles are as under:-

	Maturity	
	0 - 1 Year	**> 1 year**
Financial assets		
Receivables	44,738,781	16,638,749
Cash and bank balances	56,123,099	nil
Bank deposits	1,489,561,900	nil
Assets held to maturity	2,285,363	313,999,397
Financial liabilities		
Payables	69,516,035	nil
Contribution to Consolidated Fund	844,259,198	nil

The Committee monitors the adequacy of cash inflows in terms of the budget estimates at all times.

23 CREDIT RISKS

In the normal course of business, the Commission is exposed to the credit risk from accounts receivable, loans to staff and transactions with banking institutions.

The Commission manages its exposure to credit risks as follows:-

(a) with regards to Accounts Receivable, credit risk is limited as the Commission is a regulatory body, and fees are charged in terms of the legislation;
(b) for staff loans, the Commission maintains control procedures and requests security when loan is granted to staff. For certain types of loans the security involves inscriptions on the property of the staff while for other loans personal guarantees are required; and

(c) for transactions with banking institutions, it holds bank balances and short term deposits with the State Bank of Mauritius Ltd, Mauritus Post and Cooperative Bank Ltd, The Mauritius Commercial Bank and SBI (Mauritius) Ltd. As such, the Commission mitigates the risks related to bank balances and deposits by keeping its funds in a wide spread of banks of a certain level of repute.

24 CURRENCY AND EXCHANGE RISK

The Commission receives licence fees in US Dollars (USD). Consequently, the Commission is exposed to the risk that the exchange rate of the USD relative to the Mauritian Rupees (MUR) may change in a manner which has a material effect on the reported values of the Commission's licence fee income, which are denominated in USD.

The Commission is exposed to currency risk as a result of conversion of foreign currency balances held in USD and NZD. The fund has been maintained in USD and NZD over the financial year. The exchange fluctuation of Rs. 87,375,916 has occurred mainly due to translation of the foreign currencies. During the year 2012, USD and NZD appreciated against MUR by 2.26% and by 9.92%, respectively . The exchange fluctuation for the year is as follows:

	2012 Rs	2011 Rs
Exchange fluctuation gain /(loss)	87,375,916	(30,962,313)

Currency profile is as under:-	2012 Rs	2011 Rs	2012 %	2011 %
New Zealand Dollars	129,623,929	114,151,598	7	7
US Dollars	824,533,777	877,833,341	45	55
Indian Rupees	(1,800,000)	(1,589,663)	-	-
Mauritian Rupees	895,074,557	615,027,685	48	38
	1,847,432,263	**1,605,422,961**	**100**	**100**

The assessment of currency fluctuation are being reviewed by the Investment Committee from time to time.

24(a) Interest Rate Risk

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets whose interest rates periodically changes as per market rate. The following table demonstrates the sensitivity of the Commission's Surplus to interest rate changes, all other variables held constant:

	Change in Yield (basis point)	Effect on Surplus 2012 Rs	Effect on Surplus 2011 Rs
Bank Balances	+50	282,574	526,256
	-50	130,381	(219,018)

24(b) Foreign Currency Risk

The following table shows the sensitivity of the Commission's Funds to exchange rate changes, all other variables held constant:

	Change MUR exchange rate	Effect on Funds 2012 Rs	Effect on Funds 2011 Rs
Financial assets and liability	+50 cents	16,138,951	17,795,833
	-50 cents	(16,138,951)	(17,795,833)

25 EXPENDITURE AND DEPLOYMENT OF RESOURCES

The Commission's expenditures are considered to be reasonably justifiable and reflect plans for continual macro development of the jurisdiction. Though, at times, certain expenses are incurred in excess of budgeted, there has been compliance with the Public Procurement Act 2006. However, the overall quantum of expenditure and deployment of resources compares favourably with the levels in other jurisdictions.

26 RELATED PARTY TRANSACTIONS DISCLOSURE

Name of Key Management Personnel	Designation	Interest in related entities of self or family members	Transactions undertaken with interested entities by FSC during the year 2012
Ms.C.Ah-Hen	Chief Executive	No	No
Mr.S.Lalloo (Till mid-March 2012)	Chairperson	No	No
Mr.Marc Hein (From mid-March 2012)	Chairperson	Yes[1]	No
Ms.M.Philips	Vice Chairperson	No	No
Mr.Y.W.M.Appado	Director	Yes[2]	Yes[2]
Mr.R.Chellapermal	Director	Yes[3]	Yes[3]
Mr.S.Gopaul	Director	No	No
Mr.O.Lew Kew Lin	Director	Yes[4]	No
Mr.R.Makoond	Director	Yes[5]	No

[1]Mr. Marc Hein indirectly holds 1% of share in a GBC1 promoted by Omnicane Ltd. a reporting issuer.
[2]Mr. Appado acts as an Attorney for State Insurance Company of Mauritius Ltd (SICOM) which is licensed by the FSC. Post-employment benefit plans for the employees of the Commission are managed by SICOM.
[3]Mr. R. Chellapermal is a Board Director of SICOM Financial Services Ltd (SICOMFS) which is licensed by the Commission and also it is a subsidiary State Insurance Company of Mauritius Ltd (SICOM). Post-employment benefit plans for the employees of the Commission are managed by SICOM.
[4]Mr. O. Lew Kew Lin is director of companies which are related to Harel Mallac Ltd, a listed company.
[5]Mr. R. Makoond is a Board member of Les Moulins de la Concorde Ltd which is a listed company.

These transactions have been undertaken at market quotations and are at arm's length price.

27 REPORTING CURRENCY

The Financial Statements have been presented in Mauritian rupees.

Appendices

1. 2012 Key Performance Statistics
2. Market Trends
3. Awards and Special Events
4. Implementation of Principles
5. FSC Contributions to Regional and International Reform
6. List of Meeting
7. Capacity Building
8. Complaints Handling

Appendix 1:
2012 Key Performance Statistics

	2010	2011	2012
Population (million)	1.3	1.3	1.3
GDP at the basic prices (USD million)[1]	*8,496*	*9,485*	*9,761*
GDP per Capita at basic prices (USD)[1]	*6,631*	*7,374*	*7,558*
FDI (Total) (USD million)*[2]	*447*	*315*	*408*
FDI Financial and insurance activities (USD million)[2]	*149*	*55*	*140*

** FDI excluding GBC 1's*
Exchange rates (Rs to USD) as at 31 December 2010 - 31.1714 ,
30 December 2011 - 30.0443 and
31 December 2012 - 31.0196
Source: [1]Economic and Social Indicators, National Accounts Estimates, March 2013, Statistics Mauritius
[2]Monthly Statistical Bulletin, April 2013, Bank of Mauritius

	2010		2011		2012	
	Contribution to GDP (%)	Growth Rate (%)	Contribution to GDP (%)	Growth Rate (%)	Contribution to GDP (%)	Growth Rate (%)
Financial and Insurance Activities	**10.1**	**4.5**	**10.2**	**5.6**	**10.3**	**5.7**
Monetary Intermediation	*6.0*	*4.4*	*6.0*	*6.3*	*6.1*	*6.3*
Financial Leasing and Other Credit Granting	*0.6*	*5.6*	*0.6*	*6.0*	*0.6*	*6.0*
Insurance, Reinsurance and Pension	*2.9*	*4.5*	*3.0*	*4.5*	*3.0*	*4.6*
Other	*0.6*	*4.0*	*0.6*	*3.7*	*0.5*	*5.0*

Source: Economic and Social Indicators, National Accounts Estimates, March 2013, Statistics Mauritius

Ranking in Global Surveys

	2011/2012	2010/2011
Doing Business		
	Out of 185 Countries	*Out of 183 Countries*
Overall Ranking on the Ease of Doing Business	**19th** ***(1st in Africa)***	**23rd** ***(1st in Africa)***
Ease of Starting a Business	14th	15th
Protecting Investors	13th	13th
Trading Across Borders	15th	21st

Source: Doing Business 2012, Doing Business in a More Transparent World, 20 October 2011, The World Bank and International Finance Corporation
Doing Business 2013, Smarter Regulations for Small and Medium-Size Enterprises, 23 October 2012, 10th edition, The World Bank and International Finance Corporation

	2012/2013	2011/2012
	Out of 144 Countries	*Out of 142 Countries*
Global Competitive Index	**54th** ***(2nd in Africa)***	**54th** ***(2nd in Africa)***

Source: The Global Competitiveness Report 2012 - 2013 and The Global Competitiveness Report 2011 - 2012, World Economic Forum

	2011/2012	2010/2011
	Out of 185 Countries	*Out of 184 Countries*
Index of Economic Freedom	**8th** ***(1st in Africa)***	**8th** ***(1st in Africa)***

Source: 2013 Index of Economic Freedom and 2012 Index of Economic Freedom, The Heritage Foundation & The Wall Street Journal

	2010
	Out of 163 Countries
Environment Performance Index 2011	6th

Source: Environmental Performance Index, January 2010, Yale University

	2012	2011
	Out of 52 Countries	*Out of 53 Countries*
Ibrahim Index of African Governance	***1st***	***1st***

Source: The 2011 Ibrahim Index of African Governance and The 2012 Ibrahim Index of African Governance ,The Mo Ibrahim Foundation

Appendix 2:
Market Trends

Capital Markets

The two Securities Exchanges, SEM and GBOT, which make up the Market Infrastructure, noted a decline in their performance but remained quite resilient overall despite the financial crisis, still looming over most global economies.

The SEM

The SEM registered a dampened performance for the year under review. At the end of 2012, Market Capitalisation stood at USD 5,669,064 compared to USD 5,721,771 in 2011. The Annual Turnover fell by 38.64 per cent from USD 499,054,221 in 2011 to USD 306,199,054 in 2012. Only 247 trading sessions took place in 2012, two less than in 2011. The main index, SEMDEX, closed at 1,732.06 points on 31 December 2012, 9 per cent lower than the 1,888.38 points in 2011. In 2012, a total net inflow of Rs 162,021,817 was registered compared to a net outflow of Rs 444,898,582 in the previous year.

A mixture of rebounds and retreats in the market marked the year 2012 with the peak noted in January and the lowest performance in October. Investors showed a growing appetite to invest in the first half of the year. During later months, a lack-lustre atmosphere prevailed but, a gradual upward trend was noted towards the end of the year.

Chart 3: Evolution of SEMDEX and SEM-7 for 2012

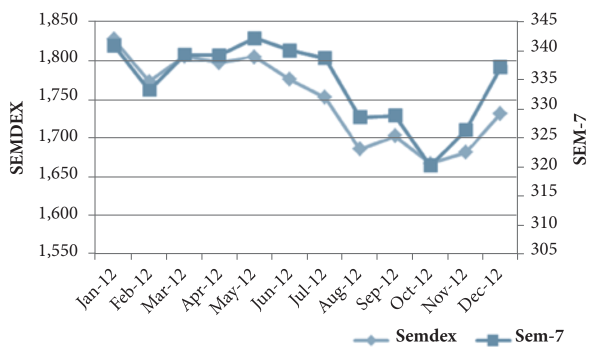


Chart 4: Evolution of SEMTRI (Rs) & (USD) for 2012

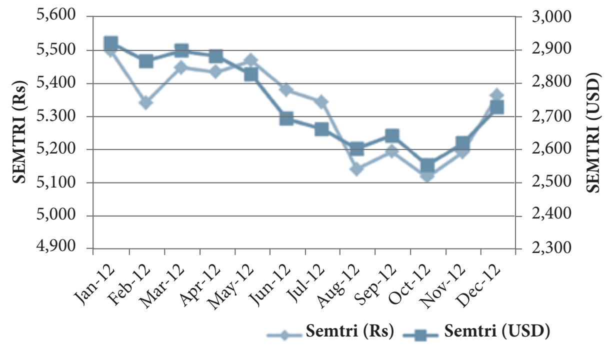
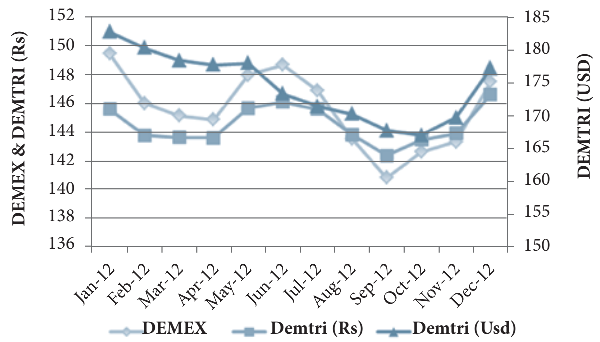


Chart 5: Evolution of DEMEX and DEMTRI (Rs) & (USD) for 2012



Source: Stock Exchange of Mauritius Ltd.

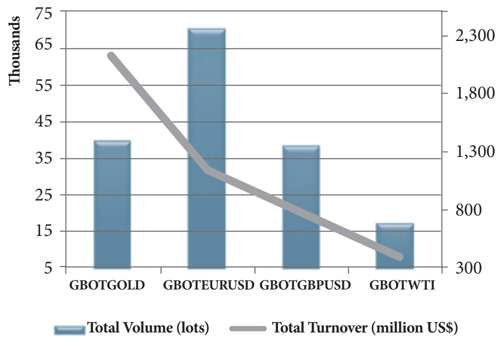
The GBOT

During 2012, the Total Turnover for the 166,950 futures contracts traded on GBOT amounted to USD 4.419 billion of which, 57,279 contracts were registered under the commodity segment and represented a Turnover of USD 2.505 billion. 109,671 contracts were under the currency segment representing a turnover of USD 1.914 billion.

On the commodity segment, it was a volatile year for gold which noted only a modest gain despite increased demand from major central banks across the world and increased investment appeal due to prevailing low interest rates. In value terms, gold demand in 2012 was USD 236.4 billion with an average price of USD 1,669 a troy ounce, up by 6 per cent from USD 1,572 a troy ounce in 2011. Global investment in Exchange Traded Funds in 2012 rose significantly by 51 per cent over the preceding year.

GBOT WTI Crude Oil Futures lost some of its steam in 2012 as concerns about the health of global economy put some downward pressure on the oil market. The IMF said that risks to global financial stability have increased in the second half of 2012 and downgraded its estimates for global growth in 2013 to 3.6 per cent from the 3.9 per cent it forecasted in July 2012. Oil is likely to be harmed by deterioration in economic activity. GBOT Gold and WTI Crude Oil Futures reflected this global sentiment and price movements.

Chart 6: Most Active Contracts on GBOT for 2012
Source: GBOT



Investment Funds and Intermediaries

The Fund Industry in Mauritius was adversely impacted by the volatile international investment climate during the year under review with a decline in the number of applications received for CIS and CEF. Simultaneously, the FSC noted an increase of 49 per cent in the number of winding up of funds from 51 in 2011 to 76 in 2012. As at December 2012, 22 funds were listed on the Official List of the SEM.

Insurance

The total assets of domestic insurers increased from Rs 95.9 billion to Rs 105.0 billion, representing an increase of 10 per cent, as shown in the table below. Three insurers contributed 90 per cent to the total gross premiums generated by the long term insurance business sector. The market share was consequently spread among the remaining seven long-term insurers (three of them being on run-off).

Table 4: Insurance Industry Statistics

	2012	2011	Percentage Change
Long Term Insurance			
Gross premiums (Rs million)	13,898	12,953	7
Assets (Rs million)	92,640	84,244	10
Gross Claims (Rs million)	10,050	10,584	(5)
Number of policies	425,874	488,379	(13)
General Insurance			
Gross premiums (Rs million)	6,183	6,247	(1)
Assets (Rs million)	12,404	11,659	6
Gross Claims (Rs million)	3,073	3,250	(5)
Number of policies	469,615	419,516	12
Total Industry			
Total gross premium (Rs million)	20,082	19,200	5
Total Assets (Rs million)	105,045	95,904	10
Gross Claims (Rs million)	13,124	13,834	(5)
Total number of policies	895,489	889,065	1

Likewise, general insurance business sector was concentrated with five insurers representing 79 per cent of the market share. In the year 2012, gross claims paid by general insurers decreased by 5 per cent compared to the year 2011.

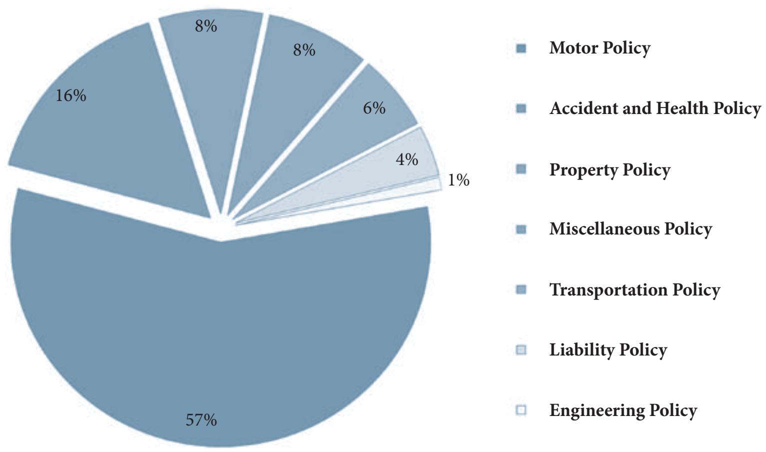
The total gross premium of the domestic market grew by 5 per cent, from Rs 19.2 billion to Rs 20.0 billion during the period under review.

General Insurance Business

The number of policies in force in the general insurance business sector for the year under review stood at 469,615 as compared to 419,516 the previous year.

Breakdown of the policies by classes of insurance is illustrated in the chart below.

Chart 7: Breakdown of the Policies by Classes of Insurance

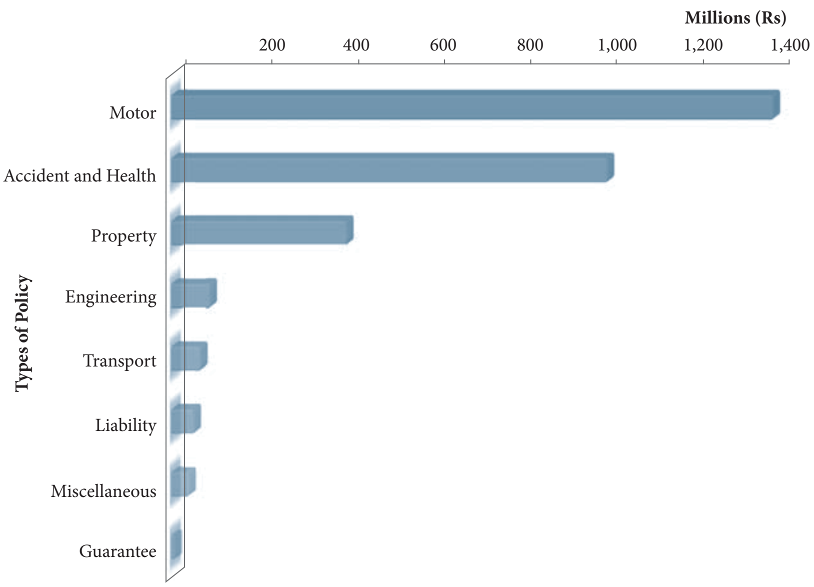


The 263,596 motor policies and 206,019 non-motor policies generated Rs 6.18 billion of gross premiums for the year, representing a decrease of 1 per cent, compared with the previous year.

In 2012 the amount of gross claims paid by general insurers decreased by 5 per cent compared to the previous year, and reached Rs 3.0 billion.

From the chart below, it can be seen that most of the claims paid out were in the class of motor insurance, 1.3 billion, followed by accident and health policy, 1.0 billion.

Chart 8: Claims Paid by Class

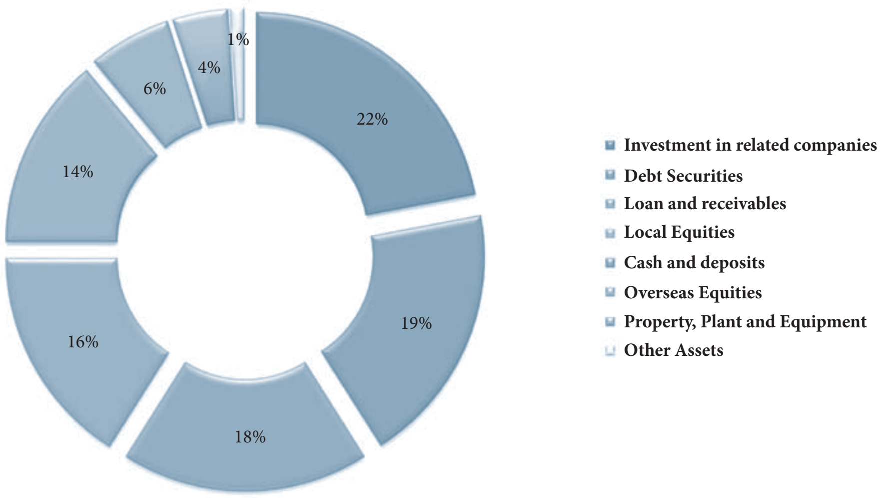


Long-Term Business

The long-term insurance sector registered an increase of 7 per cent in gross premium to reach Rs 13.8 billion in the year 2012. A similar growth rate was observed for net premium which grew from Rs 12.6 bilion to Rs 13.5 bilion this year. Total consolidated assets of the 10 long-term insurers stood at Rs 92.6 bilion as compared to Rs 84.2 bilion the previous year representing an increase of 10 per cent.

The chart below depicts the asset distribution of the long-term insurers for the year under review.

Chart 9: Asset Distribution of the Long-Term Insurers



Appendix 3: Awards and Special Events

Capital Markets

Event marking the 50th Anniversary of CFA Institute

In May 2012, the CFA Institute regrouping investment professionals celebrated the 50 years of the Chartered Financial Analyst on a global scale. The occasion was marked by the opening and closing bell ceremonies in 24 Stock Exchanges over the world. Representatives of the SEM, the Society of Financial Analysts of Mauritius and the FSC met at the FSC House to mark this event with the opening bell ceremony.

FSC's Second Award as "Most Innovative Capital Market Regulator of the Year Award" by Africa Investor

The FSC was awarded for the second time the "Most Innovative Capital Market Regulator of the Year Award" at a summit organised by Africa Investor, in collaboration with New York Stock Exchange (NYSE) Euronext. The Award was presented to the Vice Chairperson of the FSC, Ms Mary Anne Philips at the New York Stock Exchange on 21 September 2012.

The Award reflects the commitment of the FSC to be an efficient and service-oriented regulator, and to offer a regulatory framework which inspires trust and confidence of its African and international investors and the role of the FSC in encouraging cross-border investments in the African region.

The FSC was conferred the same Award in September 2010 for measures taken to promote development of Financial Services in Mauritius and for adoption of a business friendly approach to regulation.

The SEM was awarded the "Most innovative African Stock Exchange of the year award" during this ceremony.

Appendix 4:
Implementation of Principles

Implementation of Principles by FSC

1. IOSCO Principles of Securities Regulation (Through self assessment) Out of 38 IOSCO Principles, a. 36 are Observed b. 2 are Largely Observed
2. IAIS Insurance Core Principles (ICPs) (Through SADC assessment) Out of 26 ICPs, a. 16 are Observed b. 8 are Largely Observed c. 2 are Partly Observed
3. IOPS Principles of Private Pension Supervision (Through SADC assessment) Out of 10 IOPS Principles, a. All 10 are Observed

SN	Theme	A	B	C	Further actions to ensure observance by the FSC
		IOSCO	IAIS	IOPS	
		Principle	ICP	IP	
1	Clear and defined statutory objectives of the regulator/supervisor	1 - 8	1 2	1 4	
2	Independence, accountability and high professional standards of regulatory/supervisor			2 3 10	
3	Supervision (including risk-based)	10 12 16 23 29 - 32 34	6 7 8 9 13 14 15 16 19 20 22 23	5	**ICP 13** • To look into reporting of liquidity position due to reinsurance treaties in general insurance. **ICP 16** • To look into the whole of this new ICP and formalise. **ICP 19** • To review and address the approach to 'fair treatment' of clients; • To review disclosure and requirements at point of sale within 30 days thereafter; and • To broaden the complaints handling procedures. to have a more effective range. **ICP 20** • To address issue of additional qualitative reports in statutory reporting **ICP 23** • To look into the whole of this new ICP and formalize.
4	Cooperation, Information Exchange and confidentiality	13 - 15	3 25 26	7 8	**ICP 25** • To become a signatory to the IAIS MMoU
5	Clear licensing procedures and requirements	16 24 25 29	4 5	9	
6	Corporate Governance	2 5 8 20 24		10	
7	SRO	9			To work towards giving SRO status to securities exchanges
8	Enforcement	10-12	10 11	6	As laid down in the FSA, IA, SA and PPSA

***Green* – Observed** ***Amber* – Largely Observed** ***Red* – Partly Observed**

SN	Theme	A	B	C	Further actions to ensure observance by the FSC
		IOSCO	IAIS	IOPS	
		Principle	ICP	IP	
9	Operators / Licensees	9 16 -18 19 - 23 24 - 28 29 - 32 33 - 38	4 5		The FSC's enabling laws has to be revisited to include possibility of imposing fines.
10	Trading Infrastructure	16 - 18 29 -32 33 - 38	6		Systemic Risk monitoring and trigger
11	Winding UP and Exit		12		
12	Capital Adequacy and Solvency		17		**ICP 17** • To review intervention ladder; • To address group wide capital adequacy requirements; • To consider the setting of target criteria for the calculation of regulatory capital requirements; and • To consider criteria in terms of quality and suitability for other sources of long term permanent capital.
13	Intermediaries		18		**ICP 18** • To consider the setting of transparent and specific educational requirements for different classes of intermediaries; and • To address the issues of disclosure of relationship between intermediary and insurer and disclosure of information before transaction is closed and not only within 30 days.
14	Countering Fraud in Insurance		21		
15	Macro Prudential Surveillance and insurance Supervision		24		**ICP 15** To look into the whole of this new ICP and formalize
16	Audit	19 - 21			Apart from auditors, all others are not regulated. To look into adequate levels of oversight through cooperation with other regulators to avoid duplication
17	CRA and Other Service Providers	22 - 23			There is already an internal team is working on the regulatory framework for CRAs The FSC has not yet received or licensed any entity that offer investors analytical or evaluative services.

Green* – *Observed ***Amber* – *Largely Observed*** ***Red* – *Partly Observed***

A. International Organization of Securities Commissions

Core Principles

A	*Principles Relating to the Regulator* 1. The responsibilities of the Regulator should be clear and objectively stated. 2. The Regulator should be operationally independent and accountable in the exercise of its functions and powers. 3. The Regulator should have adequate powers, proper resources and the capacity to perform its functions and exercise its powers. 4. The Regulator should adopt clear and consistent regulatory processes. 5. The staff of the Regulator should observe the highest professional standards, including appropriate standards of confidentiality. 6. The Regulator should have or contribute to a process to monitor, mitigate and manage systemic risk, appropriate to its mandate. 7. The Regulator should have or contribute to a process to review the perimeter of regulation regularly. 8. The Regulator should seek to ensure that conflicts of interest and misalignment of incentives are avoided, eliminated, disclosed or otherwise managed.
B	*Principles for Self-Regulation* 9. Where the regulatory system makes use of Self-Regulatory Organizations (SROs) that exercise some direct oversight responsibility for their respective areas of competence, such SROs should be subject to the oversight of the Regulator and should observe standards of fairness and confidentiality when exercising powers and delegated responsibilities.
C	*Principles for the Enforcement of Securities Regulation* 10. The Regulator should have comprehensive inspection, investigation and surveillance powers. 11. The Regulator should have comprehensive enforcement powers. 12. The regulatory system should ensure an effective and credible use of inspection, investigation, surveillance and enforcement powers and implementation of an effective compliance program.
D	*Principles for Cooperation in Regulation* 13. The Regulator should have authority to share both public and non-public information with domestic and foreign counterparts. 14. Regulators should establish information sharing mechanisms that set out when and how they will share both public and non-public information with their domestic and foreign counterparts. 15. The regulatory system should allow for assistance to be provided to foreign Regulators who need to make inquiries in the discharge of their functions and exercise of their powers.
E	*Principles for Issuers* 16. There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors' decisions. 17. Holders of securities in a company should be treated in a fair and equitable manner. 18. Accounting standards used by issuers to prepare financial statements should be of a high and internationally acceptable quality.
F	*Principles for Auditors, Credit Ratings Agencies, and other information service providers* 19. Auditors should be subject to adequate levels of oversight. 20. Auditors should be independent of the issuing entity that they audit. 21. Audit standards should be of a high and internationally acceptable quality. 22. Credit rating agencies should be subject to adequate levels of oversight. The regulatory system should ensure that credit rating agencies whose ratings are used for regulatory purposes are subject to registration and ongoing supervision. 23. Other entities that offer investors analytical or evaluative services should be subject to oversight and regulation appropriate to the impact their activities have on the market or the degree to which the regulatory system relies on them.

G	*Principles for Collective Investment Schemes* 24. The regulatory system should set standards for the eligibility, governance, organization and operational conduct of those who wish to market or operate a collective investment scheme. 25. The regulatory system should provide for rules governing the legal form and structure of collective investment schemes and the segregation and protection of client assets. 26. Regulation should require disclosure, as set forth under the principles for issuers, which is necessary to evaluate the suitability of a collective investment scheme for a particular investor and the value of the investor's interest in the scheme. 27. Regulation should ensure that there is a proper and disclosed basis for asset valuation and the pricing and the redemption of units in a collective investment scheme. 28. Regulation should ensure that hedge funds and/or hedge funds managers/advisers are subject to appropriate oversight.
H	*Principles for Market Intermediaries* 29. Regulation should provide for minimum entry standards for market intermediaries. 30. There should be initial and ongoing capital and other prudential requirements for market intermediaries that reflect the risks that the intermediaries undertake. 31. Market intermediaries should be required to establish an internal function that delivers compliance with standards for internal organization and operational conduct, with the aim of protecting the interests of clients and their assets and ensuring proper management of risk, through which management of the intermediary accepts primary responsibility for these matters. 32. There should be procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.
I	*Principles for Secondary Markets* 33. The establishment of trading systems including securities exchanges should be subject to regulatory authorization and oversight. 34. There should be ongoing regulatory supervision of exchanges and trading systems which should aim to ensure that the integrity of trading is maintained through fair and equitable rules that strike an appropriate balance between the demands of different market participants. 35. Regulation should promote transparency of trading. 36. Regulation should be designed to detect and deter manipulation and other unfair trading practices. 37. Regulation should aim to ensure the proper management of large exposures, default risk and market disruption. 38. Securities settlement systems and central counterparties should be subject to regulatory and supervisory requirements that are designed to ensure that they are fair, effective and efficient and that they reduce systemic risk.

B. International Association of Insurance Supervisors

Insurance Core Principles

1	*Objectives, Powers and Responsibilities of the Supervisor* The authority (or authorities) responsible for insurance supervision and the objectives of insurance supervision are clearly defined.
2	*Supervisor* The supervisor, in the exercise of its functions and powers: • is operationally independent, accountable and transparent • protects confidential information • has appropriate legal protection • has adequate resources • meets high professional standards
3	*Information Exchange and Confidentiality Requirements* The supervisor exchanges information with other relevant supervisors and authorities subject to confidentiality, purpose and use requirements.

4	*Licensing* A legal entity which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.
5	*Suitability of Persons* The supervisor requires Board Members, Senior Management, Key Persons in Control Functions and Significant Owners of an insurer to be and remain suitable to fulfil their respective roles.
6	*Changes in Control and Portfolio Transfers* Supervisory approval is required for proposals to acquire significant ownership or an interest in an insurer that results in that person (legal or natural), directly or indirectly, alone or with an associate, exercising control over the insurer. The same applies to portfolio transfers or mergers of insurers.
7	*Corporate Governance* The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognises and protects the interests of policyholders.
8	*Risk Management and Internal Controls* The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.
9	*Supervisory Review and Reporting* The supervisor takes a risk-based approach to supervision that uses both off-site monitoring and on-site inspections to examine the business of each insurer, evaluate its condition, risk profile and conduct, the quality and effectiveness of its corporate governance and its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market
10	*Preventive and Corrective Measures* The supervisor takes preventive and corrective measures that are timely, suitable and necessary to achieve the objectives of insurance supervision.
11	*Enforcement* The supervisor enforces corrective action and, where needed, imposes sanctions based on clear and objective criteria that are publicly disclosed.
12	*Winding-up and Exit from the Market* The legislation defines a range of options for the exit of insurance legal entities from the market. It defines insolvency and establishes the criteria and procedure for dealing with insolvency of insurance legal entities. In the event of winding-up proceedings of insurance legal entities, the legal framework gives priority to the protection of policyholders and aims at minimising disruption to the timely provision of benefits to policyholders.
13	*Reinsurance and Other Forms of Risk Transfer* The supervisor sets standards for the use of reinsurance and other forms of risk transfer, ensuring that insurers adequately control and transparently report their risk transfer programmes. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.
14	*Valuation* The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.
15	*Investment* The supervisor establishes requirements for solvency purposes on the investment activities of insurers in order to address the risks faced by insurers.
16	*Enterprise Risk Management for Solvency Purposes* The supervisor establishes enterprise risk management requirements for solvency purposes that require insurers to address all relevant and material risks.
17	*Capital Adequacy* The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unforeseen losses and to provide for degrees of supervisory intervention.

18	*Intermediaries* The supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner.
19	*Conduct of Business* The supervisor sets requirements for the conduct of the business of insurance to ensure customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied..
20	*Public Disclosure* The supervisor requires insurers to disclose relevant, comprehensive and adequate information on a timely basis in order to give policyholders and market participants a clear view of their business activities, performance and financial position. This is expected to enhance market discipline and understanding of the risks to which an insurer is exposed and the manner in which those risks are managed.
21	*Countering Fraud in Insurance* The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.
22	*Anti-Money Laundering and Combating the Financing of Terrorism* The supervisor requires insurers and intermediaries to take effective measures to combat money laundering and the financing of terrorism. In addition, the supervisor takes effective measures to combat money laundering and the financing of terrorism.
23	*Group-wide Supervision* The supervisor supervises insurers on a legal entity and group-wide basis.
24	*Macroprudential Surveillance and Insurance Supervision* The supervisor identifies, monitors and analyses market and financial developments and other environmental factors that may impact insurers and insurance markets and uses this information in the supervision of individual insurers. Such tasks should, where appropriate, utilise information from, and insights gained by, other national authorities.
25	*Supervisory Cooperation and Coordination* The supervisor cooperates and coordinates with other relevant supervisors and authorities subject to confidentiality requirements.
26	*Cross-border Cooperation and Coordination on Crisis Management* The supervisor cooperates and coordinates with other relevant supervisors and authorities such that a cross-border crisis involving a specific insurer can be managed effectively.

C. International Organization of Pension Supervisors

Principles of Private Pension Supervision

1	*Objectives* National laws should assign clear and explicit objectives to pension supervisory authorities.
2	*Independence* Pension supervisory authorities should have operational independence
3	*Adequate Resources* Pension supervisory authorities require adequate financial, human and other resources.
4	*Adequate Powers* Pension supervisory authorities should be endowed with the necessary investigatory and enforcement powers to fulfill their functions and achieve their objectives.
5	*Risk-Based Supervision* Pension supervisory authorities should adopt a risk-based approach.

6	*Proportionality and Consistency* Pension supervisory authorities should ensure that investigatory and enforcement requirements are proportional to the risks being mitigated and that their actions are consistent.
7	*Consultation and Corporation* Pension supervisory authorities should consult with the bodies they are overseeing and cooperate with other supervisory authorities domestically and internationally.
8	*Confidentiality* Pension supervisory authorities should treat confidential information appropriately.
9	*Transparency* Pension supervisory authorities should conduct their operations in a transparent manner.
10	*Governance* The supervisory authority should adhere to its own good governance practices – including governance codes, internal risk-management systems and performance measurement - and should be accountable.

Appendix 5:
FSC Contribution to Regional and International Reform

As a regulator of an IFC, FSC enhances its strategic partnerships with international regulators and the financial community and plays a role in reshaping the regional and international financial landscape. The future of the financial landscape is framed through policy decisions taken during international meetings. The FSC, as a key member of regional communities and active member in international fora, endeavours to impact on the decisions taken during these meetings.

Regional

SADC CISNA

The FSC is a key member of the SADC CISNA with the Chief Executive of the FSC holding the Vice Chair of the regional association. The vision of CISNA is to facilitate the development and implementation of a harmonised, risk based regulatory framework for member states in SADC that enables market growth and development, reduces the potential for systemic risk, informs and protects consumers, mobilises capital flows and contributes to prosperity in the region. There are two sub committees on Capital Markets and Insurance and Pensions who are working towards a harmonised legislation and regulatory framework for Sub Saharan Africa.

The FSC actively participated in all the meetings of the sub committees as well as the technical committee meetings. There are four technical committees focusing on Strategic Planning, Consumer Financial Education, AML/CFT and Training. The first CISNA bi annual meeting for year 2012 was held in Angola from 17 to 20 April 2012. The second bi-annual meeting of CISNA for 2012 was held in Mauritius from 2 to 5 October 2012.

The FSC also participated in the SADC CISNA Task Team in Gaborone, Botswana from 14 - 16 March 2012. This meeting was instrumental in deciding the strategic direction CISNA would be taking.

Africa Middle East Regional Committee

Africa Middle East Regional Committee (AMERC) is one of the four regional committees of the IOSCO which regroups the Capital Markets community within Africa and the Middle East under the same platform. As a member of AMERC, the FSC actively participates in all discussion and consultations.

FSB RCG for Sub-Saharan

Inaugural Meeting

The FSC attended the inaugural meeting of the FSB RCG for Sub-Saharan Africa in Pretoria which was held on 3 February 2012. During the meeting, members discussed the FSB's work plan and policy priorities, major financial regulatory reforms and their impacts, as well as vulnerabilities and regional financial stability issues.

The second meeting

In the September 2012 meeting, the RCG discussed vulnerabilities in the global financial system and regional financial stability issues. The group also reviewed the FSB's policy priorities and work plan, including the initiative to take forward the development of a global Legal Entity Identifier for financial markets being led by the FSB. Members also considered key financial sector reforms for Sub-Saharan Africa (including the Basel capital and liquidity requirements, and implementation challenges facing the region) and the resolution of financial institutions, including the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions, cross-border cooperation, recovery and resolution plans, crisis management groups and information sharing.

Eastern and Southern African Anti-Money laundering Group

The FSC, as part of the Mauritian delegation, participated in the two Senior Officials Task Force Meetings of the Eastern and Southern African Anti-Money laundering Group (ESAAMLG) held in Tanzania and Mozambique in April and August 2012 respectively. The ESAAMLG established the Mutual Evaluation Working Group (MEWG) in 2010, responsible to monitor the progress made by member countries once their Mutual Evaluation Report has been endorsed by the ESAAMLG Task Force and the Council of Ministers.

Since Mauritius is a member of the Review Group of assessors, as representatives of Mauritius, the FSC participated in the work conducted by the Review Group and contributed to the final report submitted to the MEWG for onward consideration and approval by the Task Force.

International

IOSCO C1 Meeting

The Committee on Issuer Accounting, Audit and Disclosure (C1) focuses on the quality of financial information provided to investors by listed companies and financial institutions and the accounting and auditing standards that underpin this information. IOSCO C1 monitors and supports the work of international accounting standards board.

The FSC contributed by submitting comments on a number of projects and outreach requests such as:

- The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon;
- Online IOSCO Survey on the Use of IFRS;
- Non –GAAP Measures;
- Draft IFRIC Interpretation: Put Options Written on Non-controlling Interests;
- Going concern disclosures;
- Emerging issues - The manner in which issuers utilise "non-GAAP" measures in reporting their performance to investors; and
- IAASB Invitation to Comment: Improving the Auditor's Report

The FSC's contribution is made possible through observation of practices by licensees in their financial statements and discussions with auditors of licensees and practionners.

Emerging Markets Committee

The IOSCO EMC is one of the two specialised working Committees of the IOSCO Executive Committees. The EMC consists of various working groups to address different functional areas such as: Disclosure and Accounting, Regulation of Secondary Markets, Regulation of Market Intermediaries, Enforcement and the Exchange of Information and Investment Management.

The FSC participated in the EMC annual meeting held on 15 March 2012 in Beijing. During the meeting, the EMC approved publication of the report on the Development and Regulation of Institutional Investors in the Emerging Markets and endorsed the Technical Note on Day Trading in Emerging Markets for internal publication. The importance of emerging markets to global capital markets was also emphasised.

IAIS

The IAIS held its Annual General Meeting in October 2012, when it adopted revisions to ICP 9 on Supervisory Review and Reporting. The IAIS also adopted an Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets that provides guidance to our Members on how to best apply the ICPs in a manner that supports access to insurance products for the underserved.

The IAIS is currently scheduled to formally adopt ComFrame in 2018. ComFrame is primarily intended to be a framework for Supervisors to efficiently and effectively co-operate and co-ordinate by providing a basis for comparability of Internationally Active Insurance Groups (IAIGs) regulations and supervisory processes.

IOPS

In February 2012, the FSC attended the IOPS technical committee meeting. The sessions outlined the regulatory and supervisory functions of TPR in respect of defined benefit schemes in the UK. Defined benefit schemes are the most wide-spread schemes in UK in terms of membership distribution. Given that a majority of these schemes are currently underfunded, TPR are monitoring the recovery plans, submitted by the Trustees, of these underfunded schemes.

Appendix 6:
List of Meetings

International and Regional Meetings Held Overseas attended by Board Members and Chief Executive

Date	Theme	Country	Position
14-15 June 2012	London and Geneva Mission organised by BOI	United Kingdom and Swizerland	Mr Marc Hein, Chairperson
23 September - 1 October 2012	Mission to India and Hong Kong organised by BOI	India and Hong Kong	
21 September 2012	Representing FSC at the CEO Institutional Investment Summit and Index Series Awards at the New York Stock Exchange	United States of America	Ms Mary Anne Philips, Vice-Chairperson
3 February 2012	FSB Regional Consultative Group for Sub-Saharan Africa	South Africa	Ms Clairette Ah-Hen, Chief Executive
22 - 24 February 2012	27th IOSCO-Africa Middle East Regional Committee (AMERC)	Kenya	
18-20 April 2012	CISNA Meeting	Angola	
13-17 May 2012	37th Iosco Conference Beijing China and Signature of IOSCO MMOU	China	
25-28 June 2012	IOSCO C1 Meeting	Spain	
3-7 September 2012	Signature of MMOU with Cyprus Securities and Exchange Commission + other meetings in Cyprus	Cyprus	
24-25 September 2012	FSC Regional Consultative Group Meeting. Cape Town	South Africa	
7-12 October 2012	IAIS Committee Meetings and 2012 IAIS Annual Conference	United States of America	
24-27 November 2012	Meetings in Delhi and Mumbai + Asia Financial Cooperation Conference	India	

International and Regional Meetings Held Overseas attended by staff

Date	Theme	Country	Officers	Position
13 - 17 February 2012	Study on the Harmonisation of the Insurance & Pensions Funds Industries in the SADC Region	South Africa	Mr Raj Oree	Head - Surveillance Insurance & Pensions
22 - 24 February 2012	AMERC Meeting on the “Regional Cooperation for Capital Markets stability: Harmonisation of Regulatory and Policy Framework”	Kenya	Ms Ashveena Gajeelee	Executive
			Ms Vyasha Ramasawmy	Chief Examiner
27 February - 01 March 2012	IOPS Technical Committee Meeting & Seminar on “UK Occupational Pension Reforms and Developments”	United Kingdom	Mr Ajmal Burthun	Legal Officer
			Ms Trisha Dulloo	Chief Examiner
14 - 16 March 2012	SADC & CISNA Task Team on the “Study on the Harmonisation of the Insurance and Pensions Funds Industries in the SADC Region”	Botswana	Ms Ashveena Gajeelee	Executive
14 - 20 April 2012	ESAAMLG Meetings	Tanzania	Ms Komala Narrainen	Chief Examiner
17 - 20 April 2012	CISNA Meetings	Angola	Ms Ashveena Gajeelee	Executive
			Mr Raj Oree	Head - Surveillance Insurance & Pensions
			Mr Warren Vardin	Head - Surveillance Capital Markets
14 - 18 May 2012	Technical Committee on Harmonisation Initiatives	Zambia	Mr Raj Oree	Head - Surveillance Insurance & Pensions
10 - 12 July 2012	Meeting of the Committee on Trade in Services	Kenya	Ms Leena Doman-Brette	Chief Examiner
23 - 31 August 2012	ESAAMLG - Task Force of Senior Officials Meeting	Mozambique	Ms Komala Narrainen	Chief Examiner
29 - 31 August 2012	Technical Committee & Validation Workshop	South Africa	Mr Raj Oree	Head - Surveillance Insurance & Pensions
2 - 7 September 2012	MoU with Cyprus Signature Ceremony	Cyprus	Mr Ashveer Seeboruth	Chief Legal Officer

Regional and National Meetings in Mauritius

Date	Theme	Country	No of Partici-pants
16 - 18 July 2012	National Consultations on Mauritius - Preparation for SADC Services Negotiations	Mauritius	1
02 - 05 October 2012	Committee of Insurance, Securities and Non -Banking Financial Authorities (CISNA) Meetings	Mauritius	9

Appendix 7:
Capacity Building

The FSC invests in activities which strengthen the knowledge, abilities, skills and behaviour of individuals and improve institutional structures and processes such that the organisation can efficiently meet its mission and goals in a sustainable way.

To achieve its regulatory objectives and goals as defined in the Strategic and Business Plans, the FSC focused on capacity building during 2012. To ensure effective capacity building, the FSC engaged the staff in discussions as regards capacity development. Capacity needs and assets in terms of resources were assessed. Gaps were identified in consultation and means to bridge the gaps are worked out.

The capacity development response was driven by the Office of the Chief Executive supported by the Human Resources cluster. It considered aspects such as quality of resources and human resources.

In terms of quality of processes, the FSC has started working on the Quality Management System for the FSC. For human resources, the team of the FSC was reinforced with the recruitment of new staff with diverse skills and experience in the local and international market as well as investment on staff in terms of training and skills development.

A panoply of trainings including conferences, seminars, talks to name some, were attended by the staff of the FSC on diverse topic.

Overseas Trainings, Conferences, Seminars and Workshops

Date	Theme	Country	Officer	Position
30 January - 3 February 2012	Country Training Programme in Insurance & Supervision	Malta	Mr Raj Oree	Head - Surveillance Insurance & Pensions
6 - 10 February 2012	Asia Pacific Economic Coorporation Financial Regulators Training Initiative - Regional Seminar on Investigation & Enforcement	India	Mr Vishwadeo Seebaluck	Head - Surveillance Investment Funds & Intermediaries
			Mr Ashveer Seeboruth	Chief Legal Officer
13 - 14 February 2012	Conference on Best Practices for Corporate Counsel	Singapore	Ms Kemalini Hurdowar	Legal Counsel
21 - 22 February 2012	Annual Islamic Finance Summit	United Kingdom	Ms Charlene Louis	Head - Licensing
			Mr Jamsheed Khadaroo	Assistant Executive
16 - 26 April 2012	Securities Exchange Commission's Annual International Institute for Securities Market Development	United States of America	Mr Jasraj Hurdowar	Chief Examiner
25 - 26 April 2012	Human Resource Development Conference	United Kingdom	Ms Namita Jagarnath-Hardowar	Head - Human Resources
10 - 17 May 2012	Annual IOSCO Conference	China	Mr Ashveer Seeboruth	Chief Legal Officer
20 - 25 May 2012	Toronto Regional Seminar on "Crisis Preparedness for English Speaking African Insurance Supervisors"	South Africa	Mr Fakhrudin Subratty	Chief Examiner
			Ms Sarojini Veeramah-Sumputh	Senior Examiner
17 - 22 June 2012	Regional Leadership Programme for Securities Regulators	Singapore	Mr Vishwadeo Seebaluck	Head - Surveillance Investment Funds & Intermediaries
			Mr Warren Vardin	Head - Surveillance Capital Makets
11 - 13 July 2012	Training Programme on "Pension Fund Management & Investment Strategies"	Malaysia	Mr Bhavish Angad	Examiner
12 - 13 July 2012	Workshop on "Advanced Business Continuity Management"	Singapore	Mr Prakash Seewoosunkur	Head - Information Technology
15- 20 July 2012	International Insurance Supervision Seminar on "Core Supervisory Issues"	Switzerland	Mr Mahesh Beefeya	Senior Examiner
27 - 29 July 2012	Training in "Microinsurance Business Strategies for African Markets"	South Africa	Ms Shameema Jeehoo	Chief Examiner
2 - 9 September 2012	International Symposium in Economic Crime	United Kingdom	Mr Vikash Doongoor	Head - Surveillance Global Business

Date	Theme	Country	Officer	Position
6 - 7 September 2012	Training in "Advanced Fraud Prevention and Forensic Investigation"	India	Mr Shyam Hemraz	Chief Examiner
			Mr Bhushan Jomadar	Senior Examiner
			Ms Priya Bootna	Senior Examiner
			Ms Rajni Padaruth	Examiner
10 - 14 September 2012	Training in "International Program on Securities Market Operations"	India	Ms Jawaira Subratty	Examiner
			Ms Medha Soobhug	Examiner
18 - 19 September 2012	Workshop on "SADC Finance and Investment Protocol Stakeholders"	Botswana	Ms Vyasha Ramasawmy	Chief Examiner
19 - 21 September 2012	Conference on "Global Learning Academy 2012"	South Africa	Ms Priyam Digumbar	Assistant Administrative Officer
1 - 2 October 2012	Training in "Raising the Levels of Risk Awareness: A regulator's response to current and emerging risks"	France	Ms Jayshree Guness	Head - Administration & Enterprise Risk
			Ms Gaitree Mattapullut	Chief Examiner
15 - 16 October 2012	Workshop on "Fraud Management and Investigations"	Singapore	Mr Saoud Boolaky	Senior Examiner
			Mr Vikash Toynoo	Senior Examiner
22 - 23 October 2012	Workshop on "Market Conduct for Insurance Regulators"	Indonesia	Ms Bharatee Bholah-Bissonauth	Assistant Executive
23 - 26 October 2012	Training in "Corporate Governance Issues related to Securities Firms and Sanctions for Market Abuse"	Spain	Ms Vyasha Ramasawmy	Chief Examiner
			Ms Pristy Tharanee	Senior Examiner
28 - 29 October 2012	Annual European Financial Crime Conference	United Kingdom	Ms Avina Ramdoo	Chief Examiner
			Mr Vikash Vinktaremdoo	Senior Examiner
			Ms Navashina Meah-Mewa	Examiner
4 - 7 November 2012	Regional Seminar for Supervisors in Africa on "Risk Based Solvency Frameworks"	South Africa	Ms Bharatee Bholah-Bissonauth	Assistant Executive
			Mr Fakhrudin Subratty	Chief Examiner
			Ms Carine Arlanda	Examiner
5 - 6 November 2012	Workshop on "Value Added Business – The Right Way to manage Risk"	Malaysia	Mr Rajhans Pusram	Head - Finance
6 - 7 November 2012	Biennial Conference on "Risk Management & Supervision"	Switzerland	Ms Teenoosha Boyjoo	Senior Examiner
12 - 16 November 2012	Toronto Centre "Microinsurance Supervisor Training Program"	South Africa	Ms Charlene Louis	Head - Licensing
			Mr Avinash Nemchand	Examiner
20 - 23 November 2012	Training Programme on "Microinsurance Market Realities and Regulatory Implications"	South Africa	Mr Clifford Appasamy	Chief Examiner
28 November 2012	Conference on "Business After Conflict"	Kenya	Mr Neil Mohindra	Head - Policy

Date	Theme	Country	Officer	Position
28 - 30 November 2012	Seminar on "Trading Book Issues and Market Infrastructure"	Switzerland	Mr Jasraj Hurdowar	Chief Examiner
			Ms Rinasha Appavoo	Examiner
6 - 8 December 2012	International Taxation Conference	India	Ms Leena Doman-Brette	Chief Examiner
10 - 12 December 2012	Training in "Investor Protection: Investor Education, Corporate Governance and Sanctions for Market Abuse"	Dubai	Ms Rubyna Ramah	Senior Examiner
			Ms Melanie Muthoora	Examiner
			Ms Monisha Rajaram	Examiner
			Mr Ajmal Burthun	Legal Officer
13 - 14 December 2012	Training on "Fraud for Internal Audit"	Malaysia	Mr Nobin Robee	Chief Examiner

Local Trainings, Conferences, Seminars, Workshops and Talks

Date	Theme	No of Participants
25 - 26 January 2012	Seminar on "Total Quality Management (TQM) for Continual Improvement to Improve productivity"	2
30 January 2012	BOI Mauritius International Knowledge Investment Forum 2012	1
14 February 2012	Talk on the "Introduction of Limited Partnership in Mauritius"	2
14 February 2012	Presentation on "KPMG Forensic - Assessing and managing issues associated with fraud, corruption and litigation in cross border business growth and regulatory transformation"	1
24 February 2012	Talk on "Business Ethics for Finance Professionals"	1
29 February 2012	Seminar on "Corruption & Money-Laundering"	1
7 March 2012	Workshop on the "Implementation of Insolvency Act 2009"	1
8 March 2012	Workshop on "The role of the CEO, Chairman & Company Secretary"	1
9 March 2012	Seminar on "Business Opportunities"	1
16 March 2012	Symposium on 'The Crisis of the European Monetary Union: Challenge for the World Economy"	2
21 / 22 March 2012	Seminar on "The Media"	1
21 March 2012	MEXA Corporate Sustainability Forum 2012	2
12 April 2012	Talk on "Internationalising the SEM, creating substance ans capitalising on Africa's potential"	1
17-18 May 2012	Workshop on "The Best Practices in Leading and Managing Exceptional State Owned Enterprises/ Parastatals & Government Agencies Board"	1
17 May 2012	Talk on "Journey to Microsoft Public Cloud"	2
17 May 2012	Talk on "Business Process Automation"	2
18 May 2012	Talk on "Unified Communications/ iPad for Business/Latest Trends"	1
31 May 2012	Workshop on "Mobile Hacking and Application Security"	3
4 - 6 June 2012	Workshop on "Facilitating the implementation of Islamic Financial Services Board (IFSB) Standards"	16
8 June 2012	Workshop on "Trade Mainstreaming in Africa – Implementation Guidelines for Mauritius"	1

Date	Theme	No of Participants
22 June 2012	Workshop on "Driving Sustainable Business - Profits, People & Planet"	2
28 June 2012	Seminar on "Combating Money Laundering"	4
28 June 2012	Workshop on "Labour Shortage Survey in Financial Intermediaries Sector in Mauritius"	1
11 July 2012	Workshop on "Pace Bill"	1
31 July 2012	Training on "Image Management, Corporate Grooming & Etiquette"	44
8 August 2012	Talk on "Implications of the new Private Pension Scheme Legislation"	2
19 September 2012	Conference on "The Role of Islamic Finance in the Development of Africa"	2
25 October 2012	Conference on "Leadership Brand Strategy"	4
22 August 2012	Conference on "The Creative Masters Tour 2012"	5
5 - 7 September 2012	Talk on "Mauritius Business Excellence Award"	1
14 September 2012	Training in "AdobeIndesign Advanced"	4
27 - 28 September 2012	Private Equity Mauritius 2012 Conference - "Your Gateway for African Opportunities"	5
6 September 2012	Workshop on "Opportunities in the COMESA Market"	1
5 - 6 September 2012	Workshop on "Mauritius - A Regional Financial Services Hub"	2
17 - 18 September 2012	Seminar on "Facilities Management"	1
18 September 2012	Workshop on "Trade in Services"	2
10 October 2012	4th Annual International HR Conference	2
18 - 20 October 2012	Seminar on "Responsabilite Civile et Assurance"	3
23 - 25 October 2012	Talk on "De Quelle Crise sortons-nous? Vers quel monde allons nous?"	3
23 - 24 October 2012	Training in "Best Practices Public Relations & Corporate Communications"	2
24 - 25 September 2012	Continuing Professional Development Programme - Tenets of Statutory Interpretation	2
26 October 2012	Workshop on "Role of Global Board of Trade"	12
19 - 20 November 2012	Workshop on the "Global Financial Crisis and its impact on the Mauritian Economy"	1
6, 19 & 23 October 2012	Workshop on the "An ethical approach to selling financial products and to managing clients in a volatile environment"	5
1 November 2012	Workshop on "OECD Policy Framework for Investment"	2
15 November 2012	Talk on "International Governance Trends and Corporate Reporting in a changed world"	2
19-20 November 2012	Workshop on "Competitiveness in Mauritius"	4
23 November 2012	Training on "Mauritius Unlimited: Create, Share and Enjoy"	3
27 November 2012	Workshop on "Cutting edge competition law issues"	2
28 November 2012	2nd Biennial Mauritius International Arbitration Conference	4

Date	Theme	No of Participants
29 November 2012	Training in "Developing security policies & procedures"	2
6 December 2012	Training in "Securing Networks"	3
10 - 11 December 2012	Workshop on "Data Loss Prevention Software, Cloud Computing, Social Networking and Forensic Investigation Tools"	2
10 - 11 December 2012	Talk on "Profiteering in the Global Forex Market"	3

In-House Training

Date	Theme	No of Participants
19 January 2012	Presentation on "Crisis Management - A Singaporean Experience"	24
24 January 2012	Webinar on "The Vodafone Decision - Insights, Perspectives and Impact on Cross-Border"	159
25 January 2012	Presentation on the "Global Business Guide"	52
31 January 2012	Workshop on "Professionalism"	157
2 February 2012	Focus Group interaction on "Organisation of securities / Investment Custodian Business in Practive"	32
10 February 2012	Presentation on "Total Quality Management"	16
13 - 17 February 2012	Leadership Development Program: "FSC and me"	31
14 March 2012	Focus Group Interaction on "Financial Audit of Investment Funds"	38
21 March 2012	Webinar on "Investment and Mergers & Acquisitions in Canada"	80
26 - 31 March 2012	Leadership Development Program: "Leading at the FSC"	32
5 April 2012	Presentation on "Insurance Regulatory and Supervisory Procedures"	26
10 - 13 April 2012	Leadership Development Program: Working with my team	32
17 - 18 April 2012	Focus Group Interaction on "Funds Management in Practice"	42
9 May 2012	Training on the "Guide to Global Business"	70
24 April 2012	Speaker Series on "Regional Treasury Centre"	90
24 April 2012	Training on the "New FSC AML/CFT Code"	77
30 April 2012	Awareness Session on "HIV/AIDS"	146
9 - 11 May 2012	Leadership Development Program: Organisational Relevance	17
17 - 18 May 2012	Audio Call on "Alternate Investment Funds Regime"	21
21 - 22 May 2012	Induction Training	11
28 - 31 May 2012	Focus Group Interaction on "Listing of Global Funds in Mauritius"	35
29 May 2012	Webinar on "New Alternative Investment Fund Regulations"	28
1 June 2012	Talk on "Algorithmic Trading and Financial Markets: Trends and Implications"	19
7 June 2012	Webinar "Clarifying the ESMA/EU guidance – The regulation of exchange-traded funds from an industry perspective"	128
8 June 2012	Webinar on "Anti-Avoidance - recent developments"	77
11 June 2012	Presentation on "Overview of the Insurance Sector in Tanzania"	20
12 June 2012	Webinar on "Prospects of Investment Protection in India"	141
19 June 2012	Speaker Series on "Africa Re"	91
20 June 2012	Presentation on "Surveillance Mechanism on Indian Exchanges"	25

Date	Theme	No of Participants
20 June 2012	Leadership Development Program: Working with FSC Customers & Stakeholders	16
22 June 2012	Presentation on the "Foundations Act"	71
27 June 2012	Presentation on the "Private Pension Scheme Bill"	92
28 - 29 June 2012	Presentation on "Risk Based Supervision"	40
5 July 2012	Workshop on "The Governance of Risk"	59
12 July 2012	Workshop on "Customer Service & Phone skills"	20
13 July 2012	Focus Group Interaction on "Administration and Management of Trust Structures in Practice"	34
20 July 2012	Workshop for lawyers	20
24, 26, 31 July 2012	Presentation on "Regulatory Capture Challenges"	35
7, 23, 28 August 2012	Presentation on "Strenghening Market Integrity in a Changing Capital Market"	41
3 August 2012	Induction Training	25
25 July 2012	Presentation on "Derivatives Trading & Hedging"	23
26 July 2012	Leadership Development Program: Refresher	17
2 August 2012	Presentation on "Limited Partnerships"	26
3 August 2012	Webinar on "Do investors have to give up income for safety in bond markets?"	27
3 August 2012	Webinar on "The Indian GAAR Committee's recommendations Implications for cross-border M&A, FIIs and Funds investing into India"	122
7 August 2012	Workshop on Competency Framework	12
22 August,26 September & 31 October 2012	Induction Training	11
28 August 2012	Workshop on "Main Economic Indicators"	155
6 September 2012	Training in "Advanced Excel"	11
6 September 2012	Speakers' Series on "Fraud & Investigations"	154
17, 26, 27 September, 1,11&19 October 2012	Induction Training	6
18 - 19 September 2012	Presentation on "Mauritian Experience on Forensic Investigation"	27
28 September 2012	Induction Training	19
30 October / 6 November 2012	Presentation on "Securities Market Operations"	19
9 November 2012	Workshop on "Fraud & Investigations"	57
12 - 14 November 2012	Workshop on "International Arbitration"	13

Appendix 8:
Complaints Handling

As the regulator of non-bank financial services, the FSC is the authority where complaints regarding this sector may be addressed. The FSA mandates the FSC to receive complaints from consumers aggrieved by an act or omission of a licensee of the FSC. Complaints are a way of reporting acts or omission of licensee and at the same time a way to flag issues in the market.

The FSC has a clear and well defined procedure for lodging complaints. All complaints received are examined before any action is taken. Complaints are received by the Communications unit who channels them to the relevant cluster for action. Following complaints, the FSC takes the appropriate action for redress which is in line with the role of FSC to protect the consumers and the strategy to promote good conduct. It is also in line with the FSC's prudential approach to regulation.

A marked increase was noted in the number of complaints and queries registered at the FSC following the Consumer Education Roadshow launched in November 2012. However, the majority of the complaints received are for the Insurance sector.

Complaints for the Insurance Sector

During the year 2012, the FSC received 178 complaints. Out of the 178 complaints, 57 did not require any action from the FSC as they were outside the remit of the relevant acts. As per procedures laid down in the guidelines issued by the FSC on complaints handling 31 complaints were referred to the complaints coordinator of the respective insurers, 5 were referred to the provisional liquidator / liquidators of insurance companies in provisional liquidation, 10 were referred to the Motor Vehicle insurance Arbitration Committee for the settlement of disputes under the of the Road Traffic Act and 71 were resolved. The FSC is still processing 4 complaints for the period under review.

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List of Acronyms and Abbreviations

AIFMD	-	Alternative Investment Fund Managers Directive
AMERC	-	Africa Middle-East Regional Committee
AML/CFT	-	Anti-Money Laundering and Combating of Financial Terrorism
BoM	-	Bank of Mauritius
BoP	-	Balance of Payments
CDIS	-	Coordinated Direct Investment Survey
CDS	-	Central Depository & Settlement Co. Ltd
CEF	-	Closed-End Funds
CIS	-	Collective Investment Schemes
CISNA	-	Committee for Insurance, Securities and Non-Bank Financial Authorities
ESAAMLG	-	Eastern and Southern Africa Anti-Money laundering Group
FDI	-	Foreign Direct Investment
FSA	-	Financial Services Act
FSAP	-	Financial Sector Assessment Program
FSB	-	Financial Stability Board
FSC	-	Financial Services Commission
GAAR	-	General Anti-Avoidance Rule
GBC 1's	-	Category 1 Global Business Company
GBC 2's	-	Category 2 Global Business Company
GBOT	-	Global Board of Trade Ltd
GDP	-	Gross Domestic Product
IA	-	Insurance Act
IAIS	-	International Association of Insurance Supervisors
ICPs	-	Insurance Core Principles
IFRS	-	International Financial Reporting Standards

IFC	-	International Financial Centre
IMF	-	International Monetary Fund
IOPS	-	International Organization of Pension Supervisors
IOSCO	-	International Organization of Securities Commissions
KYC	-	Know Your Customer
MCs	-	Management Companies
MiFID	-	Markets in Financial Instruments Directive
MMoU	-	Multilateral Memorandum of Understanding
MoU	-	Memorandum of Understanding
PPSA	-	Private Pension Schemes Act
OECD	-	Organisation for Economic Co-operation and Development
RBS	-	Risk Based Supervision
RCG	-	Regional Consultative Group
SA	-	Securities Act
SADC	-	Southern African Development Community
SDDS	-	Special Data Dissemination Standards
SEM	-	Stock Exchange of Mauritius Ltd.
SROs	-	Self-Regulatory Organisations
TRC	-	Tax Residence Certificate
UNSC	-	United Nations Security Council

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