Who We Are & What We Do

Financial Services Commission
Mauritius

April 2013
1. Regulation of Mauritius Financial Services Sector
2. Non-Bank financial regulation prior to 2001
3. About Financial Services Commission
4. Existing Legislation relevant to FSC
5. Sector-wise overview
6. Opportunities and Challenges for the Mauritius IFC
Regulation of Mauritius Financial Services Sector

Financial Services Commission (FSC)

- Insurance
- Pensions
- Capital Markets
- Other NBFIs
- Global Business (GB)

Bank of Mauritius (BOM)

- Banking Services
Non-bank Financial Regulation Prior To 2001


Insurance Division of the Ministry of Finance

Mauritius Offshore Business Activities Authority (1992-2001)

Since 1 December 2001
About Financial Services Commission

Who we are
Set up in 2001 as an integrated regulator for financial services other than banking and global business

What we do
• Protect
  - the integrity and stability of the non-bank financial services sector
  - the interest of investors and consumers
• Regulatory activities to ensure integrity and financial soundness of licensees
• Sustain development of the financial services sector
  (Objectives – Section 6 FSA)

Vision
“
To be an internationally recognised Financial Supervisor
committed to the sustained development of Mauritius as a
sound and competitive Financial Services Centre”
Legal & Regulatory Framework

- Compliance with International norms and standards
  - IOSCO principles
  - IAIS principles
  - IOPS principles
  - OECD Principles
  - FATF recommendations (AML-CFT)
- Peer reviews (ROSC)
- FSAP assessments

Mixed legal system: civil and common law

Right of appeal to Judicial Committee of the Privy Council

Confidentiality (with transparency) for Global Business

Legislation

- Financial Services Act
- Insurance Act
- Securities Act
- Private Pension Schemes Act
- Companies Act
- Trusts Act
- Protected Cell Companies Act
- Limited Partnership Act
- Foundations Act
- FIAML A
- Financial Reporting Act

✔ A flexible legal and regulatory framework for the financial services industry
✔ The right balance between regulation and business development
FSC: An internationally recognised Financial Supervisor

The FSC is a member of:

International

• International Organisation for Securities Commissions (IOSCO)
• International Association of Insurance Supervisors (IAIS)
• International Organisation of Pension Supervisors (IOPS)

Regional

• SADC - Committee for Securities and Non-Bank Financial Authorities (CISNA)
• Africa Middle East Regional Committee (AMERC)
• Financial Services Board-Regional Consultative Committee (FSB-RCG) for Sub-Saharan Africa
Financial Services Commission

Organisation Chart

BOARD

Financial Services Review Panel
- Enforcement Committee
- Audit & Risk Committee
- Internal Auditor

Chief Executive
- Corporate Governance Committee
- Investment Committee
- Staff Committee
- Legal
- Enforcement
- Executive Office
  - CEO’s Office
  - Communications
  - Maintenance and Security

Licensing & Policy
- Licensing
- International Cooperation & External Relations
- Financial Stability, Research & Economics
- Market & Technical Development

Surveillance
- Capital Markets
- Investment Funds & Intermediaries
- Global Business
- Insurance & Pensions

Corporate Services
- Human Resources
- Administration & Enterprise Risk
- Finance
- Information Technology
Existing Legislation

RELEVANT ACTS – Acts administered by the FSC

- The Financial Services Act 2007 (28 September 2007)
- The Securities Act 2005 (28 September 2007)
- The Insurance Act 2005 (28 September 2007)
- The Trusts Act 2001 (01 December 2001)
- The Private Pension Schemes Act (1 November 2012)
- The Protected Cell Companies Act 1999 (01 January 2000)
- The Securities (Central Depository, Clearing and Settlement) Act 1996 (27 January 1997)

OTHER ACTS

- Limited Partnership Act 2011 (11 November 2011)
- Foundations Act 2012 (15 June 2012)
Sector wise Overview
Legal Entities

- **Private and Public Companies**
  (Companies limited by shares, guarantee or both)
- **Limited Partnerships**
- **Trusts**
- **Foundations**
- **Protected Cell Companies (PCCs)**
What sectors fall under the purview of the FSC?
Under the Insurance Act, the FSC grants 8 types of licences:

1. Long term Insurance
2. General Insurance Business
3. External Insurer
4. Professional Reinsurer
5. Insurance Salespersons
6. Insurance Agent (Company)
7. Insurance Brokers
8. Insurance Agent (Individual)

- 14 Long Term Insurance Cos.
- 12 General Insurance Cos.
- 4 External Insurers
- 7 Professional Reinsurers

Represent insurance service providers or intermediaries (over 2000)
- Brokers = 41 (26 Local & 15 holding GBL)
- Agents = 227
- Salespersons = 2074
Pension Schemes

1. Local (licensed)
   - Occupational/ Non-occupational
   - Established & regulated in Mauritius

2. External (licensed)
   - Occupational/ Non-occupational
   - GBC1; Established & regulated in Mauritius

3. Foreign (authorised)
   - Occupational/ Non-occupational
   - Established & regulated in a foreign jurisdiction

Approx. 1,500 private pension schemes
50% are self-managed
70% defined benefit (DB) schemes
30% defined contribution (DC)
6 licensed pension intermediaries
Securities (Capital Markets - Funds)

Securities Exchanges
(i) SEM (Stock Exchange of Mauritius Ltd) - Operating 2 markets: Official Market & DEM
(ii) GBOT (Global Board of Trade) - Multi-class Asset Exchange – Operating 3 derivatives segments: currency & commodity, equity

Clearing & Depository Facilities
(i) CDS – (Central Depository System) - a subsidiary of SEM for clearing & settlement of trade
(ii) GBOT also has a licence under s10 of the Securities Act 2005

Intermediaries
(i) Investment Dealers & representatives
(ii) Investment Advisors & representatives

CIS & Functionaries
Part VIII of the Securities Act 2005
• CIS/ CEFs - s97
• CIS Managers – s98
• CIS Administrators – s99
• Custodians – s100

Reporting Issuers
(i) Under s86 of the Securities Act 2005
Other NBFIs
(non-banking financial institutions)

15 different types of licenses are catered for under section 14 of the FSA

- Assets management
- Distribution of financial products
- Pension fund administration
- Pension scheme management
- Registrar and transfer agents
- Treasury management
- Custodian (Non-CIS)
- Credit finance
- Factoring
- Leasing

- Actuarial services
- Payment intermediary services
- Credit rating agencies/rating agencies
- Representative office
- Other financial business activity

However, this list is not exhaustive and the FSC Rules may provide for other financial business activities
Global Business

Evolution

- Mauritius Offshore Business Activities Act 1992
- Financial Services Development Act 2001
- Financial Services Act 2007

GBC
IC
OC
## Salient Features GBC2

<table>
<thead>
<tr>
<th>Directors</th>
<th>Corporate Directors allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealings with residents</td>
<td>Not allowed</td>
</tr>
<tr>
<td>Activities</td>
<td><strong>A GBC2 can conduct any activity except</strong></td>
</tr>
<tr>
<td></td>
<td>- Financial services including banking, holding or managing a CIS</td>
</tr>
<tr>
<td></td>
<td>- Corporate services</td>
</tr>
<tr>
<td></td>
<td>- Trusteeship services by way of business</td>
</tr>
<tr>
<td></td>
<td>4&lt;sup&gt;th&lt;/sup&gt; Schedule - FSA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Licensing conditions</th>
<th>Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>To file financial summary within 6 months of financial year end</td>
</tr>
<tr>
<td>Tax Residency</td>
<td>Not taxable entity in Mauritius and consequently not entitled to Tax Residence Certificate</td>
</tr>
<tr>
<td>Beneficial Interest</td>
<td>Mauritian resident may not hold beneficial interest</td>
</tr>
<tr>
<td>Holding Property in Mauritius</td>
<td>May not hold property in Mauritius</td>
</tr>
</tbody>
</table>
Category 1 Global Business Licence

- ‘Resident Corporation’ [company, société, trust, partnership … S71(7) FSA]
- Business Outside Mauritius [Business should not be unlawful or cause prejudice of the good repute of Mauritius – S72(4) FSA]
- Management And Control [2 resident directors, bank accounts in Mauritius… S71(4) FSA]

Category 1 Global Business Licence
## Salient Features GBC1

<table>
<thead>
<tr>
<th>Directors</th>
<th>Corporate Directors <strong>not</strong> allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealings with residents</td>
<td>Dealings with residents are permissible – subject to S71(6) FSA</td>
</tr>
<tr>
<td><strong>Activities</strong></td>
<td>Proposed activities should not be: (a) unlawful or contrary to public interest; or (b) causing prejudice to the good repute of Mauritius as a centre for financial services</td>
</tr>
<tr>
<td></td>
<td>Regulated activities under the relevant Acts (Financial Services Act, Securities Act, Insurance Act, Private Pension Scheme Act)</td>
</tr>
<tr>
<td><strong>Licensing conditions</strong></td>
<td>Licensing conditions depend on activity</td>
</tr>
</tbody>
</table>
## Salient Features GBC1

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Submission of audited (ISAs) financial statements (per IFRS) required within 3/6 months of financial year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Residency</td>
<td>Taxable entity in Mauritius and may as such qualify for Tax Residence Certificate issued pursuant to DTAAs to which Mauritius is a party</td>
</tr>
<tr>
<td>Beneficial Interest</td>
<td>Mauritian resident may hold beneficial interest</td>
</tr>
<tr>
<td>Holding Property in Mauritius</td>
<td>May hold immovable property in Mauritius if appropriate approval has been obtained from the Prime Minister’s Office pursuant to the Non-Citizens (Property Restrictions) Act</td>
</tr>
</tbody>
</table>

Regulated Entity + Unregulated Activities OR Regulated Activities
GBC1 – Regulated Activities

Financial Services Act
- Assets Management
- Credit Finance
- Custodian services (non-CIS)
- Distribution of financial products
- Factoring
- Payment Intermediary Services
- Credit Rating Agency
- Leasing
- Pension Scheme Administrator
- Registrar and Transfer Agent

Securities Act
- CIS/ CEF
- CIS Manager
- Investment Adviser (Un/Restricted)
- Investment Dealers
- CIS Administrator
- Custodian

Insurance Act
- Insurance (LT/General)
- External Insurer
- Professional Insurers
- Insurance Managers
- Insurance Brokers
- Insurance Agents

Private Pension Schemes Act
- Private Pension Scheme
- External Pension Scheme
- Foreign Pension Scheme

Category 1 Global Business Licence
Management Companies (MC) – Service Providers

AML-CFT

Management Licence
[S77(1)(a)]

Corporate Trustees
[S77(1)(b)]

Company Secretary to GBC1
Registered Agents to GBC2
[S76]

Interface between FSC & Applicants for GBL
Supervisory Framework

- Regulatory requirements
  - Financial
  - Governance
  - Market conduct

- Licensing pre-conditions

- Supervision
  - Risk-Based Supervision
  - Off-site analysis
  - On-site inspection
  - Ad-hoc and on-going monitoring tools
Compliance Perspective

Licensing

Surveillance & Monitoring

Investigation Process

Enforcement Process

International norms and standards

Prevention Model
Enforcement Actions

• **Enforcement Policy**
  – Effectiveness & Efficiency
  – Fairness
  – Transparency, Proportionality & Consistency

• **Criteria for Enforcement Sanctions**
  – Refer the matter to the Enforcement Committee
  – Issue appropriate directions

• **Types of Sanctions**
  – Private Warnings
  – Public Censure
  – Disqualification of Licensees
  – Disqualification of Officers of Licensees
  – Administrative Penalties
  – Refer the case to the Police or DPP
  – Revocation of Licence
Enforcement Actions - Challenges

• Courts
  • Give Financial Crimes its own merits
  • Co-ordination with the judiciary
    • Proper communication
    • Allocation of resources
    • No conflicting parallel proceedings
• Lack of powers pertaining to civil & monetary penalties
  • Possibility to impose dissuasive sanctions
• Use of both non-criminal & criminal sanctions
• Fairness & Rule of Natural Justice
  • Timeliness of actions
• Enforcing the Powers of the Commission
  • Sanctions for non-compliance with the Commission’s orders or for providing false statements
• Information Gathering/Access to Records
Opportunities and Challenges for Mauritius IFC
Mauritius International Financial Centre

Competitive Edge

- Expertise in Global Business - Pool of Qualified Professionals
- Sound Regulatory Framework and Diversified products
- Ethics and Corporate Governance
- Competitive Operation Cost & Business Friendly Environment
- Communication Network & High Internet Connectivity
Tax Regime in Mauritius

Uniform rate for Individuals and Corporates – 15%
VAT – 15%

Special Regime applicable to Global Business Companies
- Tax credit for actual foreign tax paid
- Deemed Foreign Tax credit of 80%
  = Effective rate: 3%

- Free Repatriation of investments
- No tax on Capital gains and Dividends
- No Estate Duty
- No Foreign Exchange Control
Treaty Network:
38 DTAAs in force (5 Treaties awaiting Ratification*)

As at 23 April 2013
Investment Promotion and Protection Agreements

38 IPPAs signed (23 in force)

**Africa**
- Burundi
- Madagascar
- Mozambique
- Senegal
- South Africa
- Tanzania
- Benin*
- Botswana*
- Cameroon*

**Europe**
- Belgium/Luxemburg
- Czech Republic
- Finland
- France
- Germany
- Portugal
- Romania
- Sweden
- Switzerland
- UK & Northern Ireland

**Asia**
- China
- India
- Indonesia
- Pakistan
- Republic of Korea
- Singapore
- Turkey*
- Nepal*

**Caribbean region**
- Barbados

As at 23 April 2013
Arbitration & Mauritius

• Increased Protection for Investment and possibility of Arbitration for Settlement of Disputes

• Enforcement of awards - New York Convention

• Low Cost Arbitration

• PCA - Permanent Court of Arbitration
  the Hague and UNCITRAL Model

• LCIA - London Court of International Arbitration
  – joint venture with Mauritius

• Global Business automatic right to arbitration ?
Mauritius – An African Jurisdiction

How to convert that ‘notion’ into practical reality?

Common Market for Eastern and Southern Africa (COMESA) promote regional economic integration through trade and investment.
- 19 member states
- Population of over 389 million
- Total GDP of US$ 472 billion
- Annual import bill of around US$ 32 billion with an export bill of US$ 82 billion

COMESA - a major market place for both internal and external trading

Source: COMESA

SADC FTA - Regional market worth US$ 360 billion
- Includes economies growing by up to 7% a year.
- Population of over 170 million
- Producers/consumers: No import tariffs on an estimated 85% of all trade in Community goods in 12 countries
- SADC regional integration programmes:
  - Common Market – 2015
  - Monetary Union – 2016
  - Launch of a regional currency by 2018

Source: COMESA
Vision

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

Disclaimer:

- FSC draws your attention to the fact that this presentation provides an overview of the Financial Services Sector. The contents therein shall not be construed as a full reflection of the sector and does not purport to provide advice.
References

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- IAIS - http://iaisweb.org/
- IOPS - http://www.oecd.org/site/iops/
- FSI - http://www.bis.org/fsi/aboutfsi.htm
- BASEL - http://www.bis.org/publ/bcbsca.htm