

Welcoming Remarks by

Mr. Dhanesswurnath Thakoor – Chief Executive, FSC

Date: Wednesday, 03 May 2023

Venue: Mapou Auditorium, FSC House

Mrs. Sheila Ujoodha, Chief Executive of the Mauritius Institute of Directors

Mr. Shankhnad Ghurburrun, Director at Geroudis Ltd and the Facilitator for today's workshop

Directors of competent authorities

Experts from the Private Sector

Fellow members of the media

Ladies and Gentlemen

All Protocol observed

A very Good morning to you all.

It is my pleasure to deliver the keynote address at this workshop on “*AML/CFT for Directors – dealing with grey and black listed countries*” organized by the Mauritius Institute of Directors , in collaboration with the Financial Services Commission.

This workshop comes at a very opportune moment and I would like to commend the MIOD for this initiative, and underscore that we at the FSC are very supportive of such capacity building initiatives.

Ladies and Gentlemen,

Mauritius has come a long way from the last Mutual Evaluation Report of 2018 and the exit from the FAFT Grey List in October 2021. At the very outset, let me reiterate that the work has not stopped after the delisting of Mauritius. In fact, we are doubling our efforts to sustain the AML/CFT reforms. The FSC's commitment to continue the fight against financial crimes is clear and robust. The FSC, together with the Core Group on AML/CFT and the National on AML/CFT Committee, is working tirelessly to enhance its fight financial crime.

You will recall that at the time of the adoption of the Mutual Evaluation Report in 2018, Mauritius was rated compliant or largely compliant with only 14 of the 40 FATF recommendations. Mauritius is now Compliant or Largely Compliant on all the FATF Recommendations. Of course, this achievement would not have been possible without the collaboration of the private sector which remains a strategic partner. But technical compliance is not enough.

Ladies and Gentlemen,

As you may be aware, the FATF has broadened its focus from primarily compliance to the effectiveness of these recommendations when assessing a country. As of February 2023,

the FATF reviewed 125 countries and jurisdictions and publicly identified 98. Out of the 98 countries, 72 have made the necessary reforms to address the strategic deficiencies in its AML/CFT regime and were removed from the International Corporation Review Group (ICRG) process. We have 22 countries currently on the FATF Grey List which is a significant number. The assessment of effectiveness will continue to be of critical importance for the third round of mutual evaluation process resulting in the FATF Immediate Outcomes will be assessed with more intensity based on the risk and context of a country. The growing number of African countries featuring on the FATF Grey List is also of concern and reminds us of the need for ongoing efforts from both side to stay far away from that Grey List.

This is of critical importance. Although the FATF does not call for countries to apply enhanced due diligence to transactions and businesses linked to Grey Listed Countries, a listing usually triggers these risk mitigation measures and this can have economic implications.

Ladies and Gentlemen,

At the workshop on ‘AML/CFT Preventive Measures’ organized by the FSC in March of this year, I stressed on the need to do all that is required for us to stay far away from that cursed list. I elaborated on the key measures that are underway.

At the level of the FSC, sustainability of our processes can be summarized with one important word, which is “Ongoing” – and which is translated into **Ongoing Actions, Ongoing Dialogue, Ongoing Feedback and Ongoing Cycles.**

Ladies and Gentlemen,

How do we translate these sustainability processes into actions? The FSC has in terms of its Risk Based Supervision Framework, laid down the process and explained through numerous outreaches, what our licencees are expected to do. We have to this effect updated the AML/CFT Handbook to provide further guidance on Business Risk Assessment and Independent Audit. We want to ensure that financial institutions have the most up-to-date information and guidance to assist them comply with these regulations.

In September 2022, we further amended our AML/CFT Handbook to include a new provision on Certification and to align with the legislative changes of FIAMLA and FIAMLA Regulations 2018. We believe that this new provision will help financial institutions better understand their obligations and responsibilities in this area.

I wish to further share that following our offsite review carried out at the beginning of this year, we have seen an increase in average compliance rate from 90% in 2020 to 96% in 2023 for all compliance factors, as well as an increase in the number of entities which have completed their business risk assessment and put in place an independent programme. Similarly, during our onsite inspections, considerable improvements have been noted in the area of risk assessment, targeted financial sanctions, and internal controls. This increased compliance culture has led to fewer inspections resulting in the issue of a deficiency letter. The common thread is the responsibility of the directors to drive the compliance agenda and we highly value the role played by directors in this process.

Ladies and Gentlemen,

As a regulator, the FSC's aim is to ensure that the directors of licensees act with integrity and do not collude with criminals, or act corruptly. As such, the FSC applies market entry controls and monitors through Key Performance Indicators (KPIs) that all directors are identified and screened not only at time of initial licensing or authorisation or registration but also on a continuous basis. The FSC also engages with the directors through outreach and onsite inspections to make sure that the respective responsibilities and duties of the directors are well understood and upheld by the licensees.

Ladies and Gentlemen,

AML/CFT compliance has become the main focus of regulators in recent years. In light of this scrutiny, it is vital for financial institutions to make AML/CFT compliance a top priority when dealing with grey listed jurisdictions and such effort begins with the institution's board of directors. The board of directors is the primary governing body of a financial institution and is typically entrusted with fiduciary obligations. One such fiduciary duty includes ensuring that the institution has a comprehensive and effective compliance program.

To start with, the Board of directors is responsible for approving and implementing the Company's AML/CFT compliance program. The Board is also responsible for overseeing the structure and management of the Company's AML/CFT compliance program,

including the designation of the Compliance Officer and the Money-Laundering Reporting Officer and ensuring that the individuals have the appropriate knowledge, skill and experience in accordance with the Competency Standards issued by the FSC. The Board is also responsible to set-up an appropriate compliance culture including frequent communication and reinforcement measures, so that all employees are aware of AML/CFT threats and risks.

Furthermore, the Board also has the primary responsibility of designing and implementing internal policies, procedures and controls to ensure that all ML and TF risks are properly mitigated. The Board is also responsible to undertake an independent AML/CFT compliance audit and the exercise must include a requirement for sample testing of the effectiveness and adequacy of the financial institution's policies, procedures and controls. The Board shall then adopt recommendations made following the completion of the AML/CFT independent audit.

The Board is also responsible to undertake a robust business risk assessment and must ensure that the Company's risk policy takes into account the size, nature and complexity of the business of the financial institution.

Screening of client is key. The importance of customer screening aids the Company in reducing the danger of a criminal or money launderer being on boarded. It assists in detecting the customer's true legal and professional position, such as whether they are a politically exposed person (PEP), a potential money launderer, or a criminal.

Lastly, the Board is also responsible for overseeing that all employees receive AML/CFT related trainings to ensure that employees identify and report red flags of suspicious transactions in a timely manner. The Board needs to also assess and demonstrate the effectiveness of trainings provided to employees.

Ladies and Gentlemen,

On a concluding note, I will stress again that the reputation of Mauritius as an International Financial Centre rests on the quality of its services and its pool of highly qualified professionals. This initiative by MIOD, with the assistance of the FSC, is geared towards the up-skilling of senior officers in the financial sector.

With these words, Ladies and Gentlemen, I wish you all a successful session and fruitful deliberations.

Dhanesswurnath Thakoor

03 May 2023