



Financial Services Commission
Mauritius

Opening speech by Ms. Clairette Ah-Hen, Chief Executive
“Regional Training Programme in collaboration with the Toronto Centre for
Pension Supervisors: Developing Approaches to Risk Based Supervision”
10-14 November 2014

Mr. Rajesh Ramloll, Chairperson of the Financial Services Commission, Mauritius

Mr. Issa Mohammad Soormally, Second Deputy Governor of the Bank of Mauritius

Industry Representatives

Mr. Luc Cardinal, Program Director

Mr. Dane Hussain, Consultant

Mr. S.G. Venkatramani, Consultant

Mr Michael Hafeman, Consultant

Participants

FSC Leadership Team

Members of the Press

Ladies and Gentlemen

A very good morning to all of you!

The FSC Mauritius is pleased to welcome you all for the opening of the Regional Training Programme for Pension Supervisors with particular emphasis on Developing Practical Approaches to Risk Based Supervision, in collaboration with the Toronto Centre. This is the second training programme jointly hosted by the Toronto Centre and the FSC. Earlier this year from 30th June to 4th July, a Training Programme on “*Crisis Preparedness for Banking and Securities Regulators*” was also held for FSC staff.

The Toronto Centre is a non-profit organisation committed to enhancing the capacity of financial regulators and supervisors worldwide and to promote change that will lead towards inclusive financial systems. Since 1998, the Toronto Centre has delivered 100 courses and training, with more than 7,000 officials in over 170 countries Worldwide. This regional training programme regroups 5 high calibre resource persons from the Toronto Centre, 33 participants from 10 countries – out of which 19 from overseas - to share expertise, ideas, practices and experiences relating to a risk focused approach to pension supervision.

The role of the pensions industry in providing a stable consumer savings vehicle and the investment of capital from pension funds has become increasingly important in today's evolving business environment. Pension funds are one of the biggest institutional investors world-wide and are seen as important players in the quest for future economic growth and development. Those who have worked hard and saved for their future retirement in these pension funds, must have confidence in the regulatory systems and trust that their interests are being protected.

The Pensions Industry in Mauritius is a flourishing one and is based on a five multi-pillar classification system, with private pension schemes falling under the third pillar. The local Private Pensions Industry consists of private occupational pension schemes which captures around 90,000 estimated members in insured pension schemes administered by insurance companies and self-administered superannuation funds. There are predominantly DB schemes but many are converting to DC schemes.

	PPS managed by other service providers*	PPS managed by Insurance companies	Total
No. of schemes	34	971	1,005
% of DC schemes	59%	46%	46%
No. of pensioners in payment	4,068	8,232	12,300
No. of other members	25,161	49,176	74,337
Annual contributions	MUR 900 m	MUR 3.3 bn	MUR 4.2 bn
Benefit payments (including annuity purchase)	MUR 460 m	MUR 1.7 bn	MUR 2.2 bn
Assets under management	MUR 6.9 bn	MUR 28.6 bn	MUR 35.5 bn

Mauritius, like many other jurisdictions, faces many challenges linked to later and more flexible retirement due to longer healthy life, most work being less physical than in the past, many pensioners preferring shorter duration of retirement to lower living standards in retirement and therefore increased individual choice about when and whether fully or partially to retire.

For further development of the sector, the Private Pension Schemes Act 2012 (PPSA) was enacted and became effective on 1st November 2012. FSC Mauritius worked in close collaboration with all stakeholders for this new consolidated legal framework. The PPSA replaced the fragmented nature of legislations which existed prior to 1st November 2012. The PPSA provides for a single and comprehensive regulatory framework for the operation of private pensions in Mauritius and satisfies the standards set up by international organisations like the IOPS (International Organisation of Pension Supervisors) and the OECD (Organisation for Economic Co-operation and Development).

The effective supervision of pensions, and of the institutions that provide pension products and services, is required to ensure the protection of consumers – a necessary task with any financial

product being sold to non-professionals. Pension supervision is required to achieve the degree of protection needed to support privately managed savings and is a means to help pensions adapt to market risks. Such a task has been entrusted to FSC Mauritius. The IOPS, of which the FSC Mauritius is a Governing Member, lay down a Principle on Risk Orientation. This Risk Orientation Principle stipulates that *pension supervision should seek to mitigate the greatest potential risks to the pension system*. Pension supervisory authorities need to adopt a risk-based approach and have the proper mechanism in place for allocating their finite resources to those pension funds or plans which represent the highest risks. Furthermore, Pension supervisory authorities should be proactive, seeking to avoid significant problems before they occur and intervening, in a proportionate way, at as early a stage as possible and they should search for those supervisory instruments which add most value to the desired supervisory result.

The potential benefits of a risk-based approach to regulation come from a more efficient resource use as these are being applied to highest risk issues and the equal treatment of like risks. The FSC Mauritius has adopted a Risk-Based Supervision (RBS) framework since 2009. Parameters such as *Corporate Governance, Prudential Procedures, and Financial Performance* are used to measure the riskiness posed to the system by the licensee. The relevancy of the implementation of RBS is regularly assessed and over the years, the RBS Framework has evolved to reflect most of the major developments in the market.

The Strategic Plan of the FSC Mauritius emphasises on international engagement and cooperation. This training programme reinforces our commitment in fostering cooperation. It will bring forth expertise of regional pension supervisors on risk based supervision and provides the venue for discussions and sharing of ideas and experiences. Working in collaboration with Toronto Centre brings the quality and the high standards we are aiming for a robust risk based supervision framework. The highly interactive and practical sessions will foster debate and effectively transfer knowledge from presenters and amongst participants. Important as well, each participant will have the opportunity to address a real problem and ensure that lessons learned can be readily applied.

On this note, I declare the training program open and wish all participants fruitful discussions and all foreign delegates an enjoyable stay in Mauritius.

Thank You

Clairette Ah-Hen

10 November 2014