



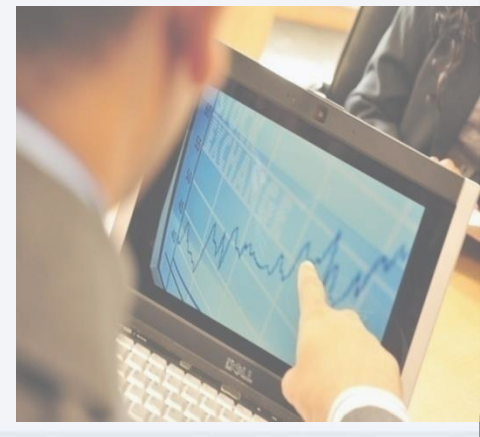
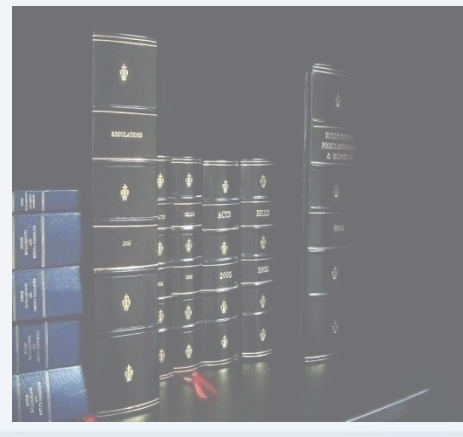
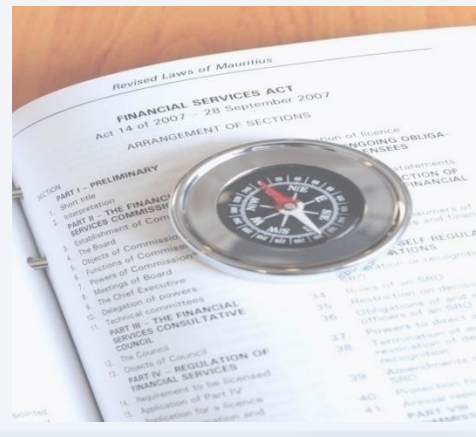
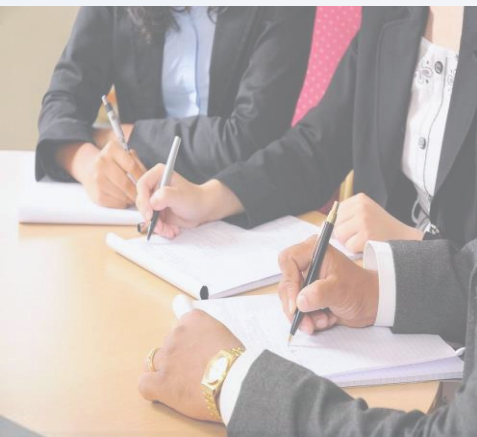
Financial Services Commission
Mauritius



Securities Market & Investment Funds Workshop on AML/CFT

Presented by: Ms Clairette AH-HEN

Date: 28 October 2014



AML/CFT – Securities Market & Investment Funds

Agenda

- ↪ Legal Framework
- ↪ Assessment by International Organisations
- ↪ Role of FSC
- ↪ Securities Market and Funds Vulnerabilities
- ↪ FSC AML/CFT Code
 - ↪ Major requirements
- ↪ Risk Based Approach
 - ↪ AML/CFT Programme
 - ↪ Effective Customer Risk Assessment

Legal Framework

Legal Framework

Financial Services Act 2007 [Section 6(g) – Functions of the FSC]

- “To carry out investigations and take measures to suppress illegal, dishonorable and improper practices, market abuse and financial fraud [including ML] in relation to any activity in the financial services sector and global business sectors”

Securities Act 2005 – Section 6(2)(b) & (g)

- “improve the protection of investors in Mauritius from unfair, improper and fraudulent practices in relation to securities”
- “suppress and prevent financial crimes and illegal practices”

FIAMLA Act 2005 – Section 18(1c)

- “The Financial Services Commission shall supervise and enforce compliance by financial institutions with the requirements imposed by this Act, regulations made under this Act and such guidelines as it may issue under paragraph (a).”

AML/CFT Code

- “The Code is intended to assist Licensees to comply with the obligations contained within the FIAMLA Act and is designed to serve as a statement of minima criteria and to describe operational practices expected of Licensees.”



Assessment by International Organisations

Assessment by International Organisations

Financial Action Task Force

40
Recommendations –
Feb 2012

International Organizations for Securities Commissions (IOSCO) – the standard setter for securities regulators

Resolution on Money
Laundering
(President
Committee October
1992)

Anti-money
Laundering guidance
for Collective
Investment Schemes
– October 2005

IMF/World Bank Assessment

Financial Sector
Assessment Program

Last Assessment –
Report issued in Dec
2008

Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

Continuous
monitoring of
progress including
mutual evaluation
report

IOSCO Resolution on Money Laundering

Customer identification information

Adequate information to be kept at the level of licensees or the relevant authorities in order to identify and prosecute.

Adequate record keeping requirements

To understand the nature and the flow of transactions in the capital markets.

Collaboration with national regulators

Identification and the reporting of suspicious transactions

Monitoring and compliance procedure

To deter and detect money laundering

To understand the ownership and control structure of the company

Sharing of information

Close collaboration with foreign counterparts

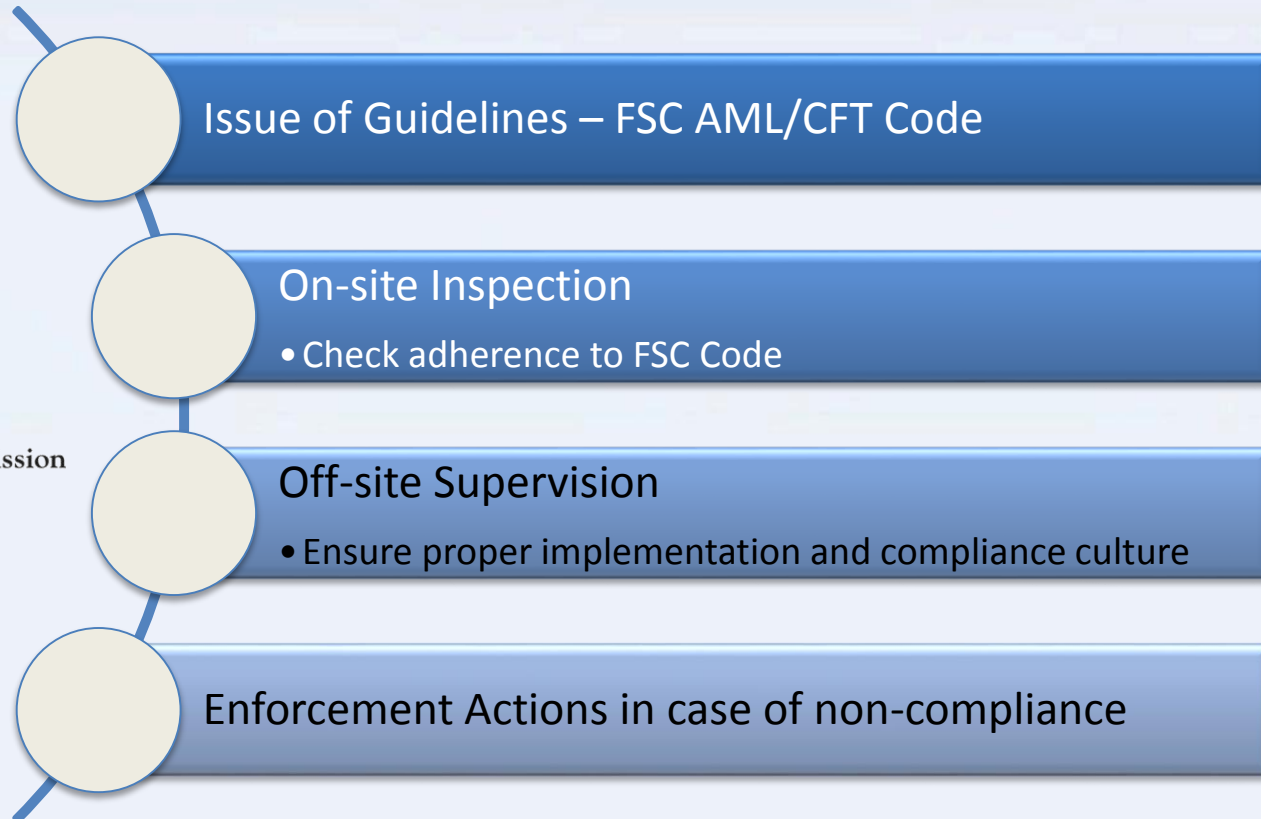
A background image showing several people in business attire sitting around a table, writing on documents. The image is semi-transparent, allowing the text to be clearly visible. The people are focused on their work, with their hands and pens visible as they write on white papers.

Role of FSC

Role of FSC



Financial Services Commission
Mauritius



A background image showing several people in business attire sitting around a table, writing on documents. The image is semi-transparent, allowing the text to be clearly visible. The text is centered and reads:

Securities Markets and Investment Funds Vulnerabilities

Securities Market and Investment Funds Vulnerabilities

Vulnerabilities

- Lack of face-to-face interaction
- Jurisdictions may permit intermediaries to rely on third party introducers (compliance with FATF standards is a requirement)
- Complexity of products/services being offered

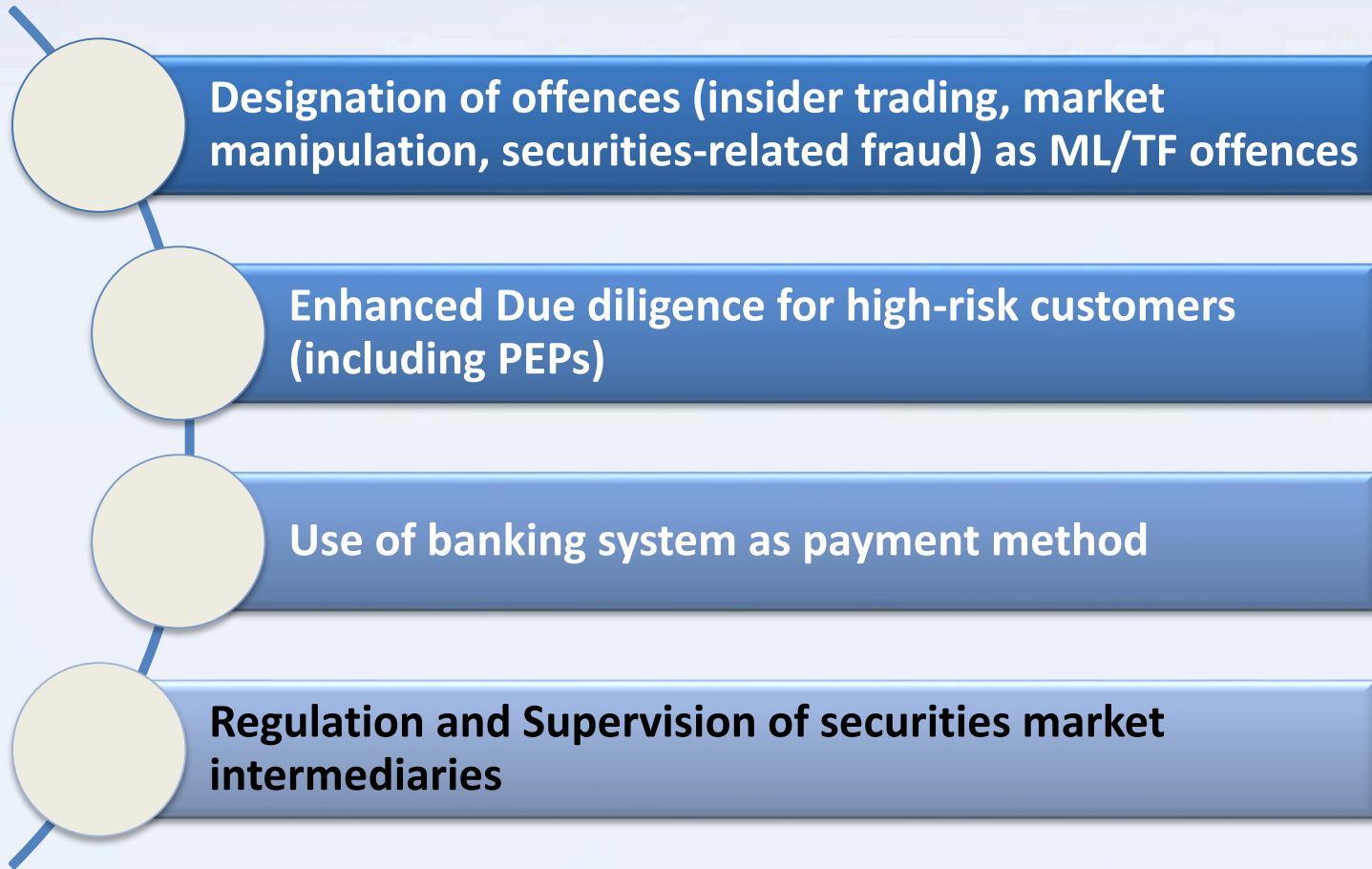
Ways to raise awareness

- Appointment of a MLRO who need to act independently
- Having an AML/CFT manual and dispense appropriate training to staffs
- Reporting of STRs
- Implementing a Risk Based Approach

Management of risks

- Client risk categorisation
- Identification verification
- Due diligence procedures
- Automatic system alerts
- Transaction monitoring (money movements, deposits and withdrawals)
- On-going monitoring of high risk clients

Effective ways of combating ML/TF



FSC AML/CFT Code



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FSC AML/CFT Code

FSC Code issued in March 2012

- Applicable to all licensees & financial institutions as defined under the FIAMLA

FSC Code – Statement of minimum criteria

Regular updates of the FSC Code (from 2005 to 2012) Non-compliance with the Code exposes the licensee to regulatory action including a direction under section 7(1)(b) of the FS Act to observe the Code.

Failure to comply with the direction may lead to criminal action and to regulatory action.

FSC AML/CFT Code



FSC Competency Standards - MLRO

New MLRO appointed by licensees as from **1 Jan 2015**

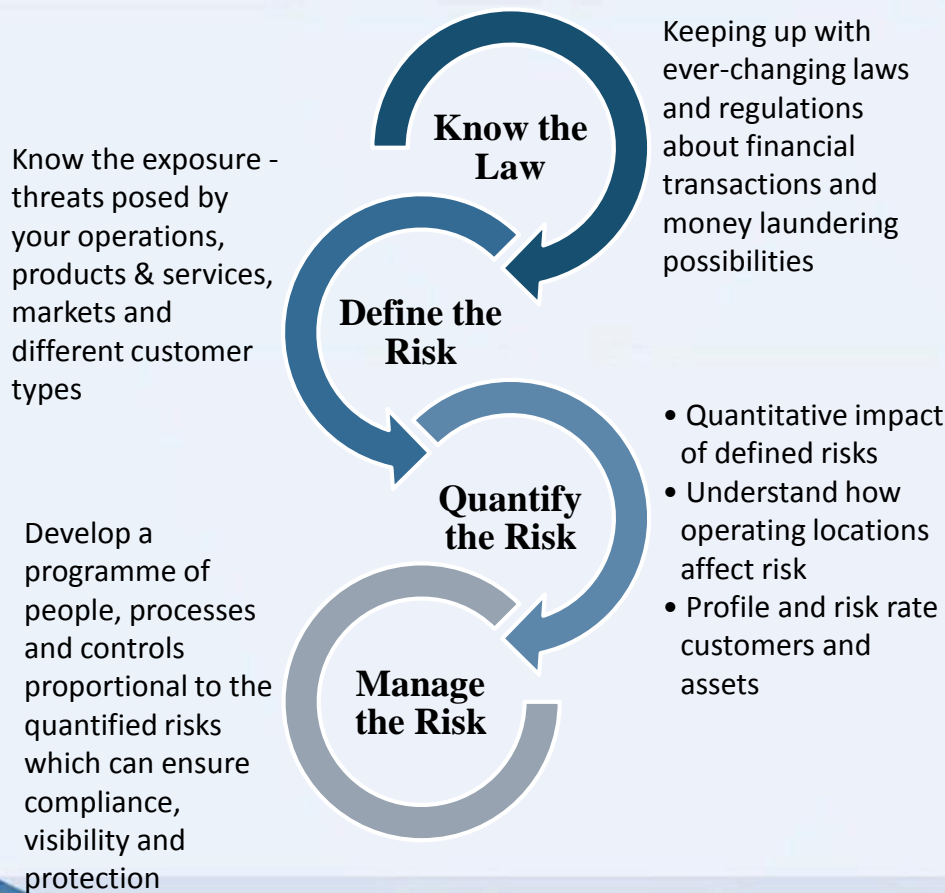
| Technical Competencies | How to demonstrate competencies | Structured CPD | Other requirements |
|--|--|--------------------------------|---|
| <p>Advanced knowledge:</p> <ul style="list-style-type: none"> - the industry/sector in which the licensee operates - the anti-money laundering framework in Mauritius - the licensee's products and services, including their legitimate uses and their laundering vulnerabilities | <p>Relevant qualification from a recognised institution</p> <p>Experience: at least 5 years in the industry</p> | <p>Minimum 10 hours</p> | <p>Statement of Declaration from licensee</p> <p>Any other requirements which the Commission may prescribe from time to time.</p> |

Grandfathered MLRO appointed prior to 1 Jan 2015

Risk Based Approach

AML/CFT Programme

The primary reasons for an effective AML-CFT programme include legal compliance, reputation management, protection from criminal prosecution and just not wanting to handle dirty money.



- Define corporate roles & responsibilities
- Determine risk-based due diligence
- Designate risk categories
- Build suspicious activity controls

DESIGN

- Establish policies, procedures, and operating models
- Conduct training
- Utilise technology to monitor, review, escalate, and report suspicious activities

IMPLEMENT

- Regularly test controls
- Monitor personnel
- Evaluate data
- Ensure proper channeling communication of suspicious activity

TEST & ANALYSE

- Report suspicious activity and system weaknesses for analysis
- File Suspicious Activity Reports (with FIU)

REPORT

CONSTANT IMPROVEMENT

Continually capture and update the understanding of threats and system weaknesses to influence continued evolution of an effective AML programme

Effective Customer Risk Assessment

Customer Identification Program (CIP)

Who is the Customer?

Where do they do Business?

What is the Product / Service?

How do they do Business?

With whom do they do Business?

CUSTOMER DUE DILIGENCE

- Identification of the customer and verifying the customer's identity using reliable, independent source documents, data or information.

ENHANCED DUE DILIGENCE

- While KYC requirements may be applicable to all customers on the basis of materiality and risk, in case of customers categorized as high-risk and PEPs enhanced due diligence is required.

SIMPLIFIED DUE DILIGENCE




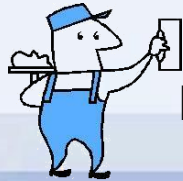
- Customers with few risk factors, for example well known large public companies and customers utilizing some types of low-risk products or services, may only require a simplified due diligence process.

ONGOING MONITORING

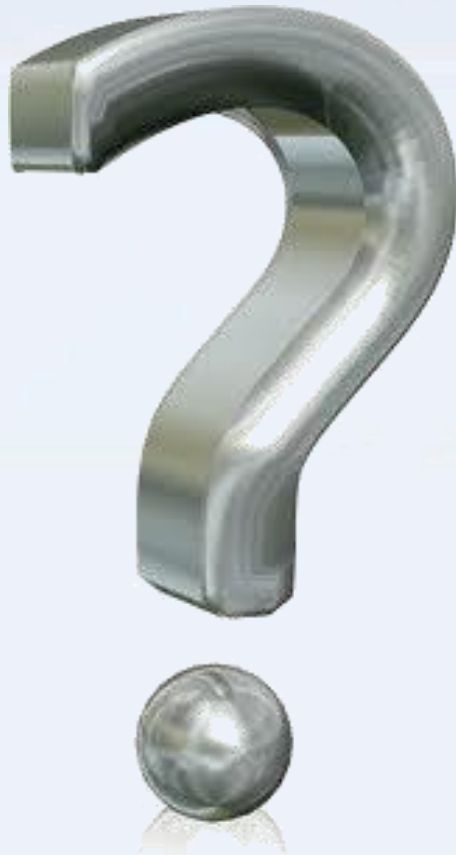
- Once the customer has been taken on board, ongoing monitoring is essential in identifying specific Customer Risk.

Category of Risk Profile for Licensees

Licensees will fall into one of the following risk profile

| | | | |
|---|---|--|--|
|  <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Monitoring</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">High</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Low</p> | <p>This would apply to Licensees who are undergoing a change in both business and control environment either as a result of the changing business plan or to correct control deficiencies.</p> | <p>These Licensees are the ones that the FSC will be most concerned about and where close monitoring, focussed visits and regular contacts are required.</p>  | |
| | <p>This could apply to newly licensed companies.</p> | | <p>Licensees where a remediation programme is necessary to improve their risk profile.</p> |
| | <p>Licensees that have strong control environment supported by good governance as well as a stable business plan and who generally are lower impact entities.</p>  | <p>Licensees that are making improvements to their control environment and regulatory compliance arrangements, and are operating in a stable business environment.</p> | |
| |  <p>Remediation</p> | | |
| | Low | High | |

Any Questions



Conclusion

- The financial sector is often the target for money launderers due to the ever changing nature of products and services
- Strong compliance culture
- Appropriate risk prevention mechanism
- Uphold the reputation of the jurisdiction
- Align with international best practices for combating ML/TF



THANK YOU FOR YOUR KIND ATTENTION

Vision

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



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