



08 November 2013

Financial Services Commission
Mauritius

Extracts of Budget Speech 2014

BUILDING A BETTER MAURITIUS
CREATING THE NEXT WAVE OF
PROSPERITY

Relating to the Financial Services Sector

(209 ... Financial Services remains the most productive sector of our economy)

Download full documents:

<http://mof.gov.mu/English/Documents/Budget2014/BudgetSpeech2014.pdf>

<http://mof.gov.mu/English/Documents/Budget2014/BudgetSpeech2014Annex1.pdf>¹

¹ Extracts of Annexure 1 are included in

text boxes

6. ... Budget 2014 is about creating the next wave of prosperity to Build a Better Mauritius.
10. It opens vast new economic space that will bring about the next wave of prosperity.
11. To realise that goal, Budget 2014 sets out a clear two-pronged strategy to:
 - i. Invigorate investment and growth; and
 - ii. Build a modern, inclusive and caring society.

Domestic Economy-Remarkable Resilience in 2013

18. On the domestic front, according to Statistics Mauritius, our economy is expected to expand by a good 3.2 per cent in 2013.
19. All sectors except construction are expanding.
20. The inflation rate has gone down to an estimated 3.6 per cent.
21. The unemployment rate is at 8.3 per cent.
22. Investment as a ratio of GDP is 21.2 per cent and Foreign Direct Investment is expected to total Rs 10 billion.
23. Our Foreign Exchange Reserves are at a very respectable 27.6 percent of GDP.
24. The external current account deficit has fallen to 9.9 per cent of GDP.
25. And we will have a record surplus in the overall Balance of Payments of Rs 16.8 billion.
26. The resilient performance of our economy is reflected by our Stock Exchange, with a growth of around 18 per cent, since the beginning of the year.
27. ... for yet another year we have had to deal with a crisis of demand in our main markets, a crisis that is not of our making.
28. Had it not been for our timely and well thought-out policies, the setbacks could have been very severe.
29. This Government has successfully focused its efforts on supporting industries and on protecting jobs, and has brought greater congruence between monetary and fiscal policies.
30. Despite the global crisis, Mauritius stands among the handful of countries that have seen their sovereign debt rating upgraded.

31. And this, can only happen if the fundamentals are strong.
32. Thanks to our renewed efforts, Mauritius has this year, for the first time ever, become the most competitive economy in Africa, according to the World Economic Forum.
33. However, we will not move forward by looking in the rear view mirror.
34. Rather, we will move ahead to build a better Mauritius.

Marine Services Hub

72. ... Government will promote the creation of a Marine Services Platform, a second new pillar for our economy. It will be centered on growing the bunkering facilities and the various economic activities that are linked to that trade, such as ship chandling, repairs and maintenance of vessels, crew management and ship leasing.

LAYING THE FOUNDATION FOR THE NEXT ECONOMIC ARCHITECTURE

123. ... I now turn to the third priority of this Budget, which entails measures to lay the foundation for our next economic architecture.
124. Today a new wave of prosperity beckons us and we can once again rise up to the challenges.
125. We are developing a new architecture that will change the course of our history and transform Mauritius from a country always looking for opportunities to a land of opportunity.
126. This Budget has already outlined prospects in the Aviation Hub, Marine Services Platform and the Petroleum Hub. I will now set out measures to develop four more economic pillars, that will further expand our “Espaces Economiques”.

Anchoring the Ocean Economy

127. ... our marine territory has enormous potential. The Mauritius Maritime Zone is 2.3 million square kilometres, around the size of Western Europe.
128. There are opportunities that can be seized in a number of clusters, including:
 - Petroleum & Mineral Exploration;
 - Seafood and Aquaculture;
 - Deep Ocean Water Applications (DOWA);

- Marine Renewable Energies; and
 - Ocean Knowledge.
129. The Prime Minister has finalised the Roadmap on Ocean Economy which will soon be made public. The Roadmap will define the strategy for each of these clusters.
130. A National Ocean Economy Task Force is being set up to oversee implementation of the Roadmap, supported by an Office for Ocean Affairs and Development - both at the Prime Minister's Office.
131. One of their first priorities is to develop a Petroleum and Minerals Exploration and Extraction Framework Agreement.
132. In the near future, we are expecting some Rs 6 billion of investment in the two Deep Ocean Water Application projects which are already in the pipeline.
133. A new faculty on ocean studies will be established at the University of Mauritius.
134. These measures will create an ocean of new opportunities for our citizens, particularly our youth.

Building on our Africa Strategy

149. ... laying the foundation for the next economic architecture will not be limited to activities within our frontiers, but extend to the wider region.
150. I will now announce our actions on the Expanded Africa Strategy.
151. I am pleased that our on-going Africa Strategy, first introduced in Budget 2012, has been a notable success.
152. This year, we will go even further to support and empower our enterprises to do business in Africa.

The current **PPP framework** will be reviewed with the assistance of the African Development Bank to make it more conducive to private investment. Moreover, capacity in the public sector will be strengthened to ensure successful engagement with the private sector to structure and develop projects

Mauritius - Africa Fund

153. ... many of our enterprises are seeing good investment opportunities across the continent.
154. However, there are several challenges in their way. They see the benefit of having Government as a partner in their ventures. Other countries like China, India and Brazil are developing new models to support their enterprises. Mauritius needs to be as bold.
155. ... I am pleased to announce the creation of the Mauritius-Africa Fund to which we are committing Rs 500 million over five years.
156. This Fund has two clear objectives.

First, to participate in the equity financing of businesses investing in viable projects in any African country. Its equity participation will be capped at 10 per cent of the share capital of the enterprise.

Second, the Mauritius-Africa Fund will offer fee paying consultancy services on the continent to Government and Public Sector entities, in fields where our country has a competitive advantage. This will have the added benefit of providing work to our professionals and consultants.

Our Export to Africa Strategy

157. Many Mauritian enterprises are seeking to expand their exports into African markets. Government will support them in their efforts.
158. I am pleased to announce that Government will provide a subsidy of 25 per cent of the freight cost on containers exported to all countries in Africa except South Africa and Madagascar. This will be up to a maximum of US 300 dollars per container.
159. Export Credit Guarantee Insurance is essential to cover additional risks when exporting to unfamiliar markets. Very often, the premium can be exceedingly high.
160. To address this issue, Government will provide a 50 per cent subsidy on the cost of Credit Guarantee Insurance for exports to Africa.

Gateway to Africa

161. To enhance the role of Mauritius as a Gateway to Africa, BOI will organise 6 high level conferences across the continent in 2014 to showcase Mauritius as a trusted partner. These conferences will serve the triple objectives of reinforcing

our good image, strengthening economic cooperation, and promoting our financial and business services.

162. To establish greater cooperation at the institutional level, I am requesting the BOI to host in Mauritius an Annual Conference of Chief Executive Officers of all Investment Promotion Agencies in Africa in order to share experience, encourage best practices and increase networking. The first conference will be held in June 2014.

Building Human Capacity to Support Rising Africa

163. The Africa Centre of Excellence will actively promote the placement of our young technicians, graduates and professionals on the continent. It will identify employment opportunities, seek collaboration with local counterparts, promote mutual recognition of qualifications, draw up shortlists of candidates and facilitate interviews.

Enhancing our status as a regional centre

165. Our country already hosts a number of important regional organisations and has the potential to welcome many more.
166. To this end, my colleague, the Minister of Foreign Affairs, Regional Integration and International Trade will present a Host Country Bill in Parliament, which will codify the various entitlements, rights and obligations of international organisations wishing to set up their regional offices here.
167. Never before has so much been done to build such strong bridges between our island and the rising giant that is Africa.

A World Class Investment Climate

169. ... I now come to the next component of our strategy on Investment and Economic Growth.
170. It is about building a world-class investment climate.
171. A lot has already been achieved.
172. And today Government will introduce more ground-breaking measures to boost investment and fast-track major projects.

Fast-tracking major projects

173. The Prime Minister has decided to set up a Fast Track Committee under the Chairmanship of the Financial Secretary to expedite the processing of all permits and approvals concerning major big-impact investment projects.
174. The Committee will also comprise representatives of the Prime Minister's Office, the Board of Investment and other concerned Ministries.

Speeding up the delivery of Building and Land Use Permit

177. ... the delays in the delivery of Building and Land Use Permits are one of the factors restraining economic growth and have been a recurrent source of complaint.
178. Thus, I am pleased to announce that my colleague, the Minister of Local Government and Outer Islands will create a central E-Monitoring system at his Ministry to track all applications for Building and Land Use Permits, whether relating to municipalities or district councils.
179. All relevant bodies will connect themselves to the e-Local Government portal and applications for Building and Land Use Permits will be made online to allow movement of data and the issuance of permits electronically.
180. Permits will be delivered within 14 days of application. We are also amending the relevant legislation to require the CWA, CEB, WMA, Health and Fire authorities to give their clearances within one week of receipt of the on-line submission.
181. Once the deadline is passed, the Silent Agreement Principle will apply.

Further Opening Up the Country: A Regional Centre for Talent

183. ... a pool of talent is a must in our economy if we want to build a better Mauritius for all.
184. We are taking several steps to attract more high calibre professionals to Mauritius.

First, we are abolishing the bank guarantee needed for the application of Occupation and Residence Permits, along with a revision of fees for permits.

Second, to facilitate the application process, an integrated online system will be implemented before the end of the year for Occupation Permits and visas.

Third, the BOI will step up its communication campaign to bring the number of professionals under Occupation Permits from the current 4,200 to 5,000 in the short term and to 10,000 in the medium term.

185. High net-worth individuals who have chosen to retire in Mauritius, will now have the right to purchase an apartment upon a minimum transfer of US 120,000 dollars at the time of application.
186. It has been calculated that high calibre professionals and high net worth individuals annually inject some Rs 5 billion in our local economy.

Improved air services and tapping new markets

195. ... in 2014 Air Mauritius will operate 5 flights a week to China from zero flights in 2012.
197. MTPA will continue its efforts to attract more flights from existing and new markets. Amongst other new developments, Emirates will start a daily service using Airbus A380 aircraft in mid December and TUI Airlines will operate a new weekly service from London using the Dreamliner in April next year.
200. MTPA will redouble its efforts to promote Mauritius on the African continent, as a prelude to enabling direct flights and as part of our Africa Strategy.

FINANCIAL SERVICES

209. ... Financial Services remains the most productive sector of our economy.

Global Business Sector - Enhancing Commercial Substance

210. A continued increase in commercial substance is crucial for growth of the sector.
211. We will further enhance our legislative framework and provide greater avenues to that sector for dealing with residents.
212. The Joint Committee under the Financial Services Consultative Council has been mandated to provide recommendations on the better integration of global business with the domestic sector.

Strengthening the regulatory framework

213. In spite of the global challenges, our financial services industry has remained robust.

214. To this end, we are:

- Setting up a Serious Fraud Office and a Coordination Committee among all agencies combating financial crime;
- Redefining the term “financial crime” to capture an offence under the various existing Acts and banking laws;
- Amending both the Bank of Mauritius Act and the Financial Services Act to strengthen their **respective** regulatory functions;
- Transferring the responsibility for licensing, regulation and supervision of credit unions from the Registrar of Associations to the Bank of Mauritius. And similarly for money lenders which are presently under the control of the Accountant-General.

PONZI SCHEMES

In the wake of the recent Ponzi scams, the following amendments will be brought to strengthen our legal framework and deter fraudulent persons to carry out illicit activities: -

- A Serious Fraud Office together with a Financial Crime Coordination Committee (FCCC) will be set up.
- The Criminal Code will be amended to prohibit the conduct of Ponzi/pyramid schemes.
- To provide for the Bank of Mauritius to license all money lenders and cooperatives credit unions managing funds beyond a certain threshold
- The Bank of Mauritius will be empowered:
 - To order a person suspected in engaging in activities under the Banking Laws without a licence to call at the Bank to be examined orally; and
 - To issue warning alerts to inform the public of the companies which may be taking deposits without a licence.
- To provide in the definition of “banking business” under the Banking Act, the issue and acceptance of cheque, i.e, the offering of payment instrument, an activity which those engaging in illicit or shadow banking activities cannot do.
- To allow the Bank of Mauritius to have access to data held electronically in computer or other electronic devices of a financial institution in order to

prevent tampering or hiding of critical information.

- To extend the powers of the Financial Services Commission (FSC) to enable it to investigate breach of the laws under its administration by any person instead of only its licensees or persons ought to be licensed by FSC.
- The Data Protection Act will be amended to allow an investigatory authority under the Financial Intelligence and Anti-Money Laundering Act to be provided with data held at the Records Office with regards to convictions of persons suspected of Money Laundering offences while pursuing a money laundering investigation. Currently, such data constitute “sensitive personal data” under the Data Protection Act.
- Other regulatory, law enforcement and public bodies will be allowed to have access to the Mauritius Credit Information Bureau (MCIB) for the purpose of assisting them in the performance of their duties and for ad-hoc purposes such as profile checking.
- The Financial Intelligence and Anti-Money Laundering Act will be amended:
 - For any supervisory authority to have access to a copy of the suspicious transaction report to assist in the discharge of its compliance functions only.
 - To provide for a definition of ‘established customer’ and to clarify the definition of ‘exempt transaction’

The **Banking Act** will be amended to reflect the following:

- The duty of confidentiality imposed under Section 64 of the Banking Act shall not apply where information is required by the central bank for the purpose of assisting the FSC in the discharge of its functions or obligations. This is a requirement by the International Organisations of Securities Commissions (IOSCO).
- With regard to the transfer of undertaking by banks, to allow the parent holding companies of banks which have been required to restructure their institution under S32A, to make use of the word ‘bank’ on such terms and conditions as the Bank may decide.
- To impose a licence fee on banks which has recourse to agents to extend their operations, namely providing basic banking services, without the need for them to open a branch.
- To provide the Bank of Mauritius with the power to grant approval to foreign banks to open a representative office in Mauritius.
- To provide for financial institutions falling under the purview of the central bank to engage in the buying and selling of their pool of assets in order to enable them to package and sell their loans among others (securitization).

The **Bank of Mauritius Act** will be amended:

- To provide the Bank of Mauritius with powers to regulate the reproduction of currency notes and coins for advertisement purposes, among others.
- To empower the Bank of Mauritius to issue rules, codes, standards as well as register and deregister dealers authorized to deal in the money and foreign exchange market, for better regulation and supervision.

The **Financial Reporting Act** will be amended to:

- allow the Financial Reporting Council to issue Code of Practice to regulate the auditing profession as well as the Public Interest Entities.
- exempt public sector accountants from the payment of renewal fees.

The **Statutory Bodies (Accounts and Audit) Act** will be amended to broaden the definition of Public Interest Entities to include the statutory bodies which are Government Business Enterprises.

The **Insolvency Act** will be amended for:

- the final meeting and dissolution in voluntary winding up of a company, where the company has only one shareholder, that shareholder shall constitute a quorum.
- a shareholder's voluntary winding up or a creditor's voluntary winding up, the books of the company has to be retained for a period of 3 years.
- a debtor who is declared bankrupt before the commencement of the Insolvency Act to be discharged from bankruptcy.

To comply with the Financial Action Task Force (FATF) Recommendations, the **Financial Intelligence and Anti Money Laundering Act** will be amended for:

- Financial institutions to be provided with a feedback following the submission of a Suspicious Transaction Report (STR) with the Financial Intelligence Unit (FIU).
- To empower the FIU to request for further information from banks, financial institutions, cash dealers or members of the relevant professions or occupations which would be binding on the institution concerned.
- To clarify that no STR shall be admissible as evidence in any court.
- To consolidate the independence of the Director of the FIU in line with FATF Recommendations and to redefine the functions of the Board of FIU.
- For members of the relevant profession or occupation to have an obligation to furnish to the FIU all such information and produce such records or documents as may be required by the FIU.
- To allow the FIU to carry out inspection of the books and records on the business premises of a member of a relevant profession or occupation at any time, so as to ascertain whether the latter is complying or has complied with the requirements of the Act or regulations made under the Act or guidelines issued by the FIU.
- To empower the respective supervisory authorities of the relevant professions or occupations to request further information, to carry out on-site inspections and investigations, to give directions and to take disciplinary actions.

The Financial Services Act will be amended to

- review the contribution formula of the FSC to the Consolidated Fund.
- provide greater flexibility for Global Business Companies to deal with residents.

The **Jewellery Act** will be amended for the Central bank to seek the assistance of jewelers to sell minted gold bars on its behalf.

Appropriate amendments will be brought to the relevant sections of the **Pensions Act** to clarify provisions in respect of the Defined Contribution (DC) Pension Scheme introduced in the public sector in respect of new entrants as from 01 January 2013.

215. The membership of the Financial Stability Committee will be expanded to include the Financial Intelligence Unit.
216. We will continue to ensure adherence to international standards and best practices. To this effect, Mauritius will adhere to the Multilateral Convention on Mutual Administrative Assistance in tax matters developed jointly by the Council of Europe and the OECD.

Enhancing the good reputation of the Financial Services Industry

217. ... operators in the global business sector have clearly understood that to continue to prosper, they need to diversify their market base.
218. Supported by our Africa Strategy, some 60 per cent of new companies formed in the global business sector are already targeting Africa.
219. BOI will set up a joint public-private sector Financial Services Promotion Committee to implement a targeted promotion campaign in line with the Expanded Africa Strategy and to reinforce our reputation as an international financial centre. I am providing for a Special Fund of Rs 50 million for this purpose.

Enhancing product offering

220. To enhance the offering of our Global Business Sector, we are also amending:
- the Investment Promotion Act to include investment in Initial Public Offerings as a qualifying business activity for the purpose of granting Permanent

Residence in Mauritius; and

- the Investment Promotion (Real Estate Development Scheme) Regulations to allow GBL1 Companies to purchase residential property in Mauritius under the IRS/RES schemes.

221. ... much has been done since 2005 to enhance the product offering.
222. To open up new avenues for growth, we will introduce a new Bill on Captive Insurance which has the potential to make Mauritius a captive insurance jurisdiction of choice.
223. To support the vision of Maurice Ile Durable, the Stock Exchange of Mauritius will introduce a Sustainability Index that will showcase companies listed on the Stock Exchange that are actively promoting the sustainability cause.
224. In addition, the SEM will promote a new Social Impact Exchange to develop Mauritius into a regional centre for investments that have a positive social or environmental impact.
225. We will also encourage further democratization of the economy.
226. SICOM Ltd will be listed on the Stock Exchange of Mauritius, with shares offered to small private investors in priority.

CITIZEN FACILITATION

494. ... citizens interact with Government on a regular basis to obtain certificates, permits, authentication, affidavits and other services.
495. It is our duty to offer modern facilities that save them time, money and the tediousness of queuing up.
496. As an example of our efforts to date:
- The Registrar of Companies, has since July 2013, made possible the following online services: incorporation of companies, company search and payment of annual fees;

The **Companies Act** will be amended for fine-tuning purposes with regard to:

- registration of documents
- transfer of shares and debentures
- approval for appointment of secretary by foundations
- reservation of company names that is strictly identical to a name which has already been reserved
- removal from register where the company has failed to pay its registration fees or file its annual return
- the Certificate of current standing issued by the Registrar to include a statement as to whether the company has submitted its annual returns together with related documents and also as to whether the company is in receivership or administration.
- harmonization with the Financial Reporting Act.

EMPOWERING CONSUMERS TO ENHANCE THEIR SOCIAL AND ECONOMIC WELL-BEING

502. ... I will now announce a series of measures to enhance the social and economic well-being of consumers.

Consumer Protection

514. consumer well-being is not only about improved purchasing power. It is also about access to goods and services, about their quality and about getting value for money.

515. The Ministry of Industry, Commerce and Consumer Protection is coming up with a New Consumer Protection Bill which will replace the Fair Trading Act 1979 and the Consumer Protection Act 1991.

516. For maximum effectiveness of this new legal framework and the protection of consumers, we are providing for the setting up of a Consumer Affairs Tribunal. Redress procedures will thus be fast and inexpensive.

517. We are also providing for the establishment of the National Consumer Council.

518. In addition, Government is setting up a Consumer Welfare Fund to empower consumer protection organisations.

Protection of consumers of financial services

537. ... it is the duty of a caring Government to protect the vulnerable.
538. Many of our citizens face huge financial hardship through incapacity to repay outstanding loans. Whilst it is this Government's firm belief that citizens must face up to their responsibilities, nevertheless, they must be protected against abuse.
539. Many borrowers are faced with claims from banks that amount to many times the original sum borrowed. Debts can quickly spiral when not only is interest calculated but often penalty rates are also applied.
540. Many countries have acted to protect borrowers from this unfairness by applying what is generally termed as the *In duplume* rule². And tonight Mauritius will likewise take decisive action.
541. Banks will henceforth be required to apply the following rule for all loans granted to individuals after the 1st January 2014:
- Once accumulated interest on a customer's account equals capital outstanding, the normal bank interest and any applicable penalty interest rate will cease to apply;
 - From that point on, only interest at the repo rate may be charged on the capital portion of the outstanding loan, and this may not be compounded, that is, customers will not be charged interest on interest; and
 - Amounts due on credit cards will also be subject to the *In duplume* rule.
542. In addition, Government will regulate the quantum of penalty interest that may be charged by lending institutions. Henceforth, penalty interest will be charged at a maximum rate of 2 per cent per annum.
543. ... this decisive measure will help thousands of our citizens who are in financial hardship.
544. It will go a long way to protect the most vulnerable sections of our society whilst in no way jeopardizing the soundness of our banking system.

² The Duplume Rule protects debtors from exploitation by ensuring that their creditors cannot allow interest to accumulate indefinitely.

545. ... thousands of our citizens have been trapped in a spiral of debt. This will go a long way towards increasing fairness in our banking system and is part of the Treat Your Customer Fairly Programme announced in my last Budget.

546. To further support and protect consumers of financial products:

- Regulatory authorities will have the power to regulate advertisement of financial services products; and
- Lending institutions will not be authorized to charge a penalty on early repayment of debts.

547. These are real, concrete steps to enhance consumer protection in Mauritius.

CONCLUSION

599. It is on this momentous note that I will now conclude.

600. ... this is an Empowerment Budget.

604. It empowers our consumers to defend their rights.

606. It empowers our businesses to grow and expand into Africa.

610. ... this Budget Builds a Better Mauritius.