



**Financial Services Commission
Mauritius**

Breakfast Launch of HSBC Global Custody Services

**Speech by Miss Clairette Ah-Hen
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Industry Partners

Ladies and Gentlemen

Introduction

It is a great pleasure for me to address you today at this breakfast launch of HSBC Global Custody Services.

Global Custody Services is not new to HSBC Group, but a first in Mauritius. Knowing that our host HSBC thrives when there is competition, I can just express my wish to see other international institutions follow HSBC's lead.

The HSBC Bank (Mauritius) Ltd was granted a Custodian Licence under section 100 of the Securities Act 2005 on 22 February 2012. With this licence, the bank is expanding its products base to include Global Custody Services so as to unlock the door to future growth and a plethora of opportunities.

Custody is in essence the service of holding (and normally administering) securities on behalf of others and has its roots in physical safekeeping. In the days when securities existed only in paper form, investors needed a secure place to keep these certificates of value. No wonder banks became the natural choice as a safekeeping service provider. But with the expansion of sophisticated financial markets, custody has evolved into a thriving industry which is no longer characterised by physical safekeeping but by a wider range of services and characterised more by a tiered structure – with intermediaries.

It is to be noted that each layer of intermediary provides services which cater to its own customer base and which are associated with the assets held under its custody. Today, with the growing investors' appetite for trans-frontier assets, Global Custody services are becoming a vital lynchpin for the financial services sector.

Adherence to International Norms and Standards

In the aftermath of the financial crisis, the financial world has been subject to an avalanche of regulation. New regulations of the Capital Markets are being established in the new mantra of the International Organisations of Securities Commission (IOSCO) in order to englobe all financial products into the regulatory net.

Capital Markets regulators are bound by the IOSCO in (i) *protecting investors* (ii) *ensuring that markets are fair, efficient and transparent* and (iii) *addressing systemic risk*. The FSC, as the Capital Market regulator, is leaving no stone unturned in meeting international norms and standards set by international standards setting bodies. In addition, Securities / Capital Market Regulators are adapting their regulation to promote financial stability by preventing systemic failure while simultaneously providing a leeway for market development. The FSC too has forged a robust regulatory framework which aims at having the right balance between the need for regulation and business development.

The financial crisis has also drawn clients' attention on service providers and on the quality and value of service received. In today's challenging business environment, it is imperative for operators to provide services with no compare. The major forces, likely to shape the custody industry in the years to come, include the continued globalisation of the financial markets, changes in the investment patterns of institutional investors and the increased demand for global liquidity management solutions. As the securities operations market continues to consolidate, we see custodians taking on a greater share of the securities trade intermediation.

In addition, the financial crisis together with other international market developments have influenced the custody industry and forced custodians worldwide to redefine their business models. Today, clients are becoming increasingly cautious and stress on the role of custodians in protecting investments, asset safety and addressing transparency. One major challenge facing global custodians is how to keep up with their institutional investor clients' wider choice of investment assets and the associated specialized service requirements.

With the growing trend in the diversification of invested assets and shift to non-traditional asset classes and emerging market investments, regulators often come forth with new rules, regulations and control mechanisms to monitor these products. It is therefore pivotal for custodian (i.e. the HSBC Bank (Mauritius) Ltd) to keep abreast of the changing environment and to provide customised information to clients regarding new market standards.

Maintaining Mauritius as an International Financial Centre

Mauritius is the only established Financial Centre of the region. We offer a stable environment, a strong pro-business regulatory environment, as well as good physical infrastructure. These factors explain the evolving environment and innovative products in the industry.

The present international challenges will call for more collaboration between stakeholders. Within each jurisdiction, constant dialogue and collective effort of regulators and the industry will contribute towards the ultimate objective of consolidating the image of Mauritius as an International Financial Centre.

The HSBC Mauritius Global Custody Services will contribute to this objective and positioning Mauritius as a preferred platform for investment in Africa.

It is worth mentioning that the global custody industry was not much affected by the financial crisis due to its conservative risk profile. Policy makers and regulators do recognise that a “one-size-fits-all” approach to regulation is not always suitable and they have shown an appreciation of the important role that global custodians play in the smooth functioning of financial markets. The custody industry is growing in Mauritius; the FSC has licensed 6 non-CIS Custodians and 6 CIS Custodians and up to now, the Custody services in Mauritius have delivered on its promises – no failures and no losses to investors.

With ongoing challenges, creating a regulatory environment aimed at diversifying products and business sophistication has become of greater salience for the competitiveness of the Mauritius IFC. The launch of HSBC Global Custody Services undoubtedly marks a new milestone for the bank and the prospects look bright.

Conclusion

The custody services industry is a promising one and I am confident that the quality services provided by the HSBC Bank (Mauritius) Ltd will attract worldwide investors to hold their global assets in Mauritius. It is within an internationally challenging environment that the bank will need to meet customer needs in order to sustain continued growth and development.

On this note, I wish the HSBC (Mauritius) well in its initiatives.

Thank you.