



**Financial Services Commission
Mauritius**

**Global Business Sector in Mauritius: What Orientations?
Regulator's perspective**

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Industry Partners

Ladies and Gentlemen

Introduction


I am pleased to address you this afternoon on the orientations of Global Business Sector from a regulator's viewpoint.

Challenges - International context

Yes, there are challenges ahead – some of us may be better prepared and will thrive while many others will be fighting for survival. The financial landscape has been subject to transitions from the aftermath of the financial crisis. Various initiatives were adopted and Global standards of what is considered to be best practice will continue to emerge. Following the call of G20 to strengthen the global financial system by fortifying prudential oversight, improving risk management, promoting transparency and reinforcing international cooperation, we have seen the increased demands for compliance by international standard setters and institutions – OECD, FSB, Basel, IOSCO, IAIS, IOPS etc...

G20 & OECD

Since 2008, the G20 has been the main political driving force behind action to counter tax havens and non-cooperative jurisdictions. There were serious concerns that IFCs lack transparency and exchange of information.

<p>Five-Story Cayman Islands Building That 18,857 Companies Call Home</p> 	<p>President Obama said in May 2009: "On the campaign, I used to talk about the outrage of a building in the Cayman Islands that had over 12,000 business -- businesses claim this building as their headquarters. And I've said before, either this is the largest building in the world or the largest tax scam in the world. And I think the American people know which it is. It's the kind of tax scam that we need to end."</p>
<p>The tax returns of Mitt Romney, the likely Republican Party candidate for US president, which were released last month (January 2012) showed that he had funds in the Cayman Islands, Ireland and Luxembourg.</p> <p>With US Presidential campaigns in full swing, issue of Tax Haven – IFCs will be back in the limelight.</p>	

The declaration that followed June's 2010 G20 Summit in Toronto stated:

"We are addressing non-cooperative jurisdictions based on comprehensive, consistent, and transparent assessment with respect to tax havens, the fight against money laundering and terrorist financing and the adherence to prudential standards".

Mauritius has however, according to the OECD peer review report, over the years developed a legal and regulatory framework that gives its competent authority broad access to the full range of foreseeable relevant information. Mauritius has been categorised since 02 April 2009 as a jurisdiction which has substantially implemented the internationally agreed tax standard.

The OECD report further highlights the fact that Mauritius being a small and open economy is dynamic, diversified and fully integrated into world markets; and **confirms the status of Mauritius as a trusted, transparent and well-established International Financial Centre.**

Despite such positive report, Mauritius Jurisdiction runs the risk of bad publicity, if all of us (operators – professionals and regulators) do not demonstrate the highest level of competence and compliance with standards.

India DTC

The Mauritius-India treaty has been in the limelight for many years, but more so in the last year and we have seen wide swings in the mood of operators – doomsday pessimism or reassured optimism. (*Our Ministers have already given you a fair account of the situation and I am not going to spend too much time on the agreement between the two countries*). But this limelight means that the global business sector in Mauritius is being brought under additional scrutiny. The FSC as a regulator will need to strengthen its supervision in order to ensure that the Indian conditions are complied with.

RFI

The FSC attended 109 (**From India - SEBI: 5 and RBI: 7**) and 12 requests for information from foreign and local counterparts for the period ending December 2011 and the period January 2012 respectively.

Management Companies will also be called upon to strengthen their procedures and internal control and demonstrate compliance.

Other Challenges

There are several other challenges such as:

1. ensuring that Mauritius retains its good repute as a jurisdiction and ensuring a level playing field.
2. meeting international norms and standards and upgrading our rankings on international platform. This also requires responsibilities from Management Companies in terms of performing CDD and fit and propriety of clients.
3. maintaining close collaboration and fostering dialogue between the industry and the regulator

1. Good repute of the Jurisdiction

This is not just a question of making changes to legislation, but also a question of implementation (Walk the talk). We need to show that we are taking appropriate steps to **increase transparency of our global business sector** – be it by providing accurate and timely information to IMF-SDDS exercise – so as to ensure that Mauritius data is available to the public and thus provide better information to international financial markets or through the sharing of Information with other regulatory agencies.

The memorandum of understanding between the FSC and BOM has recently been amended to enable Mauritius to comply with one of the requirements of IOSCO and to become a signatory of the IOSCO MMOU.

Level playing field

We, in Mauritius, need to accept that we do have a monopoly on knowledge and there are a number of other countries in the Indian Ocean (Seychelles) or on African Continent (Botswana, Rwanda and Ghana – to name a few) fast developing their financial services sector (taking on board what we have developed over the last 20 years and implementing same within 2 years). While accepting that increased competition is good, we have to recognise that our strategy and policy should not be one based on “cost” which often leads to downgrades, but one which is based on global standard of best practice and which depends on expertise, professionalism as well as institutional and capital systems to support it. Using a regulated firm and jurisdiction brings a degree of comfort to investors.

The FSC too has forged a robust regulatory framework with the right balance between the need for regulation and business development.

- Efficiency – improved process and infrastructure
- Cut Red Tape – take away defunct and archaic rules that hinder development
- Better information for faster decisions
- Boost financial literacy and business skills

In line with business facilitation, the FSC presented the Global Business Guide in January 2012 to facilitate the application by the service providers for a global business licence and thus further improve the licensing process.

2.Meeting international norms and standards and upgrading our rankings on international platform.

Financial markets today are innovating at a rapid pace with the evolving investor needs and profiles. Regulators therefore adapt the rules in response to changing conditions in the global marketplace to prevent new products escaping the proper regulatory scrutiny.

Adherence to international norms and standards will be used as a benchmark to assess the degree of regulatory development and compliance with international requirements. These international initiatives include those of FATF, Basel, IOPS, IOSCO and IAIS.

Meeting Standards in the global business sector

- Risk Based Supervision framework (IAIS,IOSCO,IOPS, FSB)
- Code of Corporate Governance (IAIS,IOSCO,IOPS)
- Revised AML/CFT Code (FATF)
- Submission of statutory documents (OECD, IASB)
 - IFRS standards
 - GBC2: Financial summaries, business plan & beneficial owners
- Joint Supervision - BOM/FSC Committee (FSB)
- Tax Residence Certificate (MRA/FSC)

Being a member of such international organizations and the FSC being a member presence of Mauritius on such forum would allow the FSC to *inter alia*:

- participate and positively influence regional/international policies in favour of the financial services sector in Mauritius;
- strengthen the image of Mauritius as an IFC of substance and good repute;
- work towards its strategy of positioning Mauritius as a Hub for Africa; and contribute towards the recognition of Mauritius as an important player in the region

3. maintaining close collaboration and fostering dialogue

We also recognise that the importance of financial services sector to the overall economy has been growing over the past decade. This sector is poised to develop into a sustainable, responsible and profitable industry which will become a vital pillar of our economy.

Contribution of Global Business Sector to the Mauritian economy

includes:

- a. more than 70% of financial services
 1. Important pillar of the economy
- b. Direct/Indirect employment possibilities
- c. Recognition of Mauritius on international fora
- d. propels Mauritius into the increasingly liberalised and globalised world economic environment

Licensees

- **154 Management Companies** licensed as at 31 December 2011
- As at 31 December 2011, total number of licensed GBC's stand at GBC 1's: 10,510; GBC 2's: 16,956
 - Number of **newly licensed** GBC's in 2011 for period from January to December 2011: GBC 1's: 1101; GBC 2's: 1231.

Through collaboration with other government agencies, service providers and stakeholders in the sector, FSC can contribute to

- creating value by being a hub beyond being just a gateway
- diversifying product base and encouraging market penetration of new products;
- maintaining the good repute of Mauritius as a safe jurisdiction.

Conclusion

The challenges are here and will continue to grow. I am confident that with frank dialogue and mutual efforts by all stakeholders, the global business sector will develop further and will continue to be a contributor to the Mauritian economy.