

# SUPERVISION DIRECTORATE



## **ESG Corporate Governance Goals:**

Ensure sustainable consumption and production patterns.



# GLOBAL BUSINESS

## SECTOR OVERVIEW

The importance of the GB sector to the domestic economy cannot be underestimated in view of its significant contribution (8.3% in 2023) to the Gross Domestic Product (GDP). Over the last five years, the GB Sector has reinforced its dominant position in the domestic economy given its potential for job creation directly through Management Companies (MCs) and indirectly in other sectors of the economy through banking, professional services (e.g., legal, accounting, tax, compliance services and audit), and the insurance sector. As at 31 December 2023, the level of direct employment in MCs stood at 5,630 and the latter is attracting more recruits each year.

The jurisdiction of Mauritius has come a long way to position itself as an IFC of repute through its GB sector. It remains a jurisdiction of choice to assist multinationals in establishing their pan-African operational, administrative and financial headquarters for reasons other than taxation. Mauritius has a sophisticated financial infrastructure compliant with international standards setting bodies.

Mauritius is committed to maintain the effectiveness and sustainability of progress achieved in the financial services sector particularly by Trust and Corporate Service Providers (TCSP) on the AML/CFT front.

The financial services (including the GB) ecosystem is growing. In order to maintain their competitive edge and to be successful and sustainable in the long run, TCSP alike in the GB sector need to embrace emerging technologies and digitalisation.

Going forward, insofar as the GB sector is concerned, and in line with the 2024/25 Budget Speech, key provisions for the sector have been announced to continue strengthening the GB regime. To this effect, the 2024/25 Budget provides *inter alia* for the following measures to reinforce the position of the Mauritius IFC, namely:

- to extend the centralised e-KYC to the GB sector;
- to introduce a 10-year expert Occupational Permit to attract foreign talents in the field of family office, among others; and
- and to explore the signature of a Strategic Partnership Agreement with India and African countries.

## SUPERVISION

### Offsite Supervision

#### *Enhancing post-licensing monitoring*

The 2024/25 Budget Speech makes provisions for the amendment of the Companies Act which, *inter alia*, include:

- to obtain the prior no objection from the FSC Mauritius upon request for removal of a company, holding a Global Business Licence, or an Authorised Company from the Register of Companies; and
- to allow a company holding a Global Business Licence or an Authorised Company to also comply with provisions of the Companies Act, relating to prejudiced shareholders and alterations to constitution, unless the constitution of the company provides otherwise.

## GLOBAL BUSINESS

### *Tax Residence Certificate*

Any application for a Tax Residence Certificate (TRC) by a GBC with the MRA requires prior clearance from the FSC Mauritius. Any such applicant is required to be in good standing in terms of licence fees, administrative penalties, charges and reporting obligations. For the year under review, the Commission provided a good standing report for 6,021 TRC applications (excluding Investment Funds, CIS Managers and Asset Management) to the MRA.

### *Tax Holidays*

The Second Schedule of the Income Tax Act provides for tax holidays with respect to certain licence holders of the FSC Mauritius. In this respect, FSC Circular Letter CL1 – 231216 dated 23 December 2016 specifies the employment and substance requirements to be satisfied by these licensees to be eligible for availing tax holidays. Furthermore, Circular Letter CL29012018 dated 29 January 2018 detailed the process to follow for such licensees to avail of the tax holidays. For the year under review, the FSC Mauritius provided a good standing report to three applications received.

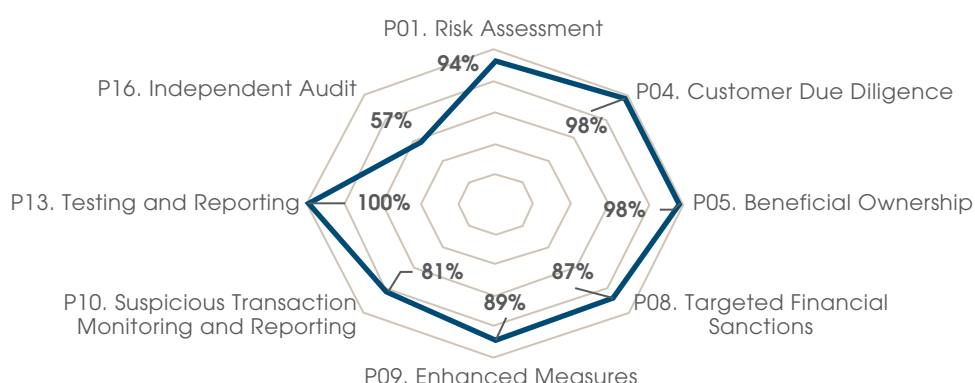
### *Complaints against MCs / Corporate Trustees*

During the year under review, the FSC Mauritius attended to 21 complaints against MCs / Corporate Trustees. At end of the review year, eleven of these complaints have been addressed and closed by the Commission; four complaints were referred for relevant enforcement actions. The remaining are still under consideration.

### **AML/CFT Onsite Inspections**

In line with the commitment undertaken by Mauritius towards the Financial Action Task Force (FATF) Action Plan, an onsite inspection schedule was devised for the GB sector focusing on MCs. At close of the year under review, 47 inspections were carried out in an organised manner to meet set deadlines. During the RBS Cycle 4, following the low level of compliance revealed during the inspections among others, Supervision GB referred two cases for relevant enforcement actions.

**Figure 2:** Compliance rate post onsite



As depicted by the above diagram, there was a notable improvement in the level of AML/CFT compliance achieved by MCs post Cycle 4 inspections in relation to the following parameters - Risk Assessment, Testing and Reporting, Suspicious Transactions Monitoring and Reporting among others.

## Onsite Conduct Inspections

The FSC Mauritius as a risk-based regulator prioritises its supervisory efforts and resources in the areas/sector which pose the biggest threat to its regulatory objectives. Onsite and offsite desk reviews is one of the effective regulatory tools to test compliance level of its licensees with the current regulatory framework, including AML/CFT. For the supervision of conduct for the MCs, three approaches were adopted by the FSC Mauritius:

- (1) The 'solo' inspection – where the FSC Mauritius will be looking at regulated entities which stand alone in terms of ownership and the entities regulated. Those will typically hold a Management Licence and/or Management Licence (Qualified / Corporate Trustee only) and/or Nominee Company (approval). For the inspection cycle 2023/24, inspections were carried out on five entities identified as very high-risk, out of which one was referred to ED for non-compliance.
- (2) The next level is a 'consolidated inspection' for groups. The FSC Mauritius identifies groups holding multiple Management Licences, or where regulated activities are integrated due to history of acquisition / amalgamation within the group. The inspections are conducted for all identified regulated entities within the group altogether. For the inspection cycle 2023/24, one such inspection was conducted.
- (3) Finally, the FSC Mauritius addressed the group-wide supervision with a cross-border oversight, through supervisory colleges. For the inspection cycle 2023/24, the Commission attended one supervisory college.

The supervision of conduct enables the FSC Mauritius to assess whether MCs and related regulated entities are carrying out their business in a sound and professional manner and have in place, *inter alia*, effective internal policies, processes, systems and controls and are taking supervisory measures accordingly.

### *Economic Substance Requirements Monitoring*

The FSC Mauritius conducted the Core Income Generating Activities (CIGA) survey. Out of 9,869 GBCs engaged in non-financial activities, 25% claimed to have availed / shall avail of partial exemption. 160 GBCs, administered by 15 Management Companies, were inspected during the onsite inspection cycle 2023/24. The survey further revealed that 95 GBCs related to pure equity holding and 65 GBCs related to other activities (other than pure equity holding).

The onsite plan for the year 2024/25 was devised following the conduct of successive annual survey on economic substance.

# INVESTMENT FUNDS

## SECTOR OVERVIEW

Global economies, companies and industries, including the Mauritian fund industry, are facing challenges by external factors such as geopolitical events, climate effects, inflationary pressures and changes in international policies and standards which are driving global economic uncertainty today.

In light of the global challenges, the Mauritian fund industry has continued to evolve by:

- providing innovating financial products to make it more attractive to investors while simultaneously remaining at par with the highest levels of international standards and best practices; and
- ensuring a robust regulatory framework to preserve the integrity of the financial system.

### Investment Funds authorised under Section 97 of the Securities Act 2005

The total number of investment funds regulated as at 30 June 2024 stood at 1,014.

**Table 3:** Number of investment funds authorised as at 30 June

Categories of investment funds	2024	2023*
CIS (Single fund)	212	221
CIS (having more than 1 fund)	161	167
CIS (Protected Cell Company)	60	53
Closed-end fund (Single fund)	546	537
Closed-end fund (having more than 1 fund)	15	15
Closed-end fund (Protected Cell Company)	20	19
<b>Total</b>	<b>1,014</b>	<b>1,012</b>

\*Revised figures

### Investment Funds authorised under Section 7(1) of the Variable Capital Companies Act 2022

As at 30 June 2024, 23 VCC funds were authorised with 63 sub-funds (CIS and CEF).

**Table 4:** Number of VCC funds authorised as at 30 June

Enabling Laws	Categorisation as per the FSC Rules	July 2023 to June 2024	July 2022 to June 2023
VCC Act	Variable Capital Companies (VCC)	19	4
	<u>VCC Sub-funds:</u>		
	CIS	43	3
	CEF	15	2

As at 30 June 2024, 455 CIS Managers were licensed, representing an increase of 3.2%, as compared to the previous period which amounted to 441.

**Table 5:** Number of investment funds intermediaries as at 30 June

Types of investment funds intermediaries	2024	2023*
CIS Managers	455	441
CIS Administrators	12	11
Custodians	11	11
<b>Total</b>	<b>478</b>	<b>463</b>

*\*Revised figures*

**Table 6:** Number of other non-bank financial institutions as at 30 June

Other Non-Bank Financial Institutions	2024	2023*
Asset Management	10	9
Custodian (non - CIS)	10	10
Distribution of Financial Products	26	23
<b>Total</b>	<b>46</b>	<b>43</b>

*\*Revised figures*

# INVESTMENT FUNDS

## SUPERVISION

### AML/CFT Onsite Inspection

Onsite inspections are focused on risks identified both at the national, sectorial and entity levels, and enables the Commission to identify and manage risks on an ongoing basis. During the year 2023/24, the FSC Mauritius has conducted 151 onsite inspections, targeting Investment funds, CIS Managers, Custodian, Distribution of Financial Products and Asset Management.

### Offsite Monitoring

#### *Post-licensing Requests*

During the year 2023/24, the FSC Mauritius attended to 4,703 post-licensing requests requiring approval under the FSA and SA, and other rules and regulations.

#### *Tax Residence Certificate Applications*

For the year under review, good standing reports were provided to 1,254 TRC applications mainly relating to investment funds, CIS Managers and Asset Management.

#### *Complaints*

For the year 2023/24, nine complaints relating to investment funds and intermediaries were received, out of which four have been closed.

### Collaboration with the Industry

During period under review, the Sub-Committee on Funds held two meetings with Mauritius Finance (MF). The purpose of the meetings was to discuss proposed amendments made to relevant legislations, for the Funds Sector.

### Regulatory Developments in the Investment Funds Sector

#### *ESG Guidelines for Investment Funds*

Sustainable investments rank high on the agenda of the Commission. To this end, it has, on 23 October 2023, issued for public consultation the ESG Guidelines for Investment Funds. The latter provides the general principles, in line with international norms, to be adopted by Investment Funds which pursue ESG objectives.

#### *FSC issues draft legislations for public consultation*

On 18 January 2024, the Commission issued the following draft legislations for public consultation in line with its transparent rule-making process:

- Securities (Mauritius Green Fund) Rules 2023;
- Securities (Collective Investment Schemes and Closed-End Funds) (Amendment) Regulations 2023; and
- Securities (Fund Management) Rules 2023.



# CAPITAL MARKETS

## SECTOR OVERVIEW

Across most developed and emerging economies, securities exchanges have experienced a rather good performance despite some volatility. Stocks have powered ahead during the second half of 2023. Conditions are still improving in most economies as they catch up from relatively lacklustre post-COVID-19 GDP growth trajectories. Economies were recovering from near-recession conditions in 2023, while experiencing improvement in growth indicators and a range of policy measures are being implemented to stabilise the property market and boost the economy. During the first half of 2024, securities exchanges have evolved within the same trend and many economies are in an election year, while others are preoccupied with factors such as monetary policy, inflation, and interest rates.

## CAPITAL MARKETS' STRUCTURE

As per the SA, the capital market structure comprises the following types of licensees:

- Market infrastructure licensed under Sections 9, 10 and 11 of the SA consisting of securities exchanges, clearing & settlement facilities and securities trading systems;
- Market intermediaries including investment dealers and investment advisers which are licensed under Sections 29 and 30 respectively under the SA; and
- Reporting issuers as defined under Section 86 of the SA and registered under Rule 3 of the Securities (Disclosure Obligations of the Reporting Issuers) Rules 2007.

## SEM

During the year under review, the Stock Exchange Mauritius (SEM) evolved in a general upward trajectory with occasional volatility registering both bearish and bullish trends. A gradual upward trend was noted at the start of July 2023 with the market swaying into positive and negative territory until 30 June 2024.

The trends of the SEMDEX and SEMTRI are reflected in the graph below.

**Figure 3: Evolution of SEMDEX and SEMTRI**



# CAPITAL MARKETS

## Market Performance

The SEM operates two markets, namely the Official Market and the Development and Enterprise Market (DEM). At the end of June 2024, the total market capitalisation for both markets on SEM amounted to MUR 378.5 billion as compared to MUR 362.22 billion during the same period in 2023. The total value of shares exchanged stood at MUR 14.1 billion for the year 2022/23, with an overall volume of 439.3 billion shares. Comparatively, for the year 2023/24, the total value of shares traded stood at MUR 12.9 billion and the volume of shares exchanged amounted to 485.4 million.

The table below shows the opening and closing of indices on the SEM:

- Official Market

**Table 7:** Figures for SEM indices – Official Market

Particulars	Start (Opening) July 2023	End (Closing) June 2024	Start (Opening) July 2022	End (Closing) June 2023
SEMDEX	1,967.1	2,108.8	2,127.1	1,967.1
SEM-10	361.7	395.0	387.2	361.7
SEMTRI (MUR)	8,244.8	9,288.9	8,568.6	8,244.8
SEMTRI (USD)	2,846.9	3,098.5	2,999.7	2,846.9
SEMSI	106.2	112.6	113.7	106.2

Source: Stock Exchange of Mauritius Ltd

- DEM

**Table 8:** Figures for SEM indices – DEM

Particulars	Start (Opening) July 2023	End (Closing) June 2024	Start (Opening) July 2022	End (Closing) June 2023
DEMEX	252.7	242.0	295.9	252.7
DEMTRI (MUR)	395.6	393.1	450.8	395.6
DEMTRI (USD)	274.9	263.8	317.5	274.9

Source: Stock Exchange of Mauritius Ltd

## Afrinex Limited

Afrinex Limited is a pan-African exchange with global reach and local presence located in Mauritius. It is a demutualised, fully electronic, multi-currency and multi-asset trading platform offering listing and trading of securities services. As at 30 June 2024, Afrinex Limited had 10 issuers listed on its platform with a total listing value of USD 13,364 million.

## Market Intermediaries

Pursuant to Sections 29 and 30 of the SA (under Part III – ‘Financial Markets Regulation’), there are two types of market intermediaries, namely, investment dealer and investment adviser. The core activity of the investment dealer is to execute trade orders for securities on behalf of clients and that of the investment adviser is to provide advice on securities transactions to clients. An investment adviser (unrestricted) can also manage a portfolio of securities on behalf of clients. The FSC Mauritius may also authorise foreign investment dealers (who are licensed, regulated, approved, recognised or otherwise authorised to perform in a foreign jurisdiction the functions of an investment dealer) to trade on a securities exchange licensed by the Commission.

## **Reporting Issuers**

During the period under review, the Commission granted registration to two entities as Reporting Issuers pursuant to Section 86 of the SA. With the amendments brought to the SA, entities listed on a securities exchange in Mauritius and entities with more than 100 shareholders no longer fall under this category. As such, these entities sought for a deregistration from the FSC Mauritius. As at 30 June 2024, there were 152 Reporting Issuers registered with the Commission. During the period under review, Reporting Issuers were subject to ongoing disclosure requirements as per the SA and the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007.

## **DEVELOPMENTS IN CAPITAL MARKETS**

### **Sustainable Finance Initiatives**

Sustainable finance is a means to support economic growth while taking into consideration the environment, social and governance aspects. As part of its Strategic Plan 2021-2023, one of its objectives is to encourage the setting up and re-domiciliation of funds and investment businesses, with embedded ESG strategies or with objectives aligned with the United Nations Sustainable Development Goals (United Nations SDGs). In line with its strategic plan, the FSC Mauritius is currently working on an ESG reporting framework for investment businesses. The objective is to provide a supportive framework for investors and promoters which value ESG factors in their decision-making process.

### **Securities Act**

The FSC Mauritius is currently revamping the SA to align it with international norms and new developments in the financial services landscape. This will provide an opportunity to tap on the new regulatory framework to reinforce Mauritius as a sustainable IFC. The draft bill has been posted on the website of the Commission for public consultation in December 2023.

### **Securitisation Bill**

The introduction of a new Securitisation Bill was announced in the National Budget measures 2021-2022. The objective is to provide a legal framework on securitisation of financial products through special purpose vehicles. Accordingly, the FSC Mauritius has drafted the proposed Securitisation Bill which was issued for public consultation in March 2023.

### **Securities (Preferential Offer) (Amendment) Rules 2023**

The Securities (Preferential Offer) Rules were amended and came into operation on 16 October 2023. The purpose of the amendment is to impose a requirement for any issuer of debt securities to register the issue with the Commission and to ensure efficient control / record for private placement / preferential offer issuance in the CM sector.

# CAPITAL MARKETS

## SUPERVISION

### AML/CFT Onsite Inspections

In line with the Risk Based Supervision plan for the fourth cycle of 2023/24, CM has completed 54 inspections. The onsite inspections were focused on risks identified both at the national level through the NRA and at the sectorial and entity levels.

### Monitoring of Securities Exchanges / Clearing & Settlement Facilities

Pursuant to Section 6(f) of the SA, the FSC Mauritius has a mandate to 'monitor and regulate the operation of securities exchanges and the activities of persons providing clearing and settlement services and trading systems for securities'.

As part of its offsite surveillance functions, the Commission continuously monitors the trading, clearing and settlement activities of the licensed entities to ensure that they are operating in a fair, efficient and transparent manner. The daily performance of securities listed are monitored online electronically through the Automated Trading System in terms of volume, share price and any corporate actions. In addition, these licensees must submit the statutory returns and other prescribed requirements.

### Meetings with Securities Exchanges

As part of its supervisory mandate, the Commission regularly meets with the representatives of the two securities exchanges to discuss any exceptions or developments on market trading sessions and listing matters. Furthermore, in light of developments in the CM landscape, the securities exchanges brought several amendments to their respective rules. In this respect, the Commission granted its approval to the Securities Exchanges Rules for new rules under Section 13(3) of the SA.

### Market intermediaries

The following table indicates the number of entities including GBCs which are licensed as investment dealers and investment advisers and their representatives.

**Table 9:** Number of Investment Dealers, Investment Advisers and Representatives as at 30 June

Activity	2024	2023
Investment Dealers	104	237
Investment Advisers	14	361
Representatives of Investment Dealer	3	30
Representatives of Investment Adviser	17	158

### Investment Banking

As at 30 June 2024, there were eight investment banking licence holders.

# INSURANCE

## SECTOR OVERVIEW

The regulatory framework for the insurance sector has remained robust with the FSC Mauritius ensuring compliance with the legal and regulatory requirements. The Commission oversees the conduct of licensed insurers and reinsurers as well as intermediaries, from both prudential and AML/CFT perspectives.

Adoption of IFRS 17 has remained a significant challenge for the insurance industry. Its implementation is a priority whereby working sessions have been organised with insurers in view of aligning the regulatory reporting obligations with the new standard.

Following the expiry of the transitional period for existing Third Party Administrators, the FSC Mauritius has received applications from two existing operators, during the year under review. In addition, the Captive Act has been amended to introduce new categories of captive insurance business.

Following the introduction of the new class of long term insurance business, namely Structured Investment-Linked Insurance Business in 2022, the Commission has also started receiving applications for such class during the year under review.

### Long Term Insurance Business

For the period under review, there were seven licensed long term insurers, excluding BAI Co (Mtius) Ltd (which is under Special Administration since 2015).

**Table 10:** Trends in long term insurance business

Parameters	2022	2021	2020
Number of insurers	7	7	7
Value of Assets (MUR billion)	106.0	106.2	87.6
Gross Premiums (MUR billion)	12.7	11.6	10.5
Termination (death, maturity, surrenders, lapse)	79,965	69,344	63,098
Value of Claims (MUR billion)	9.2	8.1	8.1
Number of Policies	583,002	553,116	525,065

The total value of assets was MUR 106.0 billion in 2022 compared to MUR 106.2 billion in 2021. Gross premium increased by nine per cent in 2022 to reach MUR 12.7 billion compared to MUR 11.6 billion in 2021 and the number of policies increased by five per cent from 553,116 in 2021 to 583,002 in 2022.

### General Insurance Business

In 2022, there were 15 insurers licensed to conduct general insurance business. The value of assets increased by six per cent in 2022 to reach MUR 25.1 billion compared with MUR 23.6 billion in 2021. The capital and reserves decreased by two per cent to reach MUR 9.2 billion compared to MUR 9.5 billion in 2021.

Gross premiums for motor business amounted to MUR 4.4 billion in 2022 compared to MUR 4.1 billion in 2021, representing an increase of eight per cent. Gross premiums for non-motor business stood at MUR 9.8 billion in 2022 compared with MUR 7.7 billion in 2021.

Underwriting profits stood at MUR 0.1 billion in 2022 compared with MUR 0.5 billion in 2021, representing a decrease of 76 per cent. Technical reserves increased by 14 per cent over the same period. Operating profits amounted to MUR 0.8 billion in 2022 compared with MUR 1.01 billion in 2021, representing a decrease of 20 per cent over the previous year.

## INSURANCE

The number of motor claims stood at 66,048 for 2022, which is higher than the figure of 61,595 in 2021. In the same line, the number of non-motor claims amounted to 432,789 in 2022 and 356,327 in 2021. The number of policies increased from 575,758 in 2021 to 603,124 in 2022.

**Table 11:** Trends in general insurance business

Parameters	2022	2021	2020
Number of insurers	15	15	15
Value of Assets (MUR billion)	25.1	23.6	21.2
Gross Premiums (MUR billion)	14.2	11.8	11.1
Number of Claims	498,837	417,922	318,936
Value of Claims (MUR billion)	8.0	6.2	6.0
Number of Policies	603,124	575,758	564,783

**Note:** Insurers were granted extension in timeline for the submission of required regulatory filings for the year ended 2023 in view of the introduction of IFRS 17.

### Insurance Intermediaries

The number of insurance intermediaries licensed was as follows:

**Table 12:** Number of insurance intermediaries as at 30 June

Parameters	Domestic		GB		Total	
	2024	2023	2024	2023	2024	2023
INS-2.1 Insurance Manager	-	-	9	9	9	9
INS-2.2A Insurance Agent (Company)	172	167	3	4	175	171
INS-2.2B Insurance Agent (Individual)	63	63	-	-	63	63
INS-2.3 Insurance Broker	41	38	33	31	74	69
INS-2.4 Insurance Salesperson (Registration)	774	813	-	-	774	813

## **DEVELOPMENTS IN THE INSURANCE SECTOR**

### **National Insurance Claims Database (NICD) / Bonus Malus System**

In its 2020-2024 programme, the Government announced the introduction of the Bonus Malus system with the view to restructure the vehicles-driver insurance system and build a safe and secure Mauritius. In this respect, the Commission, in collaboration with the MFSGG, has set up the NICD, which will be the basis for operationalising the Bonus Malus system. Subsequently, the setting up and hosting of the NICD by the Commission was announced in the Budget speech 2021/22 and the Insurance Act was amended accordingly.

As a centralised database, the NICD will operate as a repository capturing claims data to assist the Commission in maintaining fair, safe, stable and efficient insurance markets for the benefit and protection of the public. The logging of claims on the NICD will be made compulsory for all insurers conducting motor insurance business.

### **Technical committee on Insurance and Pensions**

The FSC Technical Committee on Insurance and Pensions was set up on 29 September 2021 to look into regulatory matters including technical discussions and opinion sharing pertaining to the insurance and pensions industry.

For the year under review, three meetings were held during which members discussed the NICD, International Financial Reporting Standards (IFRS) 17, jurisdictions equivalence, reinsurance hub, third party captive, budgetary proposals, and tax considerations for insurance related matters. For the pension sector, members deliberated on income drawdown, and the approval of new private pension schemes, among others.

### **Reinsurance Hub**

Following the Budgetary 2022/23 announcement, the FSC Mauritius appointed a consultant to establish a regulatory framework for reinsurance that would set Mauritius as the jurisdiction of choice for reinsurers (including renowned international reinsurers) to domicile and attract regional reinsurers.

### **Third Party Captive Insurance Business**

The Captive Insurance (Amendment of Schedule) Regulations 2023 have come into operation on 28 October 2023 and the rules were gazetted on 24 February 2024. The new Schedule amends the description of pure captive insurance business and adds new categories of captive insurance business, namely Class 1, Class 2 and Class 3 third party captive insurance business and multi-owner pure captive insurance business. The statutory returns are being aligned with IFRS 17 and other applicable IFRSs.

### **IFRS 17**

IFRS 17, which replaces IFRS 4 on Insurance Contracts, is effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted as long as IFRS 9 (Financial Instruments) is also applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standards. Its objective is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 represents a significant change in the accounting of insurance contracts and its implementation is posing challenges for insurers. As such, the FSC Mauritius provided an extension to relevant licensees to ensure they meet the regulatory requirements.



# INSURANCE

## Belal Helpdesk

Following the damage caused by the cyclone Belal flooding on 15 January 2024, the Government took the initiative to fully compensate affected policyholders up to the amount of their sum insured for comprehensive covers and compensate policyholders not having adequate insurance coverage such as third party and comprehensive without flood and cyclone cover. In this context, the Commission established a dedicated helpdesk to facilitate the payment of compensations. Moreover, the Commission had urged the insurance industry to take swift action in registering and settling eligible claims, ensuring immediate relief to the impacted policyholders.

As of 30 June 2024, the Commission has paid MUR 57,629,901 to inflicted policyholders, 79 per cent of which pertained to comprehensive insurance covers. The breakdown of payments is as per the below table:

**Table 13:** Belal breakdown of payments

Type of Cover	Number	Amount Paid (MUR)
Comprehensive	893	37,300,579
Third Party and Comprehensive without flood and cyclone cover	231	20,329,322
<b>TOTAL</b>	<b>1,124</b>	<b>57,629,901</b>

## SUPERVISION

### Onsite Inspection

During the year under review, 20 onsite inspections were conducted to:

- ascertain compliance with relevant laws and regulations;
- determine whether dealings with policyholders and public are fair and transparent;
- assure sound corporate governance;
- check adherence to AML laws and regulations; and
- identify any other deficiencies.

### Funeral Schemes

Since 01 October 2016, the management of funeral schemes has become a regulated business activity under the FSA. As at end of the reporting period, there were two licensed funeral scheme managers. During the year 2023/24, the Commission has closely monitored the licensed funeral scheme managers so that they comply with their post-licensing requirements and the Financial Services (Funeral Scheme Management) Rules 2016. The Commission also requested the companies to take necessary actions to address issues such as governance, solvency, liquidity, among others. Unlicensed funeral scheme managers have been required to stop underwriting any new business and have been given firm timelines to submit their application and obtain a license.



# PENSIONS

## SECTOR OVERVIEW

The primary trend in the global pensions market remains the shift towards Defined Contribution (DC) pension plans due to growing concerns towards the sustainability of Defined Benefit (DB) pension plans. This transition is expected to accelerate as governments and companies seek to mitigate and manage the financial risks associated with increased life expectancy and aging populations. In countries where state pension systems are underdeveloped or inadequate, there is increased adoption of and reliance on private pension schemes. Tech-driven solutions are also on the rise, with robo-advisors and digital platforms gaining traction in the pensions industry making it more efficient and accessible to stakeholders.

Mauritius has a rich tradition of voluntary private pension schemes, primarily sponsored by private sector employers for the benefit of employees. Pension benefits from a private occupational source supplement the state pension which become payable at the age of 60. These private pension schemes are either DB, DC or a hybrid of both.

The PPSA and the FSC Rules made thereunder, work towards providing enhanced protection to members of private pension schemes and encouraging savings during the working life of individuals. This legislative framework is in line with international norms and best practices and reinforces the supervisory and enforcement powers of the Commission to have a credible deterrent to non-compliance with prescribed requirements and conditions.

The categories of private pension schemes licensed or authorised under the PPSA include:

- pension schemes;
- external pension schemes; and
- foreign pension schemes.

As per Section 8 of the PPSA, private pension schemes must be established as a trust, a foundation or specified bodies as indicated in the FSC Rules. As at 30 June 2024, there were 75 licensed private pension schemes in Mauritius, covering approximately 2,434 sponsoring employers.

With the implementation of the Portable Retirement Gratuity Fund (PRGF) under the Workers' Rights Act 2019 (WRA), private sector employers must contribute to the PRGF unless their workers' retirement benefits are provided through a private pension scheme licensed with the Commission. To qualify for this exemption, the employer's contribution amount per employee must not be less than the amount prescribed in the WRA, under the PRGF Regulations. The required amount of contribution must be confirmed by the administrators of the private pension schemes.

The aim of the Commission is to protect the best interests of beneficiaries of private pension schemes and ensure the enhancement of retirement savings against the backdrop of volatility arising due to unpredictable world events. In Mauritius, the continuous pivotal change of DB schemes to DC schemes requires the full attention of the Commission to ensure that members' best interests are safeguarded throughout the process of benefits accumulation up till the time of retirement.

# PENSIONS

## Recent Developments

- Over and above the existing multiple-pillar retirement system in Mauritius, the Commission has embarked on a new project to establish another voluntary pension savings pillar that will target Mauritians working in the informal sector of the country;
- The FSC Mauritius has initiated an information gathering exercise with administrators to obtain visibility on the quantum and nature of abandoned funds currently held by private pension schemes under their administration; and
- The Commission has come across numerous occurrences whereby sponsoring employers are failing to remit contributions for consecutive months in private pension schemes. In this respect, a gap analysis has been carried out to determine whether the current legislative framework will require additional enforcement provisions.

## Private Pension Schemes Industry at a Glance

**Table 14:** Number of private pension schemes licensed as at 30 June

Categories of Private Pension Schemes	2024	2023
Pension Schemes	71	72
Foreign Pension Schemes	-	-
External Pension Schemes	4	4
<b>Total</b>	<b>75</b>	<b>76</b>

The Commission has licensed one pension scheme during the period under review and approved the winding up of two pension schemes.

**Table 15:** Total assets of private pension schemes as at 30 June

	2023	2022
<b>Total Assets (MUR Billion)</b>	<b>61.3</b>	<b>59.8</b>

## Administrators of Private Pension Schemes

**Table 16:** Number of administrators as at 30 June

Categories of Administrators	2024	2023
Pension Scheme Administrators	9	8
Long Term Insurers authorised to administer Private Pension Schemes	5	5

During the period under review, the Commission has licensed one pension scheme administrator.

## **SUPERVISION**

### **Onsite Inspection**

In line with the AML/CFT supervisory plan for the fourth cycle 2023/24, AML/CFT onsite inspections were conducted for two licensees.

### **Offsite Supervision**

Following the issuance of the Guidelines for the 'conversion' or 'shift' of defined benefit pension schemes to defined contribution pension schemes, sponsoring employers of underfunded DB schemes, have embarked on either shift or conversion processes to mitigate and manage the financial risks associated with pension liabilities. During the year under review, an increased number of applications for shifts and conversions have been submitted by private pension schemes for approval.

For the year under review, the FSC Mauritius has approved 12 shifts and four conversions. In addition, it monitors the onboarding of deemed-to-be licensed pension schemes (contractual forms) under a legal structure prescribed under the PPSA. In this respect, for the year under review, the Commission has approved the onboarding of 24 deemed-to-be licensed schemes.

### **Referral to Enforcement**

In line with the PPSA, the Commission closely monitors private pension schemes and administrators such that any prompt referral can be made to the ED in the event of repeated and substantial non-compliance with the law. During the year under review, three private pension schemes were referred.

### **Review of AFS, Actuarial Valuation Reports and Contingency Plans**

During the year under review, the Commission has conducted offsite reviews with respect to AFS, Statutory Returns, Actuarial Valuation Reports, Actuarial Reports and Contingency Plans of private pension schemes. The governing bodies of private pension schemes, which are ultimately responsible for the administration and management of assets of the schemes, were requested to remedy identified deficiencies.

As part of its ongoing monitoring exercise, the FSC Mauritius monitors, via contingency plans, the deficit funding of underfunded DB schemes whereby administrators are requested to provide confirmations along with evidence on the funding of underfunded DB schemes by the sponsoring employers.

### **Portable Retirement Gratuity Fund**

As at 30 June 2024, the Commission has issued 2,434 certificates to sponsoring employers participating in private pension schemes.

# FINTECH

## SECTOR OVERVIEW

Fintech is redefining the financial ecosystem, fostering inclusive growth, providing improved access to finance and creating a more interconnected financial market. Mauritius remains committed to meeting international norms and standards. The FSC Mauritius has amended the transitional provisions of the VAITOS Act for those entities licensed as a Custodian (digital assets) under the FSA, to be deemed licensed as a class "R" Virtual Asset Custodian as from 06 August 2023. The purpose of these amendments is to protect the integrity of the virtual assets eco-system. In addition, the Commission has subscribed to a blockchain distributed analytics tool to enhance its supervisory and enforcement capabilities.

## SUPERVISION

### Onsite Supervision

In line with the RBS plan for the cycle of 2023/24, Fintech has completed four AML/CFT and four prudential inspections. The outcome of onsite supervision engagements led, in some instances, to robust remediation plans and/or referrals to the ED for further necessary actions.

### Offsite Supervision

The FSC Mauritius recognises the need to devise a robust supervisory response to regulate and monitor Fintech activities. This is essential for a sound market conduct and to continuously build a robust regime in the fight against Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF).

As part of its supervisory mandate, the Commission requires licensees to submit statutory filings including quarterly reports as per the relevant Acts and Rules under the respective Fintech activities. The Commission also actively engaged with its licensed financial institutions' management to discuss on ongoing supervision, clarify regulatory expectations or address specific concerns.

The following table indicates the number of licences issued including GBCs and domestic companies licensed under Fintech.

**Table 17:** Number of licences under Fintech as at 30 June

Activities	2024	2023
Payment Intermediary Services	33	27
Peer to Peer Lending	2	2
Custodian Services (digital asset)*	-	1
<b>Virtual Asset Service Providers:</b>		
• Virtual Asset Broker - Dealer (Class M)	2	-
• Virtual Asset Wallet Services (Class O)	1	-
• Virtual Asset Custodian (Class R)	2	-
• Virtual Asset Advisory Services (Class I)	1	-
• Virtual Asset Market Place (Class S)	2	-
<b>Total</b>	<b>43</b>	<b>30</b>

\*As from 06 August 2023, the entity which was licensed as a Custodian (digital assets) under the FSA shall, be deemed-to-be licensed as a class "R" Virtual Asset Custodian.

# OTHER CLUSTERS



## **ESG Corporate Governance Goals:**

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.



# LEGAL AND REGULATORY DEVELOPMENTS

## AMENDMENTS TO THE LEGISLATIONS

For the period under review, the following Acts, Rules and Regulations were amended:

Main amendments to Relevant Acts

The Finance (Miscellaneous Provisions) Act 2023, which came into force on 20 July 2023 amended the following relevant Acts:

- (a) Financial Services Act;
- (b) Insurance Act;
- (c) Securities Act;
- (d) Private Pension Schemes Act;
- (e) Virtual Asset and Initial Token Offering Services Act 2021; and
- (f) Variable Capital Companies Act 2022.

### The Financial Services Act

The Financial Services Act was amended to enhance the regulatory powers of the FSC Mauritius.

The FSC Mauritius is now empowered to:

- terminate the licence of a licensee for non-payment of administrative penalties;
- enforce compliance with the AML/CFT legislation;
- enter into arrangements with and extend assistance to a foreign supervisory institution provided that the latter satisfies the relevant confidentiality requirements imposed by the FSC Mauritius;
- make FSC Rules on obligations and responsibilities of Management Companies with respect to their functions of administrator or registered agent of a Global Business company or Authorised Company;
- require licensees to submit an independent compliance report, on such terms and conditions as the FSC Mauritius may determine.

Further, the recovery capacity of the FSC Mauritius has been enhanced such that the recovery of annual licence fees and late charges due to the FSC Mauritius will not be time barred or affected by any law relating to limitation of action. In addition, the amendments also provide for the filing of documents with the FSC Mauritius electronically.

### The Insurance Act

The Insurance Act was amended to enable the Insurance Industry Compensation Fund to provide for the appropriate non-pecuniary assistance to victims of hit and run road accidents.

### The Securities Act

The Securities Act was amended to enhance the attractiveness of Mauritius as a Fund domicile by allowing Funds to invest in loans or similar debt instruments, without the need to seek approval from the FSC Mauritius.



# LEGAL AND REGULATORY DEVELOPMENTS

## **The Variable Capital Companies Act 2022**

The Variable Capital Companies Act 2022 was amended to extend the scope of VCC to include Family Offices. Thus, a VCC may now seek authorisation from the FSC Mauritius to operate as either a VCC Fund, a family office through a special purpose vehicle or such other activity as may be prescribed.

## **The Virtual Asset and Initial Token Offering Services Act 2021**

The Virtual Asset and Initial Token Offering Services Act 2021 was amended to inter alia:

- allow a Virtual Asset Custodian to also hold custody of securities tokens;
- remove the requirement for an applicant to be considered as an issuer of initial token offerings to submit an approval letter, in respect to the initial token offerings, issued by the virtual asset exchange or its equivalent acceptable to the FSC Mauritius; and
- allow the FSC Mauritius to make Rules to provide for the setting up of a Virtual Asset Register for any person holding a virtual asset.

## **AMENDMENTS TO THE RULES**

### **Financial Services (Consolidated Licensing and Fees) (Amendment No. 2) Rules 2023**

The Financial Services (Consolidated Licensing and Fees) Rules 2008 was amended by the Financial Services (Consolidated Licensing and Fees) (Amendment No. 2) Rules 2023 to:

- (a) provide for the fees to be paid by an External Pension Scheme (Protected Cell Company) in respect of the creation of a cell; and
- (b) clarify the stand of the Commission on the authority form in respect of an application for a licence under the Insurance Act, Private Pension Schemes Act or Captive Insurance Act and where the applicant is not an individual.

These Rules came into operation on 02 October 2023.

### **Securities (Preferential Offer) (Amendment) Rules 2023**

The Securities (Preferential Offer) Rules 2017 was amended by the Securities (Preferential Offer) (Amendment) Rules 2023 to impose a requirement for any issuer of debt securities to register the issue with the FSC Mauritius and thus ensure efficient control/record for private placement/preferential offer issuance being undertaken in the securities market sector.

These Rules came into operation on 16 October 2023.

### **Financial Services (Framework for the Imposition of Administrative Penalties) (Amendment) Rules 2023**

The Schedule to the Financial Services (Framework for the Imposition of Administrative Penalties) Rules 2022 provides for the methodology to be applied in determining the amount of administrative penalty to be imposed where, in the exercise of the disciplinary powers under Section 7(1)(c)(v) of the FSA, the FSC Mauritius, the Enforcement Committee or the Settlement Committee imposes an administrative penalty.

Amendments to the Schedule were made through the Financial Services (Framework for the Imposition of Administrative Penalties) (Amendment) Rules 2023 for the purposes of calculating the administrative penalty taking into consideration the total relevant gross income.

These Rules came into operation on 18 November 2023.



### **Financial Services (Spot Commodity Market and Intermediaries) Rules 2024**

The Financial Services (Spot Commodity Market and Intermediaries) Rules 2024 provide for, inter alia, the requirements for the licensing and ongoing obligations of spot commodity markets, spot commodity clearing houses as well as the four types of spot commodity market intermediaries. The elements of “environmentally linked financial instruments” and “carbon offset” as tradable commodities have been specifically included in the definition of “spot commodity contracts” to position Mauritius as an attractive jurisdiction for ESG-related trading. These Rules further provide that a spot commodity market shall ensure compliance with applicable standards for responsible and sustainable sourcing and have arrangements in place to ensure, where applicable, that the spot commodity market and its members are certified as compliant with:

- (a) (i) ISO 14001 (Environmental Management Systems (EMS);  
(ii) OHSAS 18001 / ISO 45001 (Health & Safety Management); or  
(iii) equivalent certification standards; and
- (b) ensure its arrangements are compliant with the OECD’s Due Diligence Guidance for Responsible Mineral Supply Chains, as may be applicable.

Other salient features of these Rules include:

- (a) requirements regarding the business rules of spot commodity market and spot commodity clearing house;
- (b) minimum capital requirements;
- (c) obligations of the licensees including reporting obligations;
- (d) conduct of business of spot commodity market intermediaries including risk disclosure and segregation of assets;
- (e) applicable provisions relating to market abuse; and
- (f) powers of the FSC Mauritius.

These Rules came into operation on 09 February 2024.

### **Financial Services (Consolidated Licensing and Fees) (Amendment No. 2) Rules 2024**

The Financial Services (Consolidated Licensing and Fees) Rules 2008 was amended by the Financial Services (Consolidated Licensing and Fees) (Amendment No. 2) Rules 2024 to cater for the applicable processing and annual fees for the new financial business activities with respect to spot commodities.

These Rules came into operation on 09 February 2024.

### **Financial Services (Consolidated Licensing and Fees) (Amendment No. 3) Rules 2024**

The Financial Services (Consolidated Licensing and Fees) (Amendment No. 3) Rules 2024 prescribe the processing and annual fees applicable to pure captive insurance business. Furthermore, holders of Pure Captive Insurance Business licence shall now be known as holders of Captive Insurance Business licence.

These rules came into operation on 26 February 2024.

## LEGAL AND REGULATORY DEVELOPMENTS

### **Captive Insurance (Captive Insurance Business) Rules 2024**

The Captive Insurance (Captive Insurance Business) Rules 2024 provide for the technical requirements applicable to all categories of captive insurance business. They include the following key sections:

- (i) scope and conduct of captive insurance business;
- (ii) governance and management of captive insurance business including the Risk Management Framework;
- (iii) solvency requirements; and
- (iv) audit, actuarial and reporting requirements.

These rules came into operation on 26 February 2024.

### **Captive Insurance (Pure Captive Business Rules 2016) (Revocation) Rules 2024**

With the enactment and coming into force of the Captive Insurance (Amendment of Schedule) Regulations 2023 which repealed and replaced the Schedule to the Captive Insurance Act, the Captive Insurance (Pure Captive Business) Rules 2016 was revoked by the Captive Insurance (Pure Captive Business Rules 2016) (Revocation) Rules 2024.

These Rules came into operation on 26 February 2024.

### **Financial Services (Consolidated Licensing and Fees) (Amendment No. 4) Rules 2024**

The Financial Services (Consolidated Licensing and Fees) Rules 2008 was amended by the Financial Services (Consolidated Licensing and Fees) (Amendment No. 4) Rules 2024 to allow for sub funds of VCC Funds to operate in a multi share class structure and to provide for the applicable processing and annual fees.

These Rules shall come into operation on 02 March 2024.

### **Financial Services (Consolidated Licensing and Fees) (Amendment) Rules 2024**

The Financial Services (Consolidated Licensing and Fees) (Amendment) Rules 2024 amended the Financial Services (Consolidated Licensing and Fees) 2008 to reduce the existing lapse provisions for those licensees which do not pay their annual licence fees by the due date.

These Rules shall come into operation on 01 July 2025.

## **AMENDMENTS TO FSC REGULATIONS**

### **The Financial Services (Amendment of Schedule) Regulations 2024**

The Financial Services (Amendment of Schedule) Regulations 2024 amended Part I of the Second Schedule to the FSA to include the following new financial business activities:

- (i) Spot commodity broker;
- (ii) Spot commodity broker's representative;
- (iii) Spot commodity clearing house;
- (iv) Spot commodity market;
- (v) Spot commodity trading adviser; and
- (vi) Spot commodity trading adviser's representative.

The above-mentioned new financial business activities enable relevant licensees to be involved in the trading, clearing, settlement and intermediation of spot commodity contracts in and from within Mauritius.

These regulations came into operation on 03 February 2024.

### **The Captive Insurance (Amendment of Schedule) Regulations 2023**

The Captive Insurance (Amendment of Schedule) Regulations 2023 repealed and replaced the Schedule to the Captive Insurance Act and added new categories of captive insurance business.

These regulations came into operation on 28 October 2023.

# FINTECH AND INNOVATION

The objectives of the Fintech and Innovation cluster is to provide leadership, guidance and advisory support, in order to address the fast-evolving regulatory policy and strategic landscapes impacting on fintech and innovation.

## Fintech and Innovation Milestones

### Stablecoins

On 24 July 2023, the Commission has issued draft Guidance Notes on Stablecoins for public consultation. The primary objective of the draft Guidance Notes is to inform stakeholders of the financial services industry about the FSC's regulatory policy on stablecoins. The draft Guidance Notes has been circulated to other relevant competent authorities (including the central bank) and industry associations and is expected to be finalised soon.

### Decentralised Finance: Regulatory Considerations on Financial Collaterals

In line with its innovative and transparent regulatory policy-making process, the Commission took the initiative of drafting a Paper on Regulatory Considerations for Financial Collaterals in a DeFi context, which was issued for public consultation. The feedback to the consultation exercise reveals that there is a need for a comprehensive roadmap for transitioning to DeFi.

### Cloud Computing Services

The Commission has issued Guidelines on Cloud Computing Services on 30 November 2023. Cloud computing is a broad term which encompasses access to a shared pool of on-demand configurable computing resources over the internet. The regulatory guidelines issued by the FSC Mauritius aims at providing general guidance to licensees concerning the uses of cloud computing services. Licensees are required to comply with the provisions of the Guidelines, while taking into consideration the nature, scale and complexity of their business activities, environment and risks respectively.

### Peer to Peer Insurance

The Commission has issued a Consultation Paper, on 18 March 2024, in view of establishing a comprehensive regulatory framework for Peer to Peer (P2P) Insurance. P2P Insurance is a type of risk sharing model which enables persons to form communities of peers with common interests to protect themselves against losses. This regulatory framework for P2P Insurance shall boost the insurance sector namely through the establishment of new and innovative operators in Mauritius.

### Regulatory Sandbox

On 06 November 2023, the Commission issued guidelines for Regulatory Sandbox Authorisation. The objectives of the Guidelines are to highlight the main principles of the regulatory sandbox regime, provide guidance to prospective applicants on the application process for a Regulatory Sandbox Authorisation and set out the minimum ongoing obligations of any sandbox entity.

### Metaverse

The Commission has issued a Consultation Paper on the strategic developments and repercussions of the metaverse for the financial services industry in Mauritius on 31 October 2023. The paper depicts the innovative role of metaverse in shaping the future of the financial services sector in Mauritius. The FSC Mauritius envisages to establish a multidisciplinary Working Group, in collaboration with the financial services industry, to further address the future policy and regulatory orientations of the Mauritius International Financial Centre, in relation to the metaverse.

## **Network for Greening the Financial System**

The Commission is a member of the Network for Greening the Financial System (NGFS) as from 27 December 2023. The NGFS is a group of central banks and financial supervisors that are willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance for supporting the transition toward a sustainable economy.

## **Fintech and Innovation Collaborative Engagements**

### **Alliance for Innovative Regulation**

The Commission has participated in initiatives driven by the Alliance for Innovative Regulation (AIR), including the NextGenAI Tech Showcase. Founded in 2019, AIR is a non-profit and non-membership organisation which is committed to make the financial system fully inclusive, equitable and robust through ethical utilisation of emerging technologies.

### **IOSCO AMERC Fintech Working Group**

The Commission is an active member of the IOSCO Africa / Middle - East Regional Committee (IOSCO AMERC) Fintech working group. The objective of the working group is to facilitate the sharing of information and experiences between countries of the AMERC region with a view to upscale the awareness, knowledge and understanding of Fintech-related issues. During the period under review, the FSC Mauritius participated as moderator and panellist for two webinars organised by the working group on Crowdfunding and Fintech Ecosystem, respectively.

### **IAIS Forum on Fintech**

The Commission is a member of the IAIS Fintech Forum and is represented in the Forum's Artificial Intelligence and Machine Learning sub-group, and the Distributed Ledger Technologies and Blockchain sub-group. The IAIS Fintech Forum is a platform to share practical insights and experiences on fintech-related developments impacting the insurance sector and insurance supervisors globally.

### **Global Financial Innovation Network**

The Commission, as a member of the Global Financial Innovation Network (GFIN), has been actively participating in different initiatives of the GFIN during the period under review. The FSC Mauritius was among the 13 international regulators taking part in the GFIN's Greenwashing TechSprint launched in June 2023. This event provided a platform for the Commission to collaborate with other regulators, experts and firms involved in developing new technologies. In addition, the FSC Mauritius has participated in the GFIN Annual General Meeting on 25 October 2023 and in the GFIN Spotlight session on the theme of Quantum Computing technologies on 20 June 2024.

### **Mauritius Finance**

In order to proactively address the specific needs of the stakeholders of the Fintech industry in Mauritius, the Commission has since the past few years established a dedicated Sub-Committee on Fintech in collaboration with the MF. During the period under review, three meetings were held whereby several key coordination and developmental issues were considered, ranging from virtual assets / stablecoins to decentralised finance and artificial intelligence respectively.

## FINTECH AND INNOVATION

### **Mauritius Africa Fintech Hub**

The FSC Mauritius collaborated with the Mauritius Africa Fintech Hub (MAFH) in the organisation of the third edition of its Regulatory Roundtable, on 10 August 2023. This is a regular landmark event whereby the Commission played a pivotal role in shaping discussions about the future course of regulations for the Fintech industry.

### **Joint Working Group - Smart Contract**

A joint working group was established between the FSC Mauritius and the Ministry of Information Technology, Communication and Innovation to address the possibility of revising the relevant laws in Mauritius, to ensure for greater clarity, validity and enforceability of smart contract technology.

# STAKEHOLDER RELATIONS

## Strengthening stakeholder relations

The Commission plays an active role on local, regional and international fronts. Over the years, it has consistently emphasised the development of robust relationships and the expansion of collaborative initiatives with prominent international standard setting bodies such as IOSCO, IAIS, IOPS and IFSB among others. To bolster this commitment, the Commission facilitates cooperation through initiatives like information exchange, study visits and participation in and hosting of sub-committees, conferences.

## Effective cross-border supervision through the exchange of information

Effective cooperation, exchange of information and a robust relationship between regulators are of the essence to the protection of the financial stability of a country. The Commission continuously aim to sign Memorandum of Understandings (MoUs) with its local, regional and international counterparts to *inter alia*:

- strengthen the regulatory supervision of cross-border operations of Financial Institutions (FIs);
- identify sound mechanisms for the sharing of information in compliance with international best practices and standards; and
- support collaboration initiatives between regulatory institutions in the fight against financial crime, ML and TF.

The Commission stays committed to adhere to international best practices on transparency and disclosure of information. During the year under review, the Commission has signed an agreement with International Financial Centres Authority (IFSCA) on 07 March 2024.

## International Collaboration and Study visits

On 28 March 2024, the Board Members of the World Alliance of International Financial Centres, were in Mauritius to discuss the Commission's vision regarding sustainability and innovation within the financial services sector.

Study visits are at the heart of international cooperation and exchange of information, which showcases our commitment to the international community.

### Financial Services Authority, Seychelles

The Commission welcomed, from 24 to 26 July 2023, a delegation comprising officials from the Financial Services Authority, Seychelles (FSA). Presentation topics included an overview of the non-banking financial services sector in Mauritius, the current regulatory framework, and recent legislations regarding virtual assets among others.

### Bank of Mozambique

The Commission welcomed delegates from Bank of Mozambique from 26 to 28 September 2023. The study visit focused on licensing procedures, AML/CFT matters.

### Non-Bank Financial Institutions Regulatory Authority, Botswana

The FSC Mauritius welcomed delegates from the Non-Bank Financial Institutions Regulatory Authority from 16 to 17 October 2023. The study visit focused on licensing procedures and data management.

## STAKEHOLDER RELATIONS

### **WITS Business School**

The Commission welcomed MBA students from WITS Business School for a study tour on 22 November 2023. The study tour focused on the role of Commission and the financial landscape.

### **Abu Dhabi Global Market Financial Services Regulatory Authority, Virtual Assets Regulatory Authority and Dubai Financial Services Authority**

The Commission attended a study visit at Abu Dhabi Global Market Financial Services Regulatory Authority, Virtual Assets Regulatory Authority and Dubai Financial Services Authority on 23-26 January 2024. The aim of the study visit was to gain more knowledge and understand the implementation of the virtual asset regime in the United Arab Emirates.

### **Securities and Exchange Commission Ghana**

The Commission welcomed a delegation from the Securities and Exchange Commission Ghana on 23 February 2024. The study visit allowed the delegates to learn about licensing procedures, on communications structure, and investment funds management.

### **National Insurance Commission Ghana**

The Commission welcomed a delegation from the National Insurance Commission Ghana on 06 and 07 March 2024. The aim of the study visit was to learn and gain knowledge about insurance supervision system, licensing procedures, enforcement techniques and legal framework.

### **Bank of Namibia**

The Commission welcomed delegates from Bank of Namibia on 04 June 2024. The study visit focused on licensing and supervising of virtual asset service providers.

### **Securities Exchange of Zimbabwe**

The FSC Mauritius hosted a virtual study tour on 06 and 07 June 2024 with officers of Securities Exchange of Zimbabwe to share more insight on the functionalities of the prudential and AML RBS Systems.

## **International presence of the FSC Mauritius**

### **Re-election of FSC Mauritius as the AMERC Representative to the IOSCO Board**

The Commission was re-elected as Representative to the IOSCO Board in March 2024 to serve a new two-year term (2024 – 2026).



## International meetings and conferences

The Commission participated and hosted several meetings and conferences.

**Table 18:** International meetings and conferences

SN	Organisation	Date
1	46 <sup>th</sup> CISNA Meeting	01 – 06 October 2023
2	Financial Stability Board Regional Consultative Group for Sub-Saharan Africa meeting	05 – 06 October 2023
3	IOPS Annual Meetings and OECD / IOPS / IPEC Global Forum	17 – 19 October 2023
4	OECD / IOPS Global Forum	18 – 19 October 2023
5	IAIS Committee Meetings	06 – 10 November 2023
6	IOSCO AMERC Annual Meetings and Conference	20 – 23 November 2023
7	IOSCO MG – SC Meeting	22 November 2023
8	IOSCO Growth and Emerging Markets Committee Meeting	19 October 2023
9	IOPS Technical Committee meetings and IOPS / OECD / CONSAR International Conference	13 – 14 February 2024
10	IOSCO AMERC Plenary Meeting and AMERC Public Conference	20 – 21 February 2024
11	IOPS Principles of Private Pension Supervision Meeting	28 March 2024
12	IMF – IOSCO Training Workshop	15 – 19 April 2024
13	IFREFI Coordinators Meeting	02 May 2024
14	IFREFI Presidents meeting and Seminar	26 – 27 June 2024
15	GIFCS Plenary meeting	21 May 2024
16	Financial Stability Board Regional Consultative Group for Sub-Saharan Africa	22 – 23 May 2024

## Exchange of information

### International stakeholders

The below table illustrates the number of requests for information attended by the Commission to and from overseas counterparts:

**Table 19:** Requests for information – International

International	July 2023 to June 2024	July 2022 to June 2023
Requests made	248	302
Requests received	162	131

### Local stakeholders

The below table illustrates the number of requests for information attended by the Commission to and from local counterparts:

**Table 20:** Requests for information – Local

Local	July 2023 to June 2024	July 2022 to June 2023
Requests made	44	48
Requests received	151	177

## CISNA SECRETARIAT

The Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) was established in 1998 under Annex 10 of the SADC Protocol on Finance and Investment. CISNA reports to the SADC Committee of Ministers of Finance and Investment. The CISNA membership comprises 27 Member Authorities from 14 SADC Member States, who are responsible for the regulation and supervision of the non-banking financial services in their respective jurisdictions. One of CISNA's roles is to strive to ensure that all regulatory frameworks for non-banking financial services within SADC are harmonised and comply with international best practices, standards and principles in line with the relevant international standard setting bodies.

## DATA PROTECTION

The Commission handles a huge amount of personal data and is strongly committed to data security of its employees and licensees. The regulator, as Data Controller, complies with Data Protection laws and best practices and has taken steps to reinforce data security and address the increasing risk of data breaches.

The Data Protection Unit has proactively conducted several awareness programmes to sensitise staff against the risks of leakage of data and the criminal and reputational consequences of data breaches. It has also provided timely data protection advice to all clusters, whenever required, to enable continuous compliance with data protection laws. There has been no incidence of breach reported during the period under review.

# HUMAN RESOURCES

The FSC Mauritius relies on its people's talent, enthusiasm, engagement and commitment to maintain the good repute of the Mauritian IFC. The knowledge, expertise, abilities, skill sets and experience of staff are pivotal in order to remain proactive to face the challenges in this vibrant financial sector environment.

## Attracting Talent

During the year under review, the Commission continued to focus on strengthening its staff level and appointed 28 employees. The total staffing of the FSC Mauritius as at 30 June 2024, stood at 337 employees.

The movement of employees during the year under review is provided as per table below.

**Table 21:** Movement of employees as at 30 June

Job Family	New Recruits		Leavers		Number of Officers	
	2024	2023	2024	2023	2024	2023
Executive	1	0	1	2	19	19
Technical	32	6	12	6	261	241*
Administrative	0	0	10	1	12	22*
Support	5	0	4	1	45	44
<b>Total</b>	<b>38</b>	<b>6</b>	<b>27</b>	<b>10</b>	<b>337</b>	<b>326</b>

\*Include movement in Job Family

## Performance Based Culture

The FSC Mauritius believes that a well-designed performance management system plays a crucial role in streamlining the activities of its employees for realising the ultimate corporate mission, vision and strategic objectives. The performance management system is geared towards building a performance-focused culture. Performance management also facilitates improvement of quality of relationship among the members of staff by encouraging sharing of expectations and building a climate of openness and mutuality.

## Building Expertise

The FSC Mauritius believes that an effective learning and development system grounded in organisational needs, provides a sound basis for individual career planning and development. The Commission ensures that its people have the right balance of both technical and behavioural competencies to address the challenges of a financial services regulator. The Commission has implemented a number of strategies to address the capacity building needs of its staff and ensured that training is imparted to staff on a continuous basis.

A summary of trainings/seminars/conferences and meetings attended by staff during the year 2023/24 with the number of contact hours are provided in table below:

**Table 22:** Summary of training sessions and contact hours

Type	Number of Trainings	Contact Hours
<b>In-house</b>	56	4,492
<b>Local</b>	53	1,071
<b>Overseas</b>	36	1,712
<b>Total</b>	<b>145</b>	<b>7,275</b>

Some of the training sessions attended by staff are as follows:

### **Cambridge Centre for Alternative Finance – SupTech Week**

The FSC Mauritius participated in the virtual 'SupTech Week' which was organised by the Cambridge Centre for Alternative Finance from 04 – 07 December 2023. The four-day virtual gathering served as a platform for sharing ideas, research, solutions, and insights on the digital transformation of financial supervision, driving collaboration across the ecosystem.

### **Financial Sector Conduct Authority 2023 Familiarisation Programme**

The FSC Mauritius participated in the Financial Sector Conduct Authority (FSCA) 2023 Familiarisation Programme which was held from 21-24 November 2023 in South Africa. The conference provided the opportunity for regulators to share and learn from each other's best practices and challenges in regulating and supervising the financial services industry within the SADC region.

### **Workshop on 'Anti-Money Laundering/Counter-Terrorist Financing Regulation of Virtual Assets and Virtual Asset Service Providers'**

Staff of the Commission attended a virtual workshop on 'Anti-Money Laundering/Counter-Terrorist Financing Regulation of Virtual Assets and Virtual Asset Service Providers' which was organised by IOSCO Asia Pacific Hub in collaboration with the Financial Action Task Force (FATF) on 01-02 April 2024. The workshop discussed IOSCO's Policy Recommendations on Crypto and Digital Asset Markets and how they relate to FATF's Recommendations.

### **Workshop on Blockchain and Asset Tokenization of Real-World Assets**

The FSC Mauritius hosted a workshop on 'Blockchain and Asset Tokenization of Real-World Assets' which was conducted by the Mauritius Institute of Directors (MloD) on 21 May 2024. The objectives of the workshop were to empower businesses to understand and use more or consider using blockchain technology more through the use cases of asset tokenisation and emphasized the importance of strategic coordination and deliberate efforts in aligning with international standards.

### **Climate and Environmental Risks Online Course**

The Commission also participated in the 'Climate and Environmental Risks' online course which was organised by the Bank for International Settlements and the Network for Greening the Financial System from 02 May – 26 June 2024. The online course covered the fundamentals of climate and environmental risks supervision and included topics such as climate-related and environmental risks, corporate governance, risk assessment, disclosure and supervisory tools and techniques.

### **Online Training on Cyber Threat Intelligence**

The FSC Mauritius participated in an online training on 'Cyber Threat Intelligence' which was organised by the Computer Emergency Response Team of Mauritius on 25 – 28 June 2024. This course was designed to introduce in-depth concept of cyber threat intelligence and provided participants with the practical experience to gain cyber threat intelligence skills required to make security teams better, threat hunting more accurate, incident response more effective, and organisations more aware of the evolving cyber threat landscape.

## **Review of Salary and Terms and Conditions of Employment**

During the year under review, the FSC Mauritius carried out a review of its pay and conditions of employment.

## HUMAN RESOURCES

### Young Graduate Development Programme

The Young Graduate Development Programme (YGDP) was launched in 2008, the FSC Mauritius continued in its endeavour with the YGDP to ensure the availability of qualified and trained manpower to meet the forthcoming needs of the Commission as well as the sector. The aim is to provide young graduates a unique opportunity to gain exposure and experience with regards to regulatory matters. The programme is designed to give graduates valuable work-based experience which will help them prepare for future employment in the financial services sector. A batch of 12 trainees was enrolled by the Commission during the year under review.

### BoM – FSC AML/CFT Graduate Programme

The BoM – FSC AML/CFT Graduate one-year programme aimed at attracting young graduates to provide them with a unique development opportunity as well as insight on AML/CFT and related regulatory and industry matters. During the year under review, a second batch of 7 trainees was enrolled on the programme.

### Engaging Employees – With Our People

#### Employee Welfare, Wellness and Work-Life Balance

The FSC Mauritius is committed to fostering a healthy work-life balance and promoting a culture of health and well-being within the organisation. To this end, the Commission annually organises a variety of initiatives and activities designed to support the physical and mental wellness of its employees.

#### Health and Wellness Month

In line with its policy to cater for the health and well-being of its staff, the FSC Mauritius organised a series of initiatives and activities to encourage a healthy work-life balance at the workplace and cultivate a culture of health and well-being. In this context, a Health and Wellness Month was held in October 2023. A series of health and wellness activities was conducted as follows:

Themes
Talk on 'Health and Wellness'
Awareness session on 'First Aid at Home'
Talk on 'Stress Management'
Talk on 'Endometriosis'
Awareness session on 'Diabetes'
Session on 'Benefits of Yoga'
Talk on 'Healthy eating and meal planning'
Medical check-up package provided to all staff
Football Competition

#### Annual Blood Donation Day

The Commission held its annual Blood Donation Day in collaboration with the State Trading Corporation. During this event, staff, licensees, and other corporate bodies within the vicinity of Ebene were invited to participate in this life-saving initiative with the collection of 113 pints.

### **In-House Wellness Facilities**

To promote and encourage a healthy lifestyle, the FSC Mauritius provides employees with access to a fully subsidised, well-equipped in-house gym. In addition, the Commission ensures the daily distribution of fresh fruits to all staff members. Regular Zumba sessions and football matches are also organised to promote physical activity and team bonding.

### **Celebration of International Women's Day 2024**

In celebration of International Women's Day on 08 March, the FSC Mauritius organised a talk on the theme "Inspire Inclusion" on 29 March 2024. A token of recognition was presented to each female employee to honour and appreciate the contributions of the women staff.

### **Celebration of Independence Day of Mauritius**

The 56th Anniversary of the Independence of Mauritius and the 32nd Anniversary of the Republic of Mauritius were celebrated on 11 March 2024 at the FSC House. This event was a tribute to the nation's journey and achievements, fostering a sense of national pride and unity among the staff.

## REGIONAL CENTRE OF EXCELLENCE

In line with its capacity building objectives, the Regional Centre of Excellence (RCE) of the FSC Mauritius hosted four workshops in collaboration with the OECD, namely on:

- Digital Finance in Africa
- Integrity, sustainability and transparency in the financial system
- African AI and blockchain policy forum
- Sovereign debt management, sustainable bonds and debt transparency

### **Policy workshop on Digital Finance in Africa**

The two-day policy workshop delved into innovation, Fintech lending and Open Finance and was attended by 600 participants, both virtually and physically from 17 different countries.

The workshop explored the following themes:

- The limits of DeFi for financial inclusion
- Artificial Intelligence in finance
- Fintech lending in Africa
- Open Banking and Open Finance in Africa

### **Workshop series on Integrity, sustainability and transparency in the financial system**

The three-day workshop was attended by 1,190 participants from 50 countries. The workshop focused on Anti-corruption: Strengthening integrity efforts through inter-agency coordination, Sustainable finance: Trends and developments in African markets and policies, and Risk-based due diligence in the financial sector.

### **Policy Forum on African AI and blockchain**

This two-day hybrid workshop delved into the latest international analysis and key policy developments to support domestic and regional responses that guided responsible innovation within these two technologies while mitigating key risks. The workshop was attended by around 460 participants, both virtually and physically from 12 different countries.

### **Workshop on Sovereign debt management, sustainable bonds and debt transparency**

This two-day hybrid workshop explored sovereign debt management practices including challenges, risk mitigation techniques and sovereign sustainable bond issuance, debt transparency. The workshop was attended by around 422 participants, both virtually and physically from six different countries.



# ENFORCEMENT DIRECTORATE



## **ESG Environmental Goal:**

Take urgent action to combat climate change and its impact.



## ENFORCEMENT DIRECTORATE

Financial misconduct has far-reaching consequences on consumers and investors' confidence in the financial services sector, posing a threat to the Mauritius International Financial Centre. A robust enforcement regime remains the cornerstone for the effectiveness of any regulatory or legal framework. The ED plays a crucial role in supporting the Commission to meet its statutory objectives of ensuring the sound conduct of business in the non-banking financial services sector and global business sector in Mauritius.

The FSC Mauritius has the power to conduct investigations of potential breaches of the relevant laws, licensing conditions or directions issued to licensees. In addition, the Commission is empowered to conduct special investigations and take actions against unlicensed / unauthorised persons engaged in licensable activities and those engaged in fraudulent activities and scams related to financial services.

The main enforcement powers of the FSC Mauritius are as follows:

- issuing directions;
- suspending licences;
- revoking licences;
- disqualifying licensees from holding licences;
- disqualifying officers from holding positions in licensees;
- issuing private warnings;
- issuing public censures; and
- imposing administrative penalties.

### Focus for the Year 2023/24

For the year under review, the protection of consumers of financial services, against unscrupulous entities and individuals, remains high on the FSC Mauritius' agenda. Indeed, the Commission has multiplied its effort to raise awareness among the public and investors with respect to risk posed by dealing with unauthorised entities by issuing alerts / communiqués. It has also deployed a range of enforcement actions to sanction offenders aiming at promoting good conduct and lawful behaviour in the financial services industry.

### Key Areas of Activity

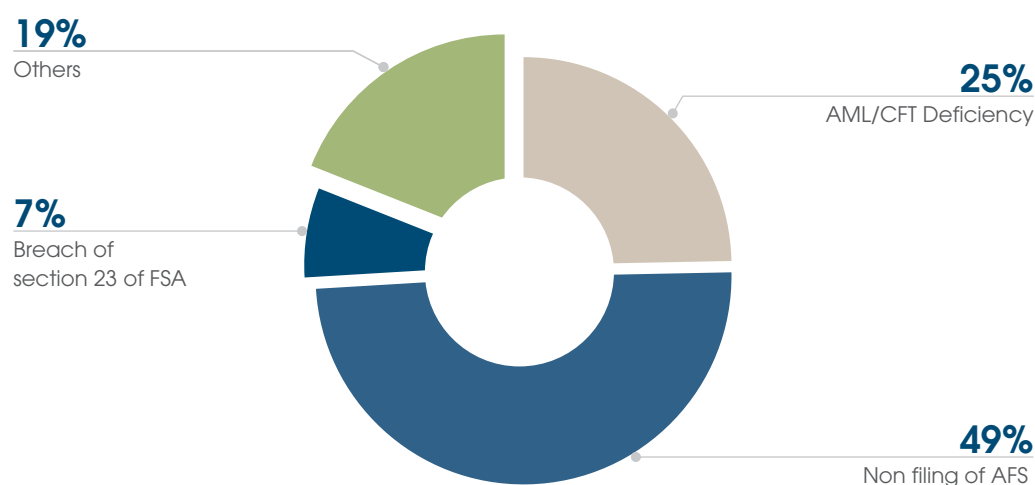
During the year under review, the Commission has continued engaging with its licensees to ensure that they remain compliant with the AML/CFT laws in Mauritius. In cases of persistent non-compliance or serious breaches, effective and dissuasive sanctions have been imposed.

### Referral of Cases

During the year under review, 147 cases were referred to the ED, out of which the majority related to non-filing of AFS followed by AML/CFT related cases.

## ENFORCEMENT DIRECTORATE

**Figure 4:** Breakdown of cases referred to ED



### Investigations / Inquiries

During the year under review, the ED carried out 13 investigations / inquiries, some of which were complex in nature and involved a range of suspected misconduct by firms and individuals. The increased use of digital communication and digital devices has undeniably heightened the complexity of investigations. The Commission has set up an in-house Digital Forensics unit, for the preservation of digital evidence which is crucial to establish the modus operandi of unlawful activities, frauds and misconducts.

### Enforcement Actions

For the year 2023/24, 44 show cause letters were issued to notify licensees of the intention of the Chief Executive of the Commission to refer them to the EC pursuant to the provisions of Section 53(1) of the FSA. In addition, the ED also issued 78 show cause notices to licensees certifying them of the intention of the FSC Mauritius to issue a direction.

The table below shows the number of additional enforcement actions taken during the year.

**Table 23:** Number of enforcement actions taken

Type of Enforcement Actions	July 2023 to June 2024	July 2022 to June 2023
Directions issued	4	43
Revocation of licence	5	3
Termination of Licence	1	-
Public Censure	2	-
Administrative Penalty	3	5
Disqualification of officers	3	-

The FSC Mauritius applies disciplinary sanctions on its licensees as necessary. Each case is assessed on its own merits to determine whether a disciplinary sanction is warranted. With a view to promote a positive behavioural change, eight strong letters were issued to licensees during the period under review for minor breaches.

In line with its policy to adopt a fair and transparent approach, the FSC may seek further information, under Section 42 of the FSA, to determine whether a matter warrants any enforcement action by the Directorate. Consequently, six requests for information were made under Section 42 of the FSA to licensees during the period under review.

## Referral of matters to the EC

The EC is empowered to exercise the disciplinary powers of the FSC Mauritius under Section 7(1)(c) of the FSA about matters referred to it by the Chief Executive. During the period under review, the Commission referred 11 entities and four individuals to the EC.

## Referral of matters to the SC

Settlement is an avenue for licensees to resolve their cases by way of mutual agreement where enforcement actions are being contemplated by the Commission. Any licensee, who is subject to disciplinary proceedings by the Commission and who wishes to resolve matters through settlement, should submit its application in writing to the Chief Executive of the Commission. In assessing whether to accept a request for settlement, the Chief Executive will take into consideration numerous factors, including the gravity of the breaches committed and the attitude of the licensee.

Once a matter is referred to the SC, the latter may exercise the disciplinary powers of the Commission under Section 7(1)(c) of the FSA to impose an administrative sanction on a licensee. During the period under review, the Commission referred three cases to the SC which were resolved by way of mutual agreement with the licensees.

## Publication of the Enforcement Outcomes

The publication of enforcement outcomes aligns with the Commission's commitment to maintain an open and transparent process. It publishes its enforcement outcomes in such form and manner as it considers appropriate having regard to the interest of the public.

## Intelligence

The Commission receives request for information (RFI) from the three main local law enforcement agencies (LEAs) namely the Financial Intelligence Unit (FIU), the Financial Crimes Commission (FCC) and the Mauritius Police Force (MPF). The ED serves as the first point of contact between the Commission and the aforementioned LEAs whereby information and data are received, assessed and disseminated in an effective manner while ensuring confidentiality throughout the process. For the year 2023/24, the ED received 52 RFIs and made 24 RFIs from and to the domestic counterparts as per table below:

**Table 24:** Number of requests received and made by LEAs

Law Enforcement Agency	Requests received	Requests made
FIU	21	6
FCC	14	5
MPF	17	13

## ENFORCEMENT DIRECTORATE

### **Complaints & Investor Alerts**

In line with its mandate to take measures for the better protection of consumers of financial services under Section 6(m) of the FSA, the FSC Mauritius has in place a mechanism to attend to complaints from the public in a timely and effective manner. Complaints are received through its website, referral from local and overseas counterparts as well as walk-in complainants. During the period under review, the ED has received 427 grievances from the members of the public.

In addition, the Commission safeguards the interest of the consumers of financial services through the publication of alerts and communiqués against fraudulent activities and scams related to financial services. For the year 2023/24, 29 investor alerts were issued against unauthorised entities, individuals and unregulated Virtual Asset Service Providers (VASPs).

During the period under review, the FSC Mauritius has issued one general alert and three communiqués to promote public awareness and/or inform the public. Moreover, in five instances, the ED has sought the assistance of the Computer Emergency Response Team of Mauritius to pull down the website links with a view to safeguard the interest of the consumers of the financial services.

### **Collaboration with local LEAs and overseas counterparts**

The FSC Mauritius continuously works closely with LEAs and other regulatory authorities within and outside Mauritius, in its efforts to collaborate and gather evidence for purpose of establishing breaches of the law, leveraging on the various bilateral and multilateral MoUs in place.

During the year under review, the Commission has:

- referred 23 cases relating to suspected fraud and unauthorised entities / individuals soliciting the public for investment to LEAs in Mauritius.
- referred 20 cases to international LEAs for unauthorised solicitation of investment by entities; and
- made four requests for assistance to overseas regulators.

# AML/CFT DIRECTORATE



## ESG Social Goal:

Ensure healthy lives and promote wellbeing  
for all at all ages.







## AML/CFT DIRECTORATE

In an increasingly interconnected global economy, the risks associated with ML and the financing of terrorism have become more complex and pervasive. Given the transnational nature of ML and TF risks, it is imperative for the FSC Mauritius to remain vigilant and proactive to protect the financial services sector and global business sector.

As a key and active member of the Core Group on AML/CFT and National Committee on AML/CFT, the FSC Mauritius effectively contributes to the national AML/CFT policy formulation and implementation of AML/CFT/CPF risk-based measures. The Commission ensures that necessary and adequate measures are undertaken to maintain a robust and comprehensive regulatory framework aligning with international standards set forth by the FATF.

To this effect, the FSC Mauritius strives to continuously demonstrate improved compliance with the FATF Standards through the sustained application of an effective risk-based supervisory framework. Moreover, the FSC Mauritius has actively participated in the review of the current NRA exercise and on the amendments to legislative framework for the year under review.

### **The AML/CFT Supervisory Framework of the Commission**

#### **FSC Mauritius AML/CFT Risk Based Supervision**

Since 2019, the Commission has adopted a risk-based approach to its AML/CFT supervision through the implementation of a robust RBS Framework for its FIs. To this effect, the FSC Mauritius completed its fourth supervision plan for cycle 2023/24, which included a combination of onsite and offsite inspections. Subsequently, the Commission adjusted the risk level of the FIs and devised the supervision plan for cycle 2024/25 targeting approximately 600 FIs for both onsite and offsite supervision.

#### **Use of Technology for RBS**

Since its implementation, the FSC One Platform has enhanced the conduct of both onsite and offsite AML/CFT supervision. It allows the Commission to enhance oversight, monitoring, and facilitate trend analysis for a better informed and judgement-based AML/CFT supervisory regime. The platform allows licensees to submit regular AML/CFT documentations in a more organised and structured format, and for inspectors to have access to information and record their findings in a more efficient way.

#### **RBS of VASPs**

Mauritius is the first country in Africa to have adopted a comprehensive legal framework to license the VASPs and has implemented a robust licensing regime to mitigate risks associated with virtual assets (VAs) and VASPs. The ML and TF threats and vulnerabilities within the VA sector was also assessed by Mauritius in November 2021. Subsequently, the country was upgraded to a technical compliance rating of Largely Compliant with FATF Recommendation 15 since 2022.

The FATF recognises the need for up-to-date global standards enabling smart financial sector regulation that both addresses risks and promotes responsible innovation. Similarly, the FSC Mauritius is strongly committed to keeping abreast of innovative technologies which can help identify risks and focus compliance efforts on existing and emerging challenges without overlooking the importance of manual review and human input.

Aligning with international practices, the Commission revisited its RBS methodology to cater for the specificities of the VA sector in consideration of the outcome of the NRA. The information gathered from the Offsite Monitoring Questionnaire (OMQ) for VASPs allowed the Commission to have an initial appraisal of their internal controls and to determine the intensity and frequency of AML/CFT supervision aligning with the risks identified. It also ensures the VASPs' AML/CFT programmes comply with regulatory requirements and are effectively mitigating the relevant risks.

## AML/CFT DIRECTORATE

### Onsite Inspections

In view of its fourth supervisory cycle 2023/24, the Commission devised its supervision plan taking into consideration the updated risk distribution of regulated entities based on the result of the previous supervisory engagements and the outcomes of the OMQ. The FSC Mauritius conducts either targeted (for high risk and medium risk rated FIs) or full scope (for very high risk rated FIs) inspections. For the supervisory cycle 2023/24, the Commission conducted 334 onsite inspections and the sectoral breakdown of the number of inspections carried out is as follows:

**Table 25:** Sectoral breakdown of the number of onsite inspections in the supervisory cycle 2023/24

Sector	Number of inspections
TCSP	47
CM	54
Investment Funds	205
Fintech	4
Insurance and Pensions	24
<b>Total</b>	<b>334</b>

In furtherance, as part of its continuous enhancement of the RBS process, the FSC Mauritius has embarked on the exercise of updating its Risk Based AML/CFT Supervision Compliance Inspection Manual. This exercise aims at providing greater consistency between supervisory approaches and assessment methods adopted by inspectors for the 2024/25 supervisory cycle.

### Offsite reviews

For the supervisory cycle 2023/24, the AML/CFT Directorate conducted 431 offsite reviews for the low risk rated entities in line with the RBS Framework. This review covers the assessment of four parameters notably risk assessment, policies and procedures, beneficial ownership and independent audit.

The following table provides the sectorial breakdown of the number of offsite reviews carried out during the supervisory cycle 2023/24:

**Table 26:** Sectorial breakdown of number of offsite reviews in the supervisory cycle 2023/24

Sector	Number of offsite reviews
TCSP	20
CM	130
Investment Funds	266
Insurance	8
Fintech	7
<b>Total</b>	<b>431</b>

## **Outreach and Awareness Sessions**

Considering the rapid developments in the AML/CFT realm, capacity building of the financial industry remains an integral component of the FSC Mauritius to ensure its licensees are up to par in understanding emerging trends and pertinent AML/CFT matters. The annual AML/CFT outreach plan is devised by focusing on areas where more guidance is required, based on supervisory findings, analysis of feedback forms and updates by the FATF.

For the year 2024, the FSC Mauritius has been nominated as co-chair for the Technical Sub-Committee on Legal and Regulatory Requirements, Training and Outreach under the aegis of the Interagency Coordination Committee (ICC TSL). This sub-committee conducts joint outreach to ensure FIs and Designated Non-Financial Businesses and Professions (DNFBPs) have a common understanding of the AML/CFT requirements. During the year 2023/24, the FSC Mauritius participated in all five outreaches organised by the ICC TSL and hosted three of them virtually and in hybrid mode.

In view of the amendments made to FATF Recommendation 8 and focusing on charitable trusts, the Commission organised a virtual outreach to its licensees in December 2023.

For the year under review, 654 licensees benefited from the six outreach sessions organised by both the Commission and the ICC TSL.

### **Engagement with Licensees**

In line with its supervisory engagements, the FSC Mauritius ensures that stakeholders are continuously updated and kept abreast of latest developments in international best practices.

## **FATF Guidance on Beneficial Ownership for Legal Persons and Beneficial Ownership and Transparency of Legal Arrangements**

Following the recent revisions made to FATF Recommendations 24 and 25 on Transparency and Beneficial Ownership of Legal Persons and Legal Arrangements, the FATF updated the relevant risk-based guidance for these recommendations. Consequently, on 10 June 2024, the FSC Mauritius published the respective guidance on its website for dissemination to its licensees.

### **The FATF Guidance on Beneficial Ownership for Legal Persons**

The Guidance aims to assist countries in identifying, designing, and implementing appropriate measures in line with the revised Recommendation 24. This helps countries in preventing the misuse of legal persons for criminal purposes and ensuring transparency of beneficial ownership.

### **The FATF Guidance on Beneficial Ownership and Transparency of Legal Arrangements**

Following revisions to FATF Recommendation 25 in February 2023 on beneficial ownership and transparency of legal arrangements, the FATF updated its risk-based guidance for this recommendation in March 2024. The Guidance aims to assist countries and the private sector to better understand how transparency requirements apply to legal arrangements.

## AML/CFT DIRECTORATE

### **FATF best practices paper on combatting the terrorist financing abuse of Non-Profit Organisations**

In October 2023, the FATF revised its Recommendation 8 and Interpretive Note to Recommendation 8 to improve clarity and consistency of language and to further exemplify the requirements. The FATF best practices paper on combatting the TF abuse of Non-Profit Organisations was subsequently updated in November 2023 to reflect the amendments. The FSC Mauritius published the updated paper on its website to apprise its licensees of the changes made to Recommendation 8.

### **Participation in Committees related to AML/CFT**

#### **Inter-Agency Coordination Committee**

The Inter-Agency Coordination Committee (ICC) was established in August 2020 pursuant to the Memorandum of Cooperation which was entered into by all AML/CFT supervisors in Mauritius. Its aim is to facilitate policy formulation, exchange of information and operational coordination to effectively combat ML, TF and PF.

During the year 2023/24, five outreach sessions and eight training sessions were proactively organised under the aegis of the ICC TSL with the participation of resource persons from the AML/CFT supervisors. Alongside its mandate of conducting capacity building initiatives, the ICC TSL is also mandated to look into legal requirements. To this effect, it conducted a benchmarking exercise on the qualifications and experience requirements for MLRO / DMLRO in other countries.

#### **AML/CFT Working Group under BoM / FSC Mauritius Joint Coordination Committee**

The AML/CFT Working Group was established to discuss cross cutting issues and coordinate responses and implications in the AML/CFT sphere. It has proven to be an effective platform to continuously share supervisory findings on a regulator-to-regulator basis. In addition, it conducts joint AML/CFT onsite inspections of FIs licensed by both authorities on an annual basis to discuss areas of common interests and the risk profile of FIs.

#### **MF – FSC Mauritius AML/CFT Sub-committee**

The MF – FSC Mauritius AML/CFT Sub-Committee has, as main objective, the coordination and collaboration on AML/CFT matters. During the year 2023/24, the sub-committee held two meetings aimed at addressing challenges and regulatory concerns and enhancing AML/CFT practices within the financial sector.

### **NRA Exercise**

The NRA exercise, using the World Bank methodology, is underway. A virtual workshop and an onsite workshop were held in July 2023 and December 2023, respectively, with the World Bank to discuss the findings of the ML and TF threats and vulnerabilities assessed by the FSC Mauritius. The onsite workshop witnessed the participation of all the relevant stakeholders from the financial services sector as well as DNFBPs, including the law enforcement agencies, the FIU and the representatives of the private sector. The findings of the NRA exercise will assist the Commission in updating its understanding of the risks and to strengthen its risk-based approach to AML/CFT supervision.

## **Risk Assessment Exercise of Legal Persons and Legal Arrangements**

In line with FATF Recommendations 24 and 25, Mauritius is currently reviewing the ML and TF risks associated with legal persons and legal arrangements in the jurisdiction. Mauritius has adopted a consistent methodology for the risk assessments, using the World Bank methodology. Once completed, the findings of the risk assessment will be published to illustrate the ML and TF risks identified regarding legal structures and the mitigating measures and controls that should be put in place to mitigate those risks.

The risk assessment exercise provides an opportunity for Mauritius to deepen its understanding of the ML and TF risks posed by legal persons and legal arrangements having a link with the country as well as enhancing institutional coordination to ensure that Mauritius implements an effective AML/CFT system, which meets international standards. In addition, the results of the risk assessments will serve as a foundation to develop and implement risk mitigation measures against the misuse of each type of legal person and legal arrangement, both at the level of FSC Mauritius and licensees.

## **Participation in ESAAMLG work**

ESAAMLG is a FATF Regional Body subscribing to global standards to combat ML, TF and PF. It comprises 21 member countries in the eastern and southern African region, including Mauritius. The FSC Mauritius participated in the 46<sup>th</sup> and 47<sup>th</sup> Task Force of Senior Officials Meetings held in Botswana and Angola in September 2023 and April 2024 respectively.

### **Enhanced Follow-Up**

Mauritius remains rated Compliant or Largely Compliant on all 40 FATF Recommendations since the last upgrade on technical compliance in September 2022. As of June 2024, Mauritius has submitted seven enhanced follow-up reports to the ESAAMLG since the publication of the Mutual Evaluation Report in 2018. The report details the progress made by the relevant competent authorities, including FSC Mauritius, in addressing the recommended actions under the Mutual Evaluation Report and improving the level of effectiveness across the eleven immediate outcomes.

### **ESAAMLG Projects**

The Commission has been involved in key projects aimed at assisting ESAAMLG member countries to effectively implement AML/CFT standards. To enhance compliance with FATF Recommendations 24 and 25, a tool kit was developed by ESAAMLG for assessing ML/TF risks of Legal Persons and Arrangements. The toolkit aims at assisting ESAAMLG member countries to assess ML/TF risks inherent in legal structures in their respective jurisdictions and to comply with the requirements of the FATF Recommendations 24 and 25.

In addition, in view of sharing the experience on exiting the International Cooperation Review Group (ICRG) process following grey listing by the FATF, Mauritius (as a member and chair of the working group) contributed to the development of a toolkit on Best Practices and Lessons to Successfully Exit the FATF ICRG Process.

Mauritius is a member of the Fintech Project Team which conducted a Survey on the Opportunities and Challenges posed by Fintech Products, particularly VAs in the ESAAMLG region, and their impact on financial integrity. The aim of the study is to ensure ESAAMLG's 20 Jurisdictions are well versed with VAs and the services of VASPs. The results and recommendations of the project were presented and adopted at the ESAAMLG 47<sup>th</sup> Task Force of Senior Officials' Meeting where the report was subsequently adopted.

## AML/CFT DIRECTORATE

### **Forthcoming Mutual Evaluation**

Mauritius will be assessed by ESAAMLG for its next mutual evaluation in 2027, during which the jurisdiction will be called upon to demonstrate effectiveness of its AML/CFT system. The previous Mutual Evaluation Report of Mauritius in 2018 identified certain strategic shortcomings in our AML/CFT regime. The Commission along with other stakeholders in the financial services sector have been working towards addressing the identified deficiencies as well as ensuring compliance with the FATF Recommendations.